

Crown Solicitor's Office

Annual Report

2021-2022



We acknowledge the Traditional Custodians of the land on which we live and work. We pay particular respect to the Gadigal people, whose land on which the Crown Solicitor's Office sits.

We pay our deepest respects to Aboriginal elders past, present and emerging. We recognise the stories, traditions and living cultures of Aboriginal and Torres Strait Islander peoples.

We commit to fostering a culture of learning from and working with Aboriginal and Torres Strait Islander peoples in the spirit of reconciliation.

CONTACT

NSW Crown Solicitor's Office

60-70 Elizabeth St Sydney NSW 2000 | GPO Box 25 Sydney NSW 2001

e crownsol@csso.nsw.gov.au

t 02 9474 9000

Monday to Friday, 8:30am to 5.30pm

27 October 2022

The Hon Mark Speakman SC MP
Attorney General
52 Martin Place
SYDNEY NSW 2000

Dear Attorney General

I am pleased to submit for presentation to Parliament the annual report of the NSW Crown Solicitor's Office for the period 1 July 2021 to 30 June 2022

The report has been prepared in accordance with the *Annual Reports (Departments) Act 1985*.

Yours faithfully

A handwritten signature in black ink that reads "Karen Smith". The signature is written in a cursive, flowing style.

Karen Smith
Crown Solicitor

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Crown Solicitor's message

I am pleased to share the annual report for the Crown Solicitor's Office (CSO) for the financial year ended 30 June 2022.

The year was not without its challenges as we responded to the ongoing impacts of the global COVID-19 pandemic and environmental disasters impacting the State and the country. I am deeply grateful for the unwavering commitment that CSO staff have shown in delivering high-quality and cost-effective legal services to our clients – the NSW Government and its agencies.

The CSO has continued to focus on providing clear and authoritative legal advice and resolving legal disputes efficiently and effectively for our clients, including advising on new and interesting matters related to the various COVID-19 Public Health Orders.

We delivered our annual CPD Conference and our second NSW Government Solicitors' Induction Training via livestream for clients. We also hosted two separate livestreams on the impacts of COVID-19 vaccination mandates and privacy law related developments.

The CSO achieved a net surplus of \$5.2M, \$2.4M higher than the budgeted \$2.8M. The office will make a distribution payment of \$0.8M from the distributable operating surplus, as approved by the Treasurer. Revenue of \$74.6M was materially on budget of \$74.3M, and \$3.4M higher than 2020-21. The volumes of work in each legal practice group remained broadly in line with the previous year and budget.

Looking ahead, we will direct our resources and effort on activities aligned with the CSO core values of high quality and cost-effective legal services, client focus, and a culture of continuous improvement. We will continue to build on our initiatives for growing non-core legal work.

Central to the delivery of our legal services are the excellent legal and support staff who work at the CSO. The CSO comprises a diverse range of capable and committed professionals who help to solve complex legal problems for our clients.

One of the things I have been most proud of during 2021-22 is the way we are more effectively using our knowledge and expertise to collaborate and support each other, to strive together to provide the highest quality legal services for our clients.

Karen Smith
Crown Solicitor

Highlights 2021-2022

3,641

New matters opened.

\$5.2M

Net surplus.



Partnered with Ngalaya Indigenous Corporation to implement a mentoring program for Indigenous graduates.

Partnered with CareerSeekers to offer employment to university students who are asylum seekers or refugees.



Participated in the Positive Action towards Career Engagement (PACE) Mentoring Program, connecting students and jobseekers with disabilities to mentors from the CSO.



Delivered two major CPD events to over 700 clients: the annual CSO CPD Conference and the NSW Government Solicitors' Induction Training.



Won the 2021 Micro Focus Information Management and Security Award for our work on the Content Manager upgrade to improve our electronic document and records management system.

About the CSO

The CSO is the largest provider of legal services to the NSW Government and its agencies. Our objective is to provide effective and efficient legal advice and representation to our clients, to support them in delivering policies, programs and projects for the people of NSW.

Our strategic direction is guided by the State Outcome, 'effective and efficient resolution of legal disputes.'

The CSO is a public service executive agency under the *Government Sector Employment Act 2013*. The head of the agency, the NSW Crown Solicitor, is the solicitor on the record for legal proceedings when representing the State, agencies, or Ministers.

The CSO is part of the Stronger Communities cluster. The cluster's Principal Department is the Department of Communities and Justice.

Agency aims

- ▶ Deliver high-quality, cost-effective legal services.
- ▶ Provide exceptional customer service to our clients – the NSW Government and its agencies.
- ▶ Foster a culture of continuous improvement in the way we work.

Services

Through her office, the Crown Solicitor is the sole provider of legal services to the NSW -Government in all matters that are regarded as 'core legal work'.

Premier's Memorandum 2016-04 directs that the Crown Solicitor must be engaged by government agencies (subject to that Memorandum) to perform such work.

A matter constitutes core legal work where: the best interests of the NSW Government as a whole require a single source of authoritative legal advice and central management; or it relates to the statutory or common law functions of the Attorney General.

Approximately 70% of the CSO's work is core legal work, performed at cost recovery rates. The Crown Solicitor's legal fees and disbursements for core legal work are met from the Attorney General's Legal Fund, unless some other source of funding is available, such as the Treasury Managed Fund (TMF).

The legal services provided by the CSO include legal advice, representation in litigation, representation at inquests and other inquiries, negotiating property and commercial transactions, drafting documents and agreements, including intergovernmental agreements, assisting Royal Commissions and other inquiries, and preparing publications and training for government agencies.

The CSO competes with the private sector to deliver non-core legal work to government agencies, including under the new icare legal services panel and alongside the NSW Government Legal Services Panel.

Clients

Under s.44 of the *Legal Profession Uniform Law Application Act 2014*, the Crown Solicitor may act as solicitor for:

- the State of NSW
- a person suing or being sued on behalf of the State of NSW
- a Minister of the Crown acting in his or her official capacity
- a body established by an Act or other law of NSW
- a statutory officer or employee of the Public Service or any other service of the State of NSW or of a body established by an Act or other law of NSW
- a person holding office under an Act or other law of NSW or because of the person's appointment to that office by the Governor or a Minister of the Crown
- any other person or body, or any other class of persons or bodies, approved by the Attorney General.

The Crown Solicitor does not provide legal services to the general public.

Key priorities and initiatives

During 2021-22, our key priorities included growing non-core revenue while controlling costs, ensuring all core legal work is performed cost effectively in accordance with the core legal work guidelines, and supporting our people so that we have a healthy, resilient and engaged workforce.

We identified several strategic initiatives to focus on in 2022-23 to ensure we continue to provide high quality legal advice and representation. The Non-Core Working Group (NCWG), established in March 2021, identified opportunities to increase the volume and range of non-core legal work performed by the CSO. The NCWG developed 8 key initiatives that will be pursued by the CSO over the next year, including: reinvigorating the CSO's Key Relationship Manager (KRM) arrangements; progressing secondment arrangements; and developing key enablers within the office. Other strategic initiatives include:

- increasing awareness of the CSO's expertise in key areas
- providing support for client relationship skill development
- identifying and implementing workstream-specific initiatives
- enhancing knowledge management and information sharing
- embedding digital-first practices and ensuring business support aligns with our business requirements
- ensuring appropriate resource profile for growth
- implementing a revised wellbeing framework, including enhanced proactive measures focussed on staff wellbeing.

Sustainability

The CSO pursues a digital-first strategy to reduce the need for printing, power, multi-function devices and physical archive storage.

The CSO's integrated electronic practice management system (Elite) replaced paper-based and partially computerised legacy systems in December 2019. The use of applications such as Kiteworks, Dekko and Sharepoint for digital document exchange further reduces the need for printing documents. Paper consumption dropped by two-thirds in the first 18 months of implementing these new digital solutions.

The CSO's sustainable office management priorities include recycling all photocopier/printer toners with Close the Loop, purchasing carbon neutral certified copy paper and replacement of single use plastic kitchen items with bio-degradable varieties. The CSO sustainably disposes of laptops and mobile phones.

Where permitted by applicable laws and court rules, the CSO uses digital signatures and document exchange (Adobe Sign).

The CSO leases a portion of a Sydney CBD building and has secured a NABERS rating of 5.5* in the most recent review (valid until February 2023) and ensures that new appliances meet the minimum star rating.

The CSO is on track to meet the Medium Ambition target for emissions reductions from FY18/19 levels.

Legal practice groups

The CSO comprises specialist practice groups including:

Child Protection

Specialises in child protection law in the State and federal jurisdictions, contested and non-contested adoptions and statutory wills for children.

Commercial Law

Delivers targeted, specialist assistance in areas of commercial law that apply to agencies, including government procurement, public finance and Crown copyright. The team also acts in State revenue litigation and provides representation and assistance in sensitive contractual disputes.

Constitutional and Administrative Law

Specialises in constitutional law, intergovernmental agreements, statutory interpretation, administrative law, privacy and access to information.

Employment Law and Industrial Relations

Manages all aspects of employment law and industrial relations in both State and federal jurisdictions, including in relation to workplace discrimination, licensing, and work, health and safety obligations.

Government Law

The Crown Solicitor heads a small practice group focussed on significant government legal issues, including Parliament and executive power.

Inquiries

Specialises in coronial inquests, royal commissions and special commissions of inquiry, and matters concerning investigatory powers and procedures.

Property and Native Title

Provides advice and representation in all native title and Aboriginal land rights matters for the State, as well as property transactions and representation and advice regarding Crown land, compulsory acquisitions and land valuation appeal matters.

Public Interest and Protection

The Public Interest and Protection practice group (formerly known as the Community Law practice group) sits under the newly formed Commercial, Public Interest and Property Law division. It specialises in highly sensitive and complex matters for the State, including public interest immunity claims, charitable trusts, and adult guardianship and non-employment related discrimination matters.

Public Safety and Justice

Provides advice and conducts proceedings including in relation to post-sentence supervision and detention of high-risk offenders, parole, reviews of convictions and allegations of contempt of court.

Regulatory and Environment

Conducts summary prosecutions for environmental and other regulatory offences, and advises regulators on issues including enforcement, criminal law and procedure, and evidence.

Torts (Justice/Law Enforcement Agencies)

Undertakes all aspects of the defence and settlement of civil claims, specialising in claims for intentional torts involving law enforcement and justice agencies, and historical abuse claims.

Torts (Service/Regulatory Agencies)

Specialises in the defence and settlement of civil claims, with a focus on personal injury and negligence actions against health and other state service agencies. The practice group also represents agencies in coronial inquests.

Management and structure

Organisational structure

As at 30 June 2022.

Crown Solicitor, Karen Smith

Divisions

Practice groups

Civil Law

Torts (Justice and Law Enforcement Agencies)

Director, Richard Kelly

Torts (Service and Regulatory Agencies)

Director, Lucy Pinnock (acting)

Commercial, Public Interest and Property Law

Public Interest and Property Law

Assistant Crown Solicitor, Felicity Shaw

Director, Penny Csenderits

Commercial Law

Director, Michael Granziera

Property and Native Title

Director, Jodi Denehy

Inquiries and Criminal Law

Inquiries

Assistant Crown Solicitor, Naomi Malhotra

Director, Alana McCarthy

Public Safety and Justice

Director, Brett Thomson

Regulatory and Environment

Director, Johanna Geddes (acting)

THRO

Director, Enzo Camporeale

Administrative Law, Employment and Child Protection

Child Protection

Assistant Crown Solicitor, John McDonnell

Director, Nick Mitrevski

Constitutional and Administrative Law

Director, Paolo Buchberger

Employment Law and Industrial Relations

Director, Lucy Boyle

Corporate Services

Finance and Support Services

Director, Anna Brennan

Information Management and Technology

Director, David Schneider

People and Transformation

Director (Role vacant)

The CSO Executive

The CSO Executive comprises the Crown Solicitor and three Assistant Crown Solicitors, as at 30 June 2022.

Executive profiles



Karen Smith, Crown Solicitor

Karen was appointed to the role of Crown Solicitor in April 2019. She has spent more than 20 years as a lawyer with various NSW Government agencies. Prior to commencing as Crown Solicitor, Karen was General Counsel and Deputy Secretary at the Department of Premier and Cabinet, with responsibilities encompassing legal, governance and corporate services.

Qualifications: BEc, LLB, LLM



John McDonnell, Assistant Crown Solicitor

John leads the Administrative Law, Employment and Child Protection division. His expertise includes representing State government agencies in relation to statutory interpretation, judicial and merits review, access to information and privacy.

Qualifications: BA, LLB



Naomi Malhotra, Assistant Crown Solicitor

Naomi leads the Inquiries and Criminal Law division. Naomi has over 18 years' experience in government law and litigation, specialising in criminal and inquisitorial proceedings. She previously led, as Director, the CSO's Criminal Law practice group and, prior to that, was Special Counsel in the Inquiries practice group.

Qualifications: BA, LLB (Hons)



Felicity Shaw, Assistant Crown Solicitor

Felicity leads the Commercial and Property Law division. Her prior experience in the public sector (in both state and commonwealth agencies) involved a range of commercial initiatives, including asset divestments and infrastructure projects.

Qualifications: BSc, LLB (Hons), MEL, GAICD

Operations and achievements

Delivering legal services to the State of NSW

The CSO accepted instructions in 3,641 new matters during 2021-22.

Along with providing legal advice and representation to agencies for work that constitutes core legal work,¹ the CSO competes with the private legal profession to perform non-core legal work for government agencies, including through the Government Legal Services and icare panels. Over the year, the CSO continued to provide legal services on major icare panels covering areas including Health, Intentional Torts, Personal Injury and Privacy. This work covers a wide range of NSW agencies including Police, Communities and Justice, Education and Health entities.

Major litigation and representation

During the financial year, the CSO represented NSW agencies in several major matters, including those related to revenue, breach of contract claims, liquor licensing, employment, child protection, adoptions, privacy, the *Government Information (Public Access) Act 2009*, judicial review, valuation of land under the *Valuation of Land Act 1916* and compensation with respect to the compulsory acquisition of land.

The CSO acted for the State of NSW in over 40 Supreme Court applications for extended supervision orders and continuing detention orders under the *Crimes (High Risk Offenders) Act 2006 (CHRO Act)* and the *Terrorism (High Risk Offenders) Act 2017 (THRO Act)*.

We acted for the State in significant matters, including the first successful application for a second extended supervision order under the *THRO Act* (*Hardy v State of New South Wales* [2021] NSWCA 338), and in a High Court proceeding that clarified the common law doctrine of honest and reasonable mistake of fact (*Bell v Tasmania* [2021] HCA 42). We successfully appealed the decision to dismiss an application for an extended supervision order in a matter which clarified the threshold requirements of the *CHRO Act* (*State of New South Wales v Kaiser* [2022] NSWCA 86).

We advised and assisted the State in connection with an appeal to the full Federal Court brought by the ACCC alleging breach of s. 45 of the *Competition and Consumer Act 2010* (Cth) by the State and NSW Ports. The judgement is reserved and is expected to address the principles concerning Crown immunity and derivative Crown immunity.

In addition, the CSO acted for the prosecutor in a range of prosecutions and appeals concerning environmental and other regulatory offences. This included over 20 prosecutions under water legislation for the Natural Resources Access Regulator and Department of Planning and Environment in the Land and Environment Court, Supreme Court, Local Court and Court of Criminal Appeal. This water legislation aims to provide for the sustainable and integrated management of the water sources of the State for the benefit of present and future generations.

Ongoing response to COVID-19, NSW floods and bushfires

The CSO advised and assisted NSW Government agencies on a range of initiatives addressing the social and economic effects of the COVID-19 pandemic and the recent NSW flood and bushfire disasters, including ex gratia voucher and payment schemes.

We advised clients on important issues relating to the COVID-19 pandemic, including constitutional, administrative law and private law challenges to the validity of public health orders in the significant matters of *Kassam v Hazzard*; *Henry v Hazzard* [2021] NSWSC 1320, *Larter v Hazzard (No 2)* [2021] NSWSC 1451, *Can v State of New South Wales* [2021] NSWSC 1480, and *Davis v Minister for Health*

[2021] NSWCATAD 310. The CSO also advised clients on the legality of mandatory vaccinations and the unfair dismissal claims arising from them.

We acted in *Frankcom v Commissioner of Corrective Services* [2022] NSWSC 225, in which the Supreme Court held that the Commissioner of Corrective Services cannot be compelled to exercise his power under s. 276 of the *Crimes (Administration of Sentences) Act 1999* to release inmates on parole during the COVID-19 pandemic.

Complex inquests and inquiries

The CSO continued its ongoing advice to NSW Government agencies in the Inquiry into the 2019/2020 Bushfire Season and related Inquests. Stage 1 of the Inquest was held between September 2021 and 1 July 2022, and involved investigating the cause and the origin of 37 fires, and manner and cause of 25 deaths. Stage 2 hearings, dealing with nominated case studies, are underway.

In 2021-22, the CSO assisted the State Coroner and Deputy State Coroners in over 60 inquest hearings at Lidcombe Coroners Court and in regional centres across NSW. These included inquests concerning missing persons, such as the *Inquest into the death of Ursula Barwick* who went missing at the age of 17 in 1987. The CSO also assisted in matters falling within the new Coronial First Nations Protocol, which commenced in April 2022.

Special Commissions and Royal Commissions

The CSO has assisted the Commissioner, Justice Sackar, in the Special Commission of Inquiry into LGBTIQ hate crimes. The Inquiry is reviewing a substantial number of unsolved homicide and missing persons cases concerning members of the LGBTIQ community in the period 1970-2010. The Inquiry is due to report to the Governor by June 2023.

We continued to represent the State of NSW in two ongoing Royal Commissions:

- The Royal Commission into Violence, Abuse, Neglect and Exploitation of People with Disability, in which the CSO has represented the State before 19 public hearings and produced a large volume of material, witness statements and submissions. The Royal Commission's final report is due to be released by September 2023.
- The Royal Commission into Defence and Veteran Suicide, in which the CSO appeared for the State in all 5 of the public hearings held during 2021-22. The Royal Commission has been extended until June 2024.

Constitutional law matters

The CSO advised and represented the Attorney General and agencies in significant matters involving constitutional law issues in the High Court, including in relation to:

- determining the jurisdiction of the Tasmanian Anti-Discrimination Tribunal in *Citta Hobart Pty Ltd v Cawthorn* [2022] HCA 16
- challenges to the validity of the *Commonwealth Electoral Act 1918* (Cth) in *Ruddick v Commonwealth* [2022] HCA 9
- challenges to Western Australian contracts legislation in *Mineralogy Pty Ltd v Western Australia* [2021] HCA 30; *Palmer v Western Australia* [2021] HCA 31.

Resolution of native title and Aboriginal land claims

The CSO is the NSW Government's representative in native title and Aboriginal land rights matters and acted for clients in several complex native title and Aboriginal land claim matters during 2021-22. One of these was the Wongkumara connection hearing, which was the first connection hearing involving NSW since 2002. It concerned an area that crosses the NSW border with Queensland.

We also provided advice in the Darkinjung Aboriginal land claim appeal, which confirmed that land used for supported employment of persons with a disability was land 'needed for an essential public purpose' and was therefore not claimable land under the *Aboriginal Land Rights Act 1983*.

Employment law and industrial relations

In 2021-22, the CSO's employment law and industrial relations practice group provided advice to NSW Government agencies on key matters related to industrial action and awards, including advising on the amended *Industrial Relations (Public Sector Conditions of Employment) Regulation 2014* and ensuring salary increases were consistent with the amended regulation in *Application for Crown Employees (Public Sector – Salaries 2022) Award* [2022] NSWIRComm 1057.

The CSO provided urgent advice and representation in various industrial disputes before both the Industrial Relations Commission and the Fair Work Commission. This included disputes in the areas of Education, Health and Transport, and proceedings in the Fair Work Commission in *State of NSW & Ors v Australian Rail, Tram and Bus Industry Union & Or* (2022) 74 AIRL 103-561; [2022] FWC 1746.

We advised and represented various agencies regarding employment related licensing matters and working with children checks and appeared in the NSW Civil and Administrative Tribunal and the Supreme Court in respect of such matters.

Child protection

The CSO continued its work on complex and sensitive child protection and adoption matters for the Department of Communities and Justice and other clients such as the NSW Ministry of Health.

We advised and represented agencies in multiple jurisdictions, including the Children's Court, District Court and Supreme Court (appeals, *parens patriae* applications and contested adoption applications).

We worked on several significant judicial review matters, including representing the Secretary, Department of Communities and Justice in *In re a Child* [2022] NSWSC 671, which clarified the two-step test for joinder under s. 98(3) of the *Children and Young Persons (Care and Protection) Act 1998*.

The CSO also acted for the State in *Principal Officer, Family Spirit Adoption Services v D (ANONYMISED)* [2022] NSWSC 142, which clarified standing to seek parentage declarations and the application of the Aboriginal child placement principles under the *Status of Children Act 1996*.

Our non-core work for accredited adoption service providers, including Barnardos, Life without Barriers, Anglicare, Family Spirit, and Key Assets, saw steady growth in the 2021-22 financial year.

Judicial review

The CSO advised and represented various agencies in a range of judicial review matters in the Supreme Court in 2021-2022, including representing the plaintiff in *NSW Electoral Commissioner v Kempsey Shire Council (No 2)* [2022] NSWSC 282, a matter which involved the operation of the iVote system.

We acted for the State in *Hamzy v Commissioner of Corrective Services NSW* [2022] NSWCA 16, a matter where the Court of Appeal considered access to lawyers and communication rights at Goulburn Supermax.

Settlement of civil claims

The CSO represented NSW Government agencies in civil tort claims and inquests for NSW Health agencies, acting for NSW Health agencies in 376 claims. The CSO also acted for NSW Health agencies in many privacy claims.

The CSO continued to act for NSW Government agencies in historic child abuse claims, managing 672 claims during the 2021-22 financial year. We remained at the forefront of trauma-informed settlement approaches to survivors of institutional child abuse, consistent with the NSW Guiding Principles and Model Litigant policy.

Public interest immunity

Public interest immunity matters continued to be a busy area of work in 2021-22, particularly in relation to police operations. We acted in a broad range of matters concerning the protection of

information subject to public interest immunity, in both criminal and civil matters, including in the Supreme Court and the Court of Criminal Appeal. Where appropriate, applications for suppression and non-publication orders were also, or alternatively, pursued.

Transactions and major projects

The CSO drafted and reviewed agreements for a range of significant commercial and property projects, as well as for job creation policy initiatives. This extended to commercial arrangements for several major public events and industry collaborations, as well as arrangements for the acquisition of land for national and state infrastructure projects. The CSO also continues to develop services to support clients with the efficient electronic lodgement of conveyancing transaction documents and the undertaking of online property settlements via PEXA, the national e-conveyancing platform.

Advice and statutory interpretation

The CSO continued to provide authoritative and strategic advice to NSW Government agencies on a range of matters, including in circumstances where commercial, property and public law intersect. This encompassed advice in relation to management of government funds, Crown intellectual property, public finance and deemed appropriations, and leasing of property. We also provided various advices interpreting a range of different NSW and Commonwealth statutes.

Charitable trusts

The CSO acted for and advised the Attorney General and NSW Government agencies in matters concerning charitable trusts, including applications for cy-pres and administrative schemes, referrals from the Australian Charities and Not-for-profits Commission, and with respect to Supreme Court proceedings concerning the administration of trusts.

Guardianship

The CSO acted for the Public Guardian in matters before the Guardianship Division of the Civil and Administrative Tribunal as well as in appeals to the Supreme Court.

Growth in research workstreams

In 2022, the CSO commenced a new work stream providing genealogical advice and family history research on matters including those involving children in out of home care and other areas requiring specialised research. Significant matters included providing expert evidence in *The Adoption of A* [2022] NSW 567 and *The Adoption of O* [2021] NSWSC 1517.

Value-adding services

NSW Government Solicitors' Induction Training

In February 2022, the CSO delivered its second annual induction training for solicitors new to the NSW Government sector. This included 3 hours of livestreamed sessions on subpoenas and public interest immunity, advice writing and courtroom advocacy. It also included a post-event networking session which involved group discussions on the session topics.

Continuing Professional Development (CPD) for NSW Government solicitors

CSO solicitors shared their expertise and knowledge with NSW Government legal practitioners through free CPD sessions. We delivered a livestreamed CPD Conference in March 2022, with 6 hours of sessions over 3 days on topics including acting in the NCAT, Aboriginal land claims, employment law and COVID-19, privacy law, procurement compliance risk management and regulatory prosecutions. CPD seminars were also delivered on COVID-19 mandatory vaccination requirements and 2021/2022 privacy law updates.

All the speakers were impressive. Even topics not directly relevant to my area of law were still interesting and I felt that I benefitted from them.

Survey feedback, CPD Conference 2022

Specialised training and education

The CSO continued to deliver training to NSW Government agency staff on the *Government Information (Public Access) Act 2009* and NSW privacy legislation, assisting agencies to understand and meet their obligations under the relevant legislation. This included providing training tailored to specific agencies.

We shared our specialised knowledge with agencies on topics including Aboriginal land claims, e-conveyancing, family history research for children in out-of-home care, genealogical research for first nations families, and parole and post-sentence proceedings for NSW terrorism offences.

Legal alerts and updates

The CSO launched its new *Administrative Law Quarterly* in December 2021, sharing with clients summaries of significant legal decisions relating to administrative law, constitutional law, privacy, the *Government Information (Public Access) Act 2009*, judicial review and merits review.

In 2021-22, we issued four legal alerts on key decisions, legislative updates and other critical legal developments, including on the temporary reforms to facilitate electronic signing of documents by companies, and COVID-19 vaccine mandates and consultation obligations.

The Regulatory and Environment practice group published 4 issues of its *R&E Insights* newsletter on topics including vicarious liability for actions of an independent contractor, the limits of the accusatorial principle, the role of costs in sentencing, and maximum penalties and jurisdictional limits.

Secondments and reverse secondments

Twenty-one legal and administrative secondments and fifteen reverse secondments were in place during 2021-22. These arrangements promote knowledge sharing and relationship building between the CSO and our client agencies.

Major projects

During 2021-22, the CSO progressed major projects that align with our key priorities and initiatives.

Information management and technology

The CSO's investment in information and communication technology capabilities continued to place us in a strong position to support our staff working flexibly throughout 2021-22.

We continued our ongoing efforts to support a more flexible, digital-first work environment, by enhancing the office's digital capabilities whilst meeting business objectives and security requirements.

Working together with the Department of Communities and Justice (our shared services technology provider), the CSO delivered several projects including rollout of next generation Lenovo laptops, upgrades to our printer/copier fleet, and ongoing upgrades to our video conferencing equipment.

We continued to refine both our information and communication technology architecture roadmap and our digital-first information management and technology strategy, ensuring alignment with the Stronger Communities Cluster ICT strategy.

Our use of Microsoft technology expanded, with extensive use of MS Teams for team collaboration, livestreaming and video conferencing. The CSO also undertook a significant project to migrate practice group working files from file-share servers to Microsoft SharePoint.

Digital improvements reduced business continuity risk and enabled a further reduction in paper usage, and reduced printing costs and hard-copy records storage fees.

We received the Information Management and Security Award from Micro Focus for our work on the 2021 upgrades to the Micro Focus Content electronic document and records management system.

The CSO was commended for 'securely modernising the capturing, finding and management of its highly-sensitive and protected information – in the cloud – whilst meeting compliance obligations with the Content Manager Select solution.'

Document management and practice management systems

During 2021-22, the CSO rolled out several upgrades to our practice management system, Thomson Reuters Elite, providing enhanced functionality and streamlining business processes. Specific enhancements were made to support new legal panel arrangements in place from 1 July 2021 (the iCare legal service panel and the NSW Government Legal Services panel).

We continued to deliver enhancements in document management, including developing a prototype workflow tool for streamlining document approvals, and deploying a new product to automate the Adobe PDF conversion of documents in Content Manager.

As part of our commitment to continuous improvement, in September 2021 we engaged an external organisation to undertake a post-implementation review of the system. The review led to the development of several improvement initiatives which are being integrated.

In late 2021, the CSO commenced implementation of NSW government branding guidelines across our suite of templates and documents.

Looking ahead

During 2022-23, focus areas for the CSO will be:

- undertaking an application upgrade of the Elite system to ensure that the CSO remains on current and supported versions of the platform, and can take advantage of any new improvements to the product
- expanding our use of the Microsoft Office 365 environment to provide improved access to information by CSO staff
- improving methods of communication and engagement with staff
- ongoing upgrade of the CSO website and staff intranet
- participation in the whole of government SAP PATH program, which includes migration to the new SAP HR/Payroll system for the CSO
- completing implementation of the new NSW Government brand guidelines
- planning for the next upgrade of the CSO content manager system, to ensure we remain on current and supported versions of the software
- working closely with the Department of Communities and Justice to ensure our office's cyber security compliance, including increased deployment of multi-factor authentication for access management.

Human Resources

Officers and employees by category

The figures below are estimates compiled from the Annual Workforce Profile, showing the current reporting period plus the previous three years for comparison.

Occupation classification (ANZSCO)	2018-19	2019-20	2020-21	2021-22
Managers	2	1	1	4
Professionals	251	270	247	293
Technicians and Trades Workers	1	3	3	1
Clerical and Administrative Workers	184	178	170	157

Note: Headcount as at 23 June 2022. These figures do not include agency staff.

Senior executives

Number of senior executives by band and gender

Band	CSO senior executive roles	2020-21		2021-22	
		Female	Male	Female	Male
Band 4	(Secretary)	-	-		
Band 3	Crown Solicitor (Agency Head)	1	-	1	
Band 2	Assistant Crown Solicitors and Practice Manager (Executive Director equivalent)	3	1	2	1
Band 1	Directors and Special Counsel	9	8	12	9
Total		13	9	15	10
		22		25	

Note: Five senior executive roles (one Band 2, four Band 1) were vacant as at the census date for the 2021-22 reporting period. Three senior executive roles (one Band 2, two Band 1) were vacant as at the census date for the 2020-21 reporting period.

Average total remuneration package for senior executives

Band	CSO Senior Executive roles	Average remuneration		
		2020-21	2021-22	Range
Band 4	(Secretary)	N/A	N/A	N/A
Band 3	Crown Solicitor (Agency Head)	\$487,017	\$499,192	\$354,201 - \$499,250
Band 2	Assistant Crown Solicitors and Practice Manager (Executive Director equivalent)	\$298,602	\$310,495	\$281,551 to \$354,200
Band 1	Directors and Special Counsel	\$236,781	\$237,853	\$197,400 to \$281,550

Note: salaries are averaged at the full-time rate.

Percentage of total employee-related expenditure (senior executives)

The percentage of total employee-related expenditure in 2021-22 associated with senior executives was 11.8%, compared with 12.1% for 2020-21.

Exceptional movements in wages, salaries, allowances

Public service senior executives are remunerated in accordance with the annual determination of the Statutory and Other Offices Remuneration Tribunal made under the *Statutory and Other Offices Remuneration Act 1975*. Non-executive employees of the CSO are covered by the *Crown Employees (Public Sector – Salaries 2021) Award*.

Personnel policies and practices

During 2021-22, the CSO continued to review and develop policies and practices to meet the needs of the business and our people.

Flexible working

In line with our commitment to the Public Sector's 'If not, why not?' approach to flexible working, we published our Flexible Working Framework and Flexible Working Guideline, which outline our team-based approach to flexible working. The Framework and Guideline:

- promotes shared responsibility to support the best outcomes for everyone: the employee, our teams, our clients and the agency as a whole.
- clarifies what flexible working arrangements are available at CSO
- provides guiding principles for deciding on flexible working arrangements, setting up a flexible working arrangement, and things to consider before approving flexible working arrangements.

Recruitment and onboarding

Ongoing improvement to our recruitment and onboarding process is a key focus for CSO. We continued to improve efficiencies in recruitment and onboarding through:

- adoption of VidCruiter (a software tool that enabled us to conduct online assessments and interviews)
- use of a predictive hire assessment tool to provide graduate applicants with automated feedback on their application
- online skill-based testing for legal support staff
- launch of online rotation development planning for our graduates.

Learning and development programs

The CSO continued to deliver learning and development programs virtually, including conducting team-based Lunch and Learn sessions on legal topics relevant to employees' areas of practice.

To support the skill development of leaders in the organisation, we implemented a series of leadership development workshops focused on leadership and communication, and launched the People Manager Fundamentals module for our people managers.

A Learning and Development Reference Group was established to implement fit-for-purpose training programs for CSO staff, focused on legal skill development. We also delivered training to develop key skills in management/leadership, client service and engagement, legal supervision, performance and development, and continuing legal education/professional development.

Staff continued to participate in external seminars in areas relevant to their expertise.

In CSO has formed a staff-led Recognition and Awards Working Group, with the aim of developing and implementing a formal staff recognition program to recognise professional achievements across the organisation.

Industrial relations policies and practices

The CSO continued active engagement with employees and their industrial representatives through regular Joint Consultative Committee forums.

Diversity and inclusion

Workforce diversity

Trends in the representation of EEO groups

EEO group	Benchmark/ target	2017	2018	2019	2020	2021	2022
Women ¹	50%	73.3%	75.1%	74.7%	73.7%	73.2%	75.8%
Aboriginal people and Torres Strait Islanders ²	3%	0.6%	0.8%	0.7%	0.7%	0.5%	0.2%
People whose first language was not English ³	23.3%	16.6%	13.4%	11.7%	10.6%	11.4%	12.3%
People with a disability ⁴	5.6%	2.1%	1.8%	1.8%	1.5%	2.6%	2.2%
People with a disability requiring work-related adjustments ⁵	N/A	0.3%	0.8%	0.9%	0.7%	0.9%	0.9%

Notes on trends in the representation of EEO groups:

1 The benchmark of 50% for representation of women across the sector is intended to reflect the gender composition of the NSW community.

2 The NSW Public Sector Aboriginal Employment Strategy 2019-25 sets a target of 3% Aboriginal employment at each grade of the public sector by 2025.

3 A benchmark from the Australian Bureau of Statistics (ABS) Census of Population and Housing has been included for people whose first language spoken as a child was not English. The ABS Census does not provide information about first language but does provide information about country of birth. The benchmark of 23.2% is the percentage of the NSW general population born in a country where English is not the predominant language.

4 The NSW Premier's Priorities aim to have 5.6% of government sector roles held by people with a disability by 2025.

5 Work is underway to improve the reporting of disability information in the sector to enable comparisons with population data. For this reason, no benchmark has been provided for People with a Disability Requiring Work-Related Adjustment.

Trends in the distribution of EEO groups

EEO group	Benchmark/ target	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22
Women	100	101	296	326	333	309	345
Aboriginal people and Torres Strait Islanders	100	N/A	N/A	N/A	N/A	2	1
People whose first language was not English	100	87	53	51	48	55	56
People with a disability	100	N/A	N/A	N/A	N/A	11	10
People with a disability requiring work-related adjustment	100	N/A	N/A	N/A	N/A	4	4

Notes on trends in the distribution of EEO groups:

1 A Distribution Index of 100 indicates that the centre of the distribution of the workforce diversity group across salary levels is equivalent to that of other employees. Values less than 100 mean that the workforce diversity group tends to be more concentrated at lower salary levels than is the case for other employees. The more pronounced this tendency is, the lower the index will be. In some cases, the index may be more than 100, indicating that the workforce diversity group is less concentrated at lower salary levels. The Distribution Index is not calculated where workforce diversity group or non-workforce diversity group numbers are less than 20.

Workforce diversity strategy and achievements

The CSO has an ongoing commitment to attract and build a diverse workforce. In 2021-22 we continued our partnership with the Australian Network on Disability to employ two interns.

The CSO participated in the PACE (Positive Action towards Career Engagement) Mentoring Program for the first time, connecting students and jobseekers with disabilities to 5 mentors in the CSO.

Continuing with our commitment to work with Indigenous organisations, in 2021-22 we commenced a partnership with Ngalaya Indigenous Corporation to implement a mentoring program for CSO Indigenous Graduates and to employ an Indigenous cadet.

The CSO employed one legal intern via CareerSeekers, an organisation that pairs university students who are asylum seekers or refugees with employers who are able to offer them industry experience.

We continued with our visible and active commitment to support a diverse and inclusive environment by raising awareness of and celebrating days such as International Women's Day, Harmony Day, National Reconciliation Week, NAIDOC week, and International Day of People with Disability. Our activities included publishing an interview with one of our solicitors, *Breaking the bias against women of colour in the legal profession* for International Women's Day, and hosting a morning tea for National Reconciliation Week, where a Bundjalung, Kungarykany woman, Dani Larkin, spoke about the Uluru Statement from the Heart. We also partnered with Acknowledge This! to organise a training program for our employees on delivering a genuine acknowledgement of country.

In late 2021, the CSO established a Reconciliation Action Plan (RAP) Working Group. The RAP Working Group is drafting a 'Reflect' RAP to be submitted to Reconciliation Australia.

Strategies for 2022-23

The CSO's Belonging and Inclusion Framework and Action Plan is in development and will be published in 2022-23. The plan aligns to the Stronger Communities diversity and inclusion plans, and the Public Service Commission's plans, including the NSW Public Sector Aboriginal Employment strategy (2019-2025).

We will progress our efforts to increase Aboriginal representation in our workforce by continuing to partner with external providers.

Disability Inclusion Action Plan

The CSO is not required to have a Disability Inclusion Action Plan, under the terms of the *Disability Inclusion Act 2014*. However, the CSO is dedicated to supporting the NSW Government's commitment to remove systemic and attitudinal barriers, and to providing access to, and inclusion in, meaningful employment.

The CSO maintained its Silver membership with the Australian Network on Disability. Membership provides us with access to resources and advice on development and implementation of disability and inclusion practices.

The CSO continued to apply the Department of Communities and Justice's *Reasonable Adjustments Guidelines* to ensure that employees with disabilities can work to their full potential and have equitable access to opportunities for development within the office.

Multicultural Policies and Services Program

The CSO is committed to implementing multicultural principles in the way we work and do business, and to supporting the themes of the Multicultural Policies and Services Program. We support our culturally, linguistically, and religiously diverse workforce.

Multicultural strategies for 2022-23

The CSO's multicultural strategies are tied to our workforce diversity strategies.

A key focus for the CSO in 2022-23 is developing our Diversity and Inclusion Framework and Action Plan. The goal of the Action Plan will be to:

- increase Aboriginal representation in our workforce, including options for targeted early-career roles and traineeships
- improve access to career opportunities at CSO for people with disabilities and Culturally And Linguistically Diverse people.
- develop our people and leaders to foster an inclusive and diverse workplace, including through awareness of unconscious bias
- promote and celebrate the diverse backgrounds of our people.

Agreements with Multicultural NSW

The CSO does not have any agreements in place with Multicultural NSW. The CSO provides services directly to NSW Government agencies. The Crown Solicitor does not provide legal services to the general public.

Work, health and safety

WHS performance

Response to COVID-19

In 2021-22, the CSO continued to maintain a COVID-safe workplace to protect health and wellbeing of our staff, contractors and visitors.

We managed COVID-19 work health and safety risks through lockdowns and evolving hybrid working arrangements. Our approach, built on measures implemented during 2020-21, continued to be informed by NSW Government advice and SafeWork NSW guidelines. Actions included:

- continuing office-wide measures for physical distancing
- using our customised digital attendance registration platform during peak outbreak periods
- regular publication of the CSO's Wellbeing Connection newsletter for staff to support optimal physical, mental and emotional health before, during and after lockdowns
- strengthening messaging around COVID-19 safety measures through an internal campaign that involved staff email alerts, office signage, and intranet resources
- creating a regular forum, 'Connect & Communicate', for all staff to connect virtually and share stories, including around mental health and wellbeing during the extended lockdowns
- developing a COVID-19 event safety process to minimise risks associated with the transition back to face-to-face client training events and seminars.

Mental health and wellbeing

The CSO continued to embed wellbeing into organisational culture to build a healthy workplace that is safe and inclusive, including by mitigating risks and trauma that may be associated with the sensitive and complex nature of work undertaken for clients.

Where injury does occur, we have set processes in place to ensure we operate in a person-centred manner that enables staff to recover from injury and return to work in a timely, safe and sustainable way.

In 2021-22, the CSO partnered with Benestar, our EAP provider, to implement a Well-Check program to support the health and wellbeing of employees. Between July and September 2021, approximately 185 staff members from our high-risk teams were given the opportunity to receive support and talk through the challenges they experience as part of their roles.

The organisational Well-Check report identified key issues and areas of focus. Actions taken and changes implemented included implementing pro-active wellbeing support for employees involved in a sensitive Special Inquiry, including providing a combination of individual and group sessions delivered at regular intervals by an Accredited Mental Health Social Worker (AASW) specialising in the effects of workplace-oriented vicarious trauma, stress and burnout. We also facilitated training on vicarious trauma and compassion fatigue for graduate solicitors who commenced as part of the CSO's 2022 Graduate Development Program.

We began development of a wellbeing framework, based on a holistic approach to wellbeing that considers physical, mental, emotional, environmental, social and cultural wellbeing, to reinforce the CSO's commitment and outline our responsibility and approach to setting wellbeing objectives.

Other actions included increasing communication on support services and mental health training programs offered to employees by Benestar, engaging FBG Group to provide training on viewing of objectional material to our high-risk legal teams, and commencing development of the CSO's 2022-2025 Wellbeing Action Plan, which builds on the strong foundation of work already done to promote wellbeing.

WHS statistics

The CSO responded to one workplace injury that resulted in workers compensation claims. The case was a physical injury resulting in no lost time. The claim remains open as at 30 June 2022.

Appendices

1. Financial statements



Crown
Solicitor's
Office

Annual Financial Statements

for the year ended 30 June 2022

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Crown Solicitor's Office

Financial Statements for the year ended 30 June 2022

Statement by the Crown Solicitor

Pursuant to Section 7.6(4) of the *Government Sector Finance Act 2018*, I state that:

- (a) The accompanying financial statements have been prepared in accordance with applicable Australian Accounting Standards (which include Australian Accounting Interpretations), the requirements of the *Government Sector Finance Act 2018 (GSF Act)* and Treasurer's Directions issued under the Act.
- (b) The financial statements exhibit a true and fair view of the financial position as at 30 June 2022 and financial performance of the Crown Solicitor's Office for the year then ended.



Karen Smith

Crown Solicitor

10 October 2022

Independent Auditor's Report



INDEPENDENT AUDITOR'S REPORT

Crown Solicitor's Office

To Members of the New South Wales Parliament

Opinion

I have audited the accompanying financial statements of the Crown Solicitor's Office (the Office), which comprise the Statement by the Crown Solicitor, the Statement of Comprehensive Income for the year ended 30 June 2022, the Statement of Financial Position as at 30 June 2022, the Statement of Changes in Equity and the Statement of Cash Flows, for the year then ended, notes comprising a Statement of Significant Accounting Policies, and other explanatory information.

In my opinion, the financial statements:

- have been prepared in accordance with Australian Accounting Standards and the applicable financial reporting requirements of the *Government Sector Finance Act 2018* (GSF Act), the *Government Sector Finance Regulation 2018* (GSF Regulation) and the Treasurer's Directions
- presents fairly the Office's financial position, financial performance and cash flows

My opinion should be read in conjunction with the rest of this report.

Basis for Opinion

I conducted my audit in accordance with Australian Auditing Standards. My responsibilities under the standards are described in the 'Auditor's Responsibilities for the Audit of the Financial Statements' section of my report.

I am independent of the Office in accordance with the requirements of the:

- Australian Auditing Standards
- Accounting Professional and Ethical Standards Board's APES 110 'Code of Ethics for Professional Accountants (including Independence Standards)' (APES 110).

I have fulfilled my other ethical responsibilities in accordance with APES 110.

Parliament promotes independence by ensuring the Auditor-General and the Audit Office of New South Wales are not compromised in their roles by:

- providing that only Parliament, and not the executive government, can remove an Auditor-General
- mandating the Auditor-General as auditor of public sector agencies
- precluding the Auditor-General from providing non-audit services.

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

Crown Solicitor's Responsibilities for the Financial Statements

The Crown Solicitor is responsible for the preparation and fair presentation of the financial statements in accordance with Australian Accounting Standards, the GSF Act, GSF Regulation and Treasurer's Directions. The Crown Solicitor's responsibility also includes such internal control as the Crown Solicitor determines is necessary to enable the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

Level 19, Darling Park Tower 2, 201 Sussex Street, Sydney NSW 2000
GPO Box 12, Sydney NSW 2001 | t 02 9275 7101 | mail@audit.nsw.gov.au | audit.nsw.gov.au

Independent Auditor's Report (continued)

In preparing the financial statements, the Crown Solicitor is responsible for assessing the Office's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting.

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to:

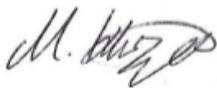
- obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error
- issue an Independent Auditor's Report including my opinion.

Reasonable assurance is a high level of assurance, but does not guarantee an audit conducted in accordance with Australian Auditing Standards will always detect material misstatements. Misstatements can arise from fraud or error. Misstatements are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions users take based on the financial statements.

A description of my responsibilities for the audit of the financial statements is located at the Auditing and Assurance Standards Board website at: www.auasb.gov.au/auditors_responsibilities/ar4.pdf. The description forms part of my auditor's report.

The scope of my audit does not include, nor provide assurance:

- that the Office carried out its activities effectively, efficiently and economically
- about the assumptions used in formulating the budget figures disclosed in the financial statements
- about the security and controls over the electronic publication of the audited financial statements on any website where they may be presented
- about any other information which may have been hyperlinked to/from the financial statements.



Michael Kharzoo
Director, Financial Audit

Delegate of the Auditor-General for New South Wales

11 October 2022
SYDNEY

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Start of Audited Financial Statements

Statement of Comprehensive Income

For the year ended 30 June 2022

	Note	Actual 2022 \$'000	Budget 2022 \$'000	Actual 2021 \$'000
Expenses excluding losses				
Employee related expenses	2(a)	52,951	52,383	51,411
Operating expenses	2(b)	9,264	9,831	10,192
Depreciation and amortisation	2(c)	8,770	8,576	8,293
Finance costs	2(d)	672	674	685
Total expenses excluding losses		71,657	71,464	70,581
Revenue				
Sale of goods and services from contracts with customers	3(a)	73,444	74,287	70,219
Investment revenue	3(b)	30	-	19
Other revenue	3(c)	820	-	585
Acceptance by the Crown of employee benefits	3(d)	258	-	322
Total revenue		74,552	74,287	71,145
Operating result		2,895	2,823	564
Losses on disposal	4	(23)	-	(5)
Other gains	5	2,330	-	-
Net result		5,202	2,823	559
Other comprehensive income		-	-	-
Total other comprehensive income		-	-	-
Total comprehensive income		5,202	2,823	559

The accompanying Notes form part of these financial statements.

Statement of Financial Position

As at 30 June 2022

	Note	Actual 2022 \$'000	Budget 2022 \$'000	Actual 2021 \$'000
Assets				
Current assets				
Cash and cash equivalents	8	14,989	13,266	13,052
Receivables	9	28,609	26,155	18,075
Contract assets	10	5,940	8,035	9,489
Other current assets	14	8,714	9,922	9,698
Total current assets		58,252	57,378	50,314
Non-current assets				
Plant and equipment	11			
- Plant and equipment		784	920	1,071
- Leasehold improvements		11,124	13,050	13,024
Total plant and equipment		11,908	13,970	14,095
Right-of-use asset	12	-	29,300	34,382
Intangible assets	13	10,169	8,561	10,098
Other non-current assets	14	862	847	959
Total non-current assets		22,939	52,678	59,534
Total assets		81,191	110,056	109,848
Liabilities				
Current liabilities				
Payables	15	9,817	9,874	7,248
Borrowings	16	-	4,836	4,508
Provisions	17	17,022	18,212	16,442
Total current liabilities		26,839	32,922	28,198
Non-current liabilities				
Borrowings	16	-	26,682	31,650
Provisions	17	2,762	2,805	2,859
Total non-current liabilities		2,762	29,487	34,509
Total liabilities		29,601	62,409	62,707
Net assets		51,590	47,648	47,141
Equity				
Accumulated funds	18	51,590	47,648	47,141
Total equity		51,590	47,648	47,141

The accompanying Notes form part of these financial statements.

Statement of Changes in Equity

For the year ended 30 June 2022

	Note	Accumulated funds \$'000
Balance at 1 July 2021		47,141
Net result for the year		5,202
Other comprehensive income		-
Total other comprehensive income		-
Total comprehensive income for the year		5,202
Transactions with owners in their capacity as owners		
Distribution payable to the Crown	6	(753)
Balance at 30 June 2022		51,590

		Accumulated funds \$'000
Balance at 1 July 2020		46,815
Net result for the year		559
Other comprehensive income		-
Total other comprehensive income		-
Total comprehensive income for the year		559
Transactions with owners in their capacity as owners		
Distribution payable to the Crown	6	(233)
Balance at 30 June 2021		47,141

The accompanying Notes form part of these financial statements.

Statement of Cash Flows

For the year ended 30 June 2022

	Note	Actual 2022 \$'000	Budget 2022 \$'000	Actual 2021 \$'000
Cash flows from operating activities				
Payments				
Employee related		(51,184)	(52,383)	(50,884)
Suppliers for goods and services		(7,386)	(9,751)	(15,529)
Finance costs		(672)	(674)	(758)
Total payments		(59,242)	(62,808)	(67,171)
Receipts				
Legal fees from clients		66,258	74,287	84,588
Interest received		30	-	19
Other		1,315	-	649
Total receipts		67,603	74,287	85,256
Net cash flows from operating activities	22	8,361	11,479	18,085
Cash flows from investing activities				
Purchase of plant and equipment		(228)	(941)	(911)
Purchase of intangible assets		(1,451)	(1,100)	(2,108)
Net cash flows from investing activities		(1,679)	(2,041)	(3,019)
Cash flows from financing activities				
Financial distribution to the Crown	6	(233)	(594)	(1,438)
Payment of principal portion of lease liabilities		(4,512)	(4,580)	(4,209)
Net cash flows from financing activities		(4,745)	(5,174)	(5,647)
Net increase in cash and cash equivalents		1,937	4,264	9,419
Opening cash and cash equivalents		13,052	9,002	3,633
Closing cash and cash equivalents	8	14,989	13,266	13,052

The accompanying Notes form part of these financial statements.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

(a) Reporting entity

The Crown Solicitor's Office (CSO) is a NSW government entity and is controlled by the State of New South Wales, which is the ultimate parent. Although the CSO is managed under the Commercial Policy Framework and is required to deliver a surplus from non-core work for which it competes with the private sector, the majority of the CSO's revenue is from core legal work delivered on a cost recovery basis only. Accordingly, the CSO is classified as a not-for-profit entity (as profit is not its principal objective). The CSO has no cash generating units.

These financial statements for the year ended 30 June 2022 have been authorised for issue by the Crown Solicitor on the date the accompanying statement was signed.

(b) Basis of preparation

The financial statements are general purpose financial statements which have been prepared on an accruals basis and in accordance with:

- Applicable Australian Accounting Standards (AAS) (which include Australian Accounting Interpretations);
- The requirements of the *Government Sector Finance Act 2018* (GSF Act) and
- Treasurer's Directions issued under the GSF Act.

Plant and equipment are measured using the fair value basis. Other financial statement items are prepared in accordance with the historical cost convention except where specified otherwise.

Judgements, key assumptions and estimations that management has made are disclosed in the relevant Notes to the financial statements.

All amounts are rounded to the nearest one thousand dollars and are expressed in Australian currency, which is the CSO's presentation and functional currency.

The financial statements have been prepared on a going concern basis.

(c) Statement of Compliance

The Financial Statements and Notes comply with Australian Accounting Standards, which include Australian Accounting Interpretations.

(d) Accounting for the Goods and Services Tax (GST)

Income, expenses and assets are recognised net of the amount of GST, except that the:

- amount of GST incurred by the CSO as a purchaser that is not recoverable from the Australian Taxation Office is recognised as part of an asset's cost of acquisition or as part of an item of expense; and
- receivables and payables are stated with the amount of GST included.

Cash flows are included in the statement of cash flows on a gross basis. However, the GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the Australian Taxation Office are classified as operating cash flows.

(e) Comparative information

Except when an Australian Accounting Standard permits or requires otherwise, comparative information is presented in respect of the previous period for all amounts reported in the financial statements.

(f) Changes in accounting policy, including new or revised Australian Accounting Standards

(i) Effective for the first time in 2021-22

The accounting policies applied in 2021-22 are consistent with those of the previous financial year.

(ii) Issued but not yet effective

NSW public sector entities are not permitted to early adopt new AAS, unless Treasury determines otherwise.

The following new AAS have not been applied and are not yet effective, as per NSW Treasury Policy and Guidelines TPG22-07 Mandates of options and major policy decisions under Australian Accounting Standards:

- AASB 2020-5 Amendments to Australian Accounting Standards – Insurance Contracts
- AASB 2020-7 Amendments to Australian Accounting Standards – Covid-19-Related Rent Concessions: Tier 2 Disclosures
- AASB 2020-8 Amendments to Australian Accounting Standards – Interest Rate Benchmark Reform – Phase 2
- AASB 2020-9 Amendments to Australian Accounting Standards – Tier 2 Disclosures: Interest Rate Benchmark Reform (Phase 2) and Other Amendments
- AASB 2021-1 Amendments to Australian Accounting Standards – Transition to Tier 2: Simplified Disclosures for Not-for-Profit Entities
- AASB 2021-3 Amendments to Australian Accounting Standards – Covid-19-Related Rent Concessions beyond 30 June 2021
- AASB 1060 General Purpose Financial Statements – Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities

The CSO has assessed the impact of the new standards and interpretations on issue but not yet effective where relevant and considers the impact to be not material.

(g) Impact of COVID-19 on Financial Reporting for 2021-22

Management have assessed that there has been no material impact of COVID-19 on the end of year financial statements, including in areas of judgement or estimates.

The majority of CSO's staff continued to work remotely for significant periods of the year. Courts and other parties adopted audio-visual technology so that service provision could continue during lockdowns and other restrictions on movement, however the timing of court hearings and the progress of many litigated matters was changed. The overall volume of work received by the CSO during the year remained relatively constant compared with prior years.

(h) Superannuation on annual leave loading

CSO has determined that it is not probable a liability arises to pay superannuation on annual leave loading. This position has been formed based on current inquiries, other information currently available to management, and after considering the facts from a decision in the Federal Court of Australia: *Finance Sector Union of Australia v Commonwealth Bank of Australia* [2022] FedCFamC2G 409. That decision confirmed that, in relation to the industrial agreement considered in that case, annual leave loading did not form part of ordinary time earnings and therefore, did not require superannuation contributions to be made under superannuation guarantee legislation because the obligation to pay annual leave loading was not referable to ordinary hours of work or to ordinary rates of pay. Rather, it was paid by reference to the period of annual leave, and for the purpose of compensating employees for their loss of opportunity to work additional hours at higher rates during this period.

This position will be re-assessed in future reporting periods as new information comes to light on this matter.

2. EXPENSES EXCLUDING LOSSES

(a) Employee related expenses

	2022	2021
	\$'000	\$'000
Salaries and wages (including annual leave)	45,021	43,484
Superannuation - defined benefit plans	246	306
Superannuation - defined contribution plans	3,685	3,469
Long service leave	1,197	928
Workers' compensation insurance	384	348
Payroll tax and fringe benefit tax	2,414	2,401
Redundancy costs	4	475
	52,951	51,411

(b) Operating expenses

	2022	2021
	\$'000	\$'000
Auditor's remuneration		
- audit of the financial statements	75	76
- audit of the Trust Account	11	14
Computer services and equipment	197	244
Consultants	121	36
Contractors	1,628	2,974
Efficiency Dividend	1,683	948
Fees - archive	458	430
Fees – shared services agreement	1,987	2,239
Fees – other	331	268
Insurance	92	68
Outgoings and cleaning	302	327
Printing	469	318
Professional fees and membership	201	122
Publications and subscriptions	488	455
Repairs and routine maintenance*	350	746
Telephone and data	359	380
Other operating expenses	512	547
	9,264	10,192
* Reconciliation - Total maintenance		
Maintenance expense - contracted labour and other (non-employee related) as above	350	746
Total maintenance expenses included in Note 2(b)	350	746

Recognition and measurement

Maintenance expense

Day-to-day servicing costs or maintenance are charged as expenses as incurred, except where they relate to the replacement or an enhancement of a part or component of an asset, in which case the costs are capitalised and depreciated.

Insurance

The CSO's insurance activities are conducted through the NSW Treasury Managed Fund Scheme of self-insurance for Government entities. The expense (premium) is determined by the Fund Manager based on past claims experience.

Lease expense

Lease payments associated with short-term or low-value assets are recognised as an expense. CSO does not currently have any such leases.

Variable lease payments are not included in the measurement of the lease liability (i.e. variable lease payments that do not depend on an index or a rate, initially measured using the index or rate as at the commencement date). These payments are recognised in the period in which the event or condition that triggers those payments occurs.

(c) Depreciation and amortisation

	2022 \$'000	2021 \$'000
Depreciation		
Plant and equipment	447	510
Leasehold improvements	1,900	1,666
Right-of-use asset	5,065	5,065
Total depreciation	7,412	7,241
Amortisation		
Intangible assets	1,358	1,052
Total amortisation	1,358	1,052
Total depreciation and amortisation	8,770	8,293

Refer to Notes 11, 12 and 13 for Recognition and measurement policies on depreciation and amortisation.

(d) Finance costs

	2022 \$'000	2021 \$'000
Interest expense on lease liabilities	672	758
Unwinding of discount and effect of changes in discount rate on make good provisions	-	(73)
	672	685

Recognition and measurement

Finance costs consist of interest expense from lease liabilities and other costs incurred in connection with the borrowing of funds. Borrowing costs are recognised as expenses in the period in which they are incurred, in accordance with Treasury's Mandate to not-for-profit NSW GGS entities.

3. REVENUE

Recognition and measurement

Income is recognised in accordance with the requirements of AASB 15 Revenue from Contracts with Customers or AASB 1058 Income of Not-for-Profit Entities, dependent on whether there is a contract with a customer defined by AASB 15 Revenue from Contracts with Customers. Comments regarding the accounting policies for the recognition of income are discussed in the following paragraphs.

(a) Sale of goods and services from contracts with customers

	2022	2021
	\$'000	\$'000
Rendering of services – legal fees from contracts with customers	73,444	70,219
	<u>73,444</u>	<u>70,219</u>

Recognition and measurement

The CSO's primary revenue-generating activity is the provision of legal services to NSW Government agencies and other approved bodies.

Revenue from rendering of services is recognised when the CSO satisfies performance obligations by transferring the promised legal services. The CSO typically satisfies its performance obligations over time as services are rendered and time is incurred. It is assessed that another legal firm would not have to substantially re-perform the work completed by the CSO to date, as the client effectively gains control of the services as the CSO performs its obligations. The CSO's performance under a contract does not create an asset with an alternative use to the CSO due to the highly specialised nature of the work it performs.

Revenue is recognised under the output method. The CSO recognises the revenue to which it has a right to invoice, in the amount that corresponds directly with the value to the client of the CSO's performance completed to date. Revenue is recognised as time is incurred. Payments are typically due once accrued fees reach \$1,000 or more, or every three months, whichever comes first.

The revenue is measured using the applicable hourly rate specified in the contracts. No element of financing is deemed present as payments are due when service is provided.

The CSO pays disbursements on behalf of clients, while providing legal services. No economic benefits flow to the CSO as the amounts are reimbursed at cost. As a result, legal disbursements are not recognised in the CSO's Statement of Comprehensive Income.

CSO clients and funding panels may receive funding under appropriations from the Consolidated Fund. Appropriations for each financial year are set out in the Appropriation Act for that year.

(b) Investment revenue

	2022 \$'000	2021 \$'000
Interest revenue	30	19
	<u>30</u>	<u>19</u>

Recognition and measurement***Interest revenue***

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For financial assets that become credit impaired, the effective interest rate is applied to the amortised cost of the financial asset (i.e. after deducting the loss allowance for expected credit losses).

(c) Other revenue

	2022 \$'000	2021 \$'000
TMF Hindsight Adjustment – Workers' Compensation	33	-
Other services provided	787	585
	<u>820</u>	<u>585</u>

Recognition and measurement***Other services provided***

Other services provided comprise monies received from outside entities not categorised in the revenue headings above. The revenue is recognised when the CSO satisfies a performance obligation by transferring a promised service to a customer. The revenue is recognised at the amount of the transaction price that is allocated to the performance obligation.

(d) Acceptance by the Crown of employee benefits

The following liabilities and/or expenses have been assumed by the Crown:

	2022 \$'000	2021 \$'000
Superannuation – defined benefit	258	322
	<u>258</u>	<u>322</u>

Refer to Note 17 for Recognition and measurement policies on employee benefits

4. LOSSES ON DISPOSAL

	2022 \$'000	2021 \$'000
Plant and equipment	1	1
Intangible assets	22	4
	<u>23</u>	<u>5</u>

5. OTHER GAINS

Recognition and measurement

Impairment losses

Impairment losses may arise on non-financial assets held by the CSO from time to time. Accounting for impairment losses is dependent upon the individual asset (or group of assets) subject to impairment. Accounting Policies and events giving rise to impairment losses are disclosed in the following Notes:

- Plant and equipment – Note 11
- Leases – Note 12
- Intangible Assets – Note 13
- Trade receivables and contract assets – Note 24

	2022 \$'000	2021 \$'000
Derecognition of right-of-use assets and lease liabilities with Property NSW*	2,330	-
	2,330	-

* The net gain is recognised from the derecognition of the right-of-use asset and lease liability with Property NSW as at 30 June 2022. Please refer to Note 12 for further details on the derecognition.

The net gain from the derecognition of right-of-use asset and lease liability as at 30 June 2022 is reconciled as below:

	2022 \$'000
Right-of-use asset	
Gross carrying value	(44,323)
Less: accumulated depreciation	15,006
Net book value	(29,317)
Lease liability	31,647
Net gain	2,330

6. FINANCIAL DISTRIBUTION TO THE CROWN IN RIGHT OF THE STATE OF NEW SOUTH WALES ('CROWN')

As a government business operating under the Commercial Policy Framework, the CSO is required to make a financial distribution to owners. The CSO provides for the financial distribution on the basis of a payout ratio of 70% of the CSO's forecast distributable operating surplus for the year as at 30 April. This is the forecast net operating surplus before adjustments for material non-cash items. The operating surplus is generated mainly from legal work for which the CSO competes against the private sector. This distribution is in accordance with TPG21-10 *Capital Structure and Financial Distribution Policy for Government Businesses*. The amount due is recognised in the year to which it relates, even though payment is made in the following year. A provision for a distribution payment of \$0.753m (2021: \$0.233m) has been recognised this year in accordance with the Treasurer's approval.

7. STATE OUTCOME GROUP STATEMENTS

The CSO operates under the single State Outcome of Efficient and Effective Legal System. The CSO provides legal services to the NSW Government. The Crown Solicitor must be engaged by government agencies to perform core legal services described in Premier's Memorandum 2016-04. The CSO also competes with the private legal profession for non-core (general) legal work.

The expenses, revenues, assets and liabilities of the State Outcome are presented in these financial statements.

8. CURRENT ASSETS – CASH AND CASH EQUIVALENTS

	2022 \$'000	2021 \$'000
Cash at bank and on hand	14,989	13,052
	14,989	13,052

For the purposes of the Statement of Cash Flows, Cash and Cash Equivalents include cash at bank and cash on hand.

Cash and cash equivalent assets recognised are the same in both the Statement of Financial Position and Statement of Cash Flows.

Refer Note 24 for details regarding credit risk and market risk arising from financial instruments.

9. CURRENT ASSETS – RECEIVABLES

	2022 \$'000	2021 \$'000
Current receivables		
Trade receivables from contracts with customers	26,050	15,105
Less: Allowance for expected credit losses		
- Trade receivables from contracts with customers	-	-
	26,050	15,105
Prepayments	475	392
Secondment income receivable	147	65
Recoverable Disbursements	1,624	2,356
GST recoverable from the Australian Taxation Office	-	6
Long Service Leave recoverable	313	152
	28,609	18,075

Details regarding credit risk of trade debtors that are neither past due nor impaired are disclosed in Note 24.

Recognition and measurement

All 'regular way' purchases or sales of financial asset are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Receivables are initially recognised at fair value plus any directly attributable transaction costs. Trade receivables that do not contain a significant financing component are measured at the transaction price.

Subsequent measurement

The CSO holds receivables with the objective to collect the contractual cash flows and therefore measures them at amortised cost using the effective interest method, less any impairment. Changes are recognised in the net result for the year when impaired, derecognised or through the amortisation process.

Impairment

Receivables are subject to an annual review for impairment. The CSO recognises an allowance for expected credit losses (ECLs) for all debt financial assets not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows and the cash flows that the CSO expects to receive, discounted at the original effective interest rate. The amount of impairment loss is recognised in the net result for the year.

For trade receivables, the CSO applies a simplified approach in calculating ECLs. The CSO recognises a loss allowance based on lifetime ECLs at each reporting date.

Recoverable disbursements

Recoverable disbursements are legal disbursements incurred on behalf of clients that will be reimbursed at cost by clients and which remain unbilled as at balance date.

10. CONTRACT ASSETS

	2022 \$'000	2021 \$'000
Contract assets - current	5,940	9,489
Less: impairment allowance	-	-
	<u>5,940</u>	<u>9,489</u>
Contract receivables (included in Note 9)	<u>26,050</u>	<u>15,105</u>

Recognition and measurement

Contract assets relate to the CSO's right to consideration in exchange for legal services rendered, but not billed at the reporting date in respect of its contracts with clients. Contract assets arise because revenue is recognised as time is incurred while payments are typically due once accrued fees reach \$1,000 or more, or every three months, whichever comes first. Contract assets are assessed annually and not carried at an amount that exceeds its net recoverable amount. The contract asset balance is lower than prior year due to a focus on reducing accumulated unbilled legal work.

The CSO recognises revenue to which it has a right to invoice, in the amount that corresponds directly with the value to the client of the CSO's performance completed to date therefore no revenue will be recognised in the current year from performance obligations satisfied in previous periods. CSO services are contracted on the basis of a cost estimate not a fixed price and without a fixed time period. Therefore, it is not possible to quantify the transaction price allocated to the remaining performance obligations from contracts with customers.

11. PLANT AND EQUIPMENT

	Plant and equipment \$'000	Leasehold improvements \$'000	Total \$'000
At 1 July 2020 – fair value			
Gross carrying amount	2,748	17,909	20,657
Accumulated depreciation and impairment	(1,124)	(3,204)	(4,328)
Net carrying amount	1,624	14,705	16,329
Year ended 30 June 2021			
Net carrying amount at start of year	1,624	14,705	16,329
Additions	7	21	28
Disposals	(1)	-	(1)
Depreciation expense-asset owned	(510)	(1,666)	(2,176)
Other movement	(49)	(36)	(85)
Net carrying amount	1,071	13,024	14,095
At 1 July 2021 – fair value			
Gross carrying amount	2,154	17,894	20,048
Accumulated depreciation and impairment	(1,083)	(4,870)	(5,953)
Net carrying amount	1,071	13,024	14,095
Year ended 30 June 2022			
Net carrying amount at start of year	1,071	13,024	14,095
Additions	161	-	161
Disposals	(1)	-	(1)
Depreciation expense-asset owned	(447)	(1,900)	(2,347)
Net carrying amount	784	11,124	11,908

Recognition and measurement***Acquisition of plant and equipment***

Plant and equipment are initially measured at cost and subsequently revalued at fair value less accumulated depreciation and impairment. Cost is the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire the asset at the time of its acquisition or construction or, where applicable, the amount attributed to that asset when initially recognised in accordance with the requirements of other Australian Accounting Standards.

Fair value is the price that would be received to sell an asset in an orderly transaction between market participants at measurement date.

Where payment for an asset is deferred beyond normal credit terms, its cost is the cash price equivalent; i.e. deferred payment amount is effectively discounted over the period of credit.

Assets acquired at no cost, or for nominal consideration, are initially recognised at their fair value at the date of acquisition.

Capitalisation thresholds

Plant and equipment and intangible assets costing \$5,000 and above individually (or forming part of a network costing more than \$5,000) are capitalised.

Restoration costs

The present value of the expected cost for the restoration or cost of dismantling an asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met.

Depreciation of plant and equipment

Depreciation is provided for on a straight-line basis so as to write off the depreciable amount of each asset as it is consumed over its useful life to the CSO.

All material identifiable components of assets are depreciated separately over their useful lives.

The depreciation rates used for each class of assets are as follows:

Plant and equipment	% rate
Make good assets	Over the term of lease
Computer equipment, voice and data communications and laptops	25%
Desktop PCs	25%
Furniture and fittings	10%
Other plant and equipment	20%
Leasehold improvements	Over the term of lease
Software projects	10% or over the useful life of the asset where that is assessed at < 10 years

Right-of-Use Assets acquired by lessees

AASB 16 *Leases* (AASB 16) requires a lessee to recognise a right-of-use asset for most leases. The CSO has elected to present right-of-use assets separately in the Statement of Financial Position.

Further information on leases is contained at Note 12.

Revaluation of plant and equipment

Physical non-current assets are valued in accordance with the 'Valuation of Physical Non-Current Assets at Fair Value' Policy and Guidelines Paper (TPP 21-09) and Treasurer's Direction 'Valuation of Physical Non-Current Assets at Fair Value' (TD21-05). TD21-05 and TPP21-09 adopt fair value in accordance with AASB 13, AASB 116 and AASB 140 *Investment Property*.

The CSO's plant and equipment are non-specialised assets with short useful lives. They are measured at depreciated historical cost, which for these assets approximates fair value. The CSO has assessed that any difference between fair value and depreciated historical cost is unlikely to be material.

The residual values, useful lives and methods of depreciation of plant and equipment are reviewed at each financial year end.

Refer to note 24(e) for further information regarding fair value.

Impairment of plant and equipment

As a not-for-profit entity with no cash generating units, impairment under AASB 136 *Impairment of Assets* is unlikely to arise. Since plant and equipment is carried at fair value, or an amount that approximates fair value, impairment can only arise in the rare circumstances such as where the costs of disposal are material.

The CSO assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the CSO estimates the asset's recoverable amount. When the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

As a not-for-profit entity, an impairment loss is recognised in the net result to the extent that the impairment loss exceeds the amount in the revaluation surplus for the class of asset.

After an impairment loss has been recognised, it is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in net result and is treated as a revaluation increase. However, to the extent that an impairment loss on the same class of asset was previously recognised in net result, a reversal of that impairment loss is also recognised in net result.

12. LEASES

The CSO leases 6 floors under 6 separate leases at 60-70 Elizabeth St, Sydney. The contracts are for fixed periods of 7 years with an extension option of 3 years. There are no variable payments in the 7 year term. Lease terms are negotiated collectively with the same terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes. The entity does not provide residual value guarantees in relation to leases.

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee.

AASB 16 requires a lessee to recognise a right-of-use asset for most leases. The right-of-use asset and corresponding liability are initially measured at the present value of the future lease payments.

The CSO has elected to recognise payments for short-term leases and low value leases as expenses on a straight-line basis, instead of recognising a right-of-use asset and lease liability. Short-term leases are leases with a lease term of 12 months or less. Low value assets are assets with a fair value of \$10,000 or less when new. The CSO currently has no such leases.

During the financial year ended 30 June 2022, the CSO has accepted changes in the office accommodation arrangements with Property NSW (PNSW). The main change is the introduction of the "substitution right" clause for PNSW to relocate the CSO during the term of the agreement. It is assessed that the clause provides PNSW with a substantive substitution right. Therefore, these agreements are no longer accounted for as a lease within the scope of AASB 16. The corresponding right of use assets and lease liabilities have been derecognised on 30 June 2022, the effective date of the new clause. The net impact of the derecognition is recognised in "Other Gains" (refer to Note 5). From 1 July 2022, the accommodation charges will be recognised as expenses when incurred over the agreement duration.

The CSO continues to carry the responsibility to make good, and to control the fit-out during the remaining occupancy period as the entity receives the economic benefits via using the fit-out or expected compensation from PNSW upon relocation. The incentives received prior to the 30 June 2022 apply to the remaining occupancy period. Therefore, the CSO's accounting treatment for make-good provision and fit-out costs in relation to the accommodation remains unchanged.

Right-of-use assets under leases

The following tables presents right-of use assets that do not meet the definition of investment property.

	Buildings	Total
	\$'000	\$'000
Balance at 1 July 2021	34,382	34,382
Depreciation expense	(5,065)	(5,065)
Derecognition of right-of-use-asset	(29,317)	(29,317)
Balance at 30 June 2022	-	-

	Buildings	Total
	\$'000	\$'000
Balance at 1 July 2020	39,447	39,447
Depreciation expense	(5,065)	(5,065)
Balance at 30 June 2021	34,382	34,382

Lease liabilities

The following table presents liabilities under leases.

	2022	2021
	\$'000	\$'000
Balance at 1 July	36,158	40,367
Interest expenses	672	758
Payments	(5,183)	(4,967)
Derecognition of lease liabilities	(31,647)	-
Balance at 30 June	-	36,158

The following amounts were recognised in the statement of comprehensive income during the period in respect of leases where the CSO is the lessee:

	2022	2021
	\$'000	\$'000
Depreciation expense of right-of-use assets	5,065	5,065
Interest expense on lease liabilities	672	758
Gain arising from derecognising the right-of-use assets and lease liabilities with Property NSW	(2,330)	-
Total amount recognised in the statement of comprehensive income	3,407	5,823

The CSO had total cash outflows for leases of \$5.183m during this financial year (2021: \$4.967m).

Recognition and measurement

The CSO assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The CSO recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

i. Right-of-use assets

The CSO recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are initially measured at the amount of initial measurement of the lease liability (refer ii below), adjusted by any lease

payments made at or before the commencement date and lease incentives, any initial direct costs incurred, and estimated costs of dismantling and removing the asset or restoring the site.

Right-of-use assets are subsequently measured at cost. They are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets.

If ownership of the leased asset transfers to the entity at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

The right-of-use assets are also subject to impairment under AASB 136 *Impairment of Assets*. The CSO assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the CSO estimates the asset's recoverable amount.

When the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. After an impairment loss has been recognised, it is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the net result.

ii. Lease liabilities

At the commencement date of the lease, the CSO recognises lease liabilities measured at the present value of lease payments to be made over the lease term. Lease payments include:

- fixed payments (including in substance fixed payments) less any lease incentives receivable
- variable lease payments that depend on an index or a rate
- amounts expected to be paid under residual value guarantees
- exercise price of purchase options reasonably certain to be exercised by the entity
- payments of penalties for terminating the lease, if the lease term reflects the entity exercising the option to terminate.

Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

The lease payments are discounted using the CSO's incremental borrowing rate, being the NSW Treasury Corporation rate that the CSO would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

The CSO's lease liabilities are included in borrowings.

13. INTANGIBLE ASSETS

	Software \$'000	Total \$'000
At 1 July 2020		
Cost (gross carrying amount)	10,635	10,635
Accumulated amortisation and impairment	(1,589)	(1,589)
Net carrying amount	9,046	9,046
Year ended 30 June 2021		
Net carrying amount at start of year	9,046	9,046
Additions*	2,108	2,108
Disposals	(4)	(4)
Amortisation (recognised in "depreciation and amortisation")	(1,052)	(1,052)
Net carrying amount at end of year	10,098	10,098
At 1 July 2021		
Cost (gross carrying amount)	12,379	12,379
Accumulated amortisation and impairment	(2,281)	(2,281)
Net carrying amount	10,098	10,098
Year ended 30 June 2022		
Net carrying amount at start of year	10,098	10,098
Additions**	1,451	1,451
Disposal	(22)	(22)
Amortisation (recognised in 'depreciation and amortisation')	(1,358)	(1,358)
Net carrying amount at end of year	10,169	10,169

* Additions of \$2.1m include \$0.7m for upgrades to the Electronic Document Management System and Practice Management System held in Work in Progress.

** Additions of \$1.4m include \$0.2m for upgrades to the Practice Management System held in Work in Progress.

Recognition and measurement

Intangible assets are recognised only if it is probable that future economic benefits will flow to the CSO and the cost of the asset can be measured reliably. Intangible assets are measured initially at cost. Where an asset is acquired at no or nominal cost, the cost is its fair value as at the date of acquisition. Following initial recognition, intangible assets are subsequently measured at fair value only if there is an active market. If there is no active market, the assets are carried at cost less any accumulated amortisation and impairment losses. As there is no active market for CSO's intangible assets they are carried at cost less any accumulated amortisation and impairment losses.

All research costs are expensed. Development costs are only capitalised when certain criteria are met.

The useful lives of intangible assets are assessed to be finite.

The CSO's intangible assets are amortised using the straight-line method over a period ranging from three to ten years.

The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period.

Intangible assets are tested for impairment where an indicator of impairment exists. If the recoverable amount is less than the carrying amount, the carrying amount is reduced to recoverable amount and the reduction is recognised as an impairment loss.

14. CURRENT/NON-CURRENT ASSETS – OTHER

	2022	2021
	\$'000	\$'000
Crown Acceptance of long service leave liability - current	8,714	9,698
Crown Acceptance of long service leave liability – non-current	862	959
	9,576	10,657

15. CURRENT LIABILITIES - PAYABLES

	2022	2021
	\$'000	\$'000
Accrued salaries, wages and on-costs	1,094	792
Creditors	4,452	4,046
Accrued expenses	4,254	2,410
GST payable to the Australian Taxation Office	17	-
	9,817	7,248

Details regarding liquidity risk, including a maturity analysis of the above payables, are disclosed in Note 24.

Recognition and measurement

Payables represent liabilities for goods and services provided to the CSO and other amounts. Short-term payables with no stated interest rate are measured at the original invoice amount where the effect of discounting is immaterial.

Payables are financial liabilities at amortised cost, initially measured at fair value, net of directly attributable transaction costs. These are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in the net result when the liabilities are derecognised as well as through the amortisation process.

16. CURRENT/NON-CURRENT LIABILITIES – BORROWINGS

	2022	2021
	\$'000	\$'000
Current borrowings		
Lease liability (see Note 12)	-	4,508
	-	4,508
Non-current borrowings		
Lease liability (see Note 12)	-	31,650
	-	31,650

Details regarding liquidity risk, including a maturity analysis of the above payables, are disclosed in Note 24.

Recognition and measurement

Borrowings classified as financial liabilities at amortised cost are initially measured at fair value, net of directly attributable transaction costs. These are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in net result when the liabilities are derecognised as well as through the amortisation process.

Changes in liabilities arising from financing activities:

	Financial distribution payable \$'000	Leases \$'000	Total liabilities from financing activities \$'000
1 July 2020	1,438	40,367	41,805
Cash flows	(1,438)	(4,967)	(6,405)
Interest	-	758	758
Provision for distribution 30 June 2021	233	-	233
30 June 2021	233	36,158	36,391
1 July 2021	233	36,158	36,391
Cash flows	(233)	(5,183)	(5,416)
Interest	-	672	672
Derecognition of leases	-	(31,647)	(31,647)
Provision for distribution 30 June 2022	753	-	753
30 June 2022	753	-	753

17. CURRENT/NON-CURRENT LIABILITIES – PROVISIONS

	2022 \$'000	2021 \$'000
Current		
<i>Employee benefits and related on-costs</i>		
Annual leave	5,309	4,112
Long service leave	8,714	9,698
Related Oncost	2,246	2,003
	16,269	15,813
Other provisions		
Distribution to the Crown	753	233
Restructure costs	-	396
	753	629
Total current provisions	17,022	16,442
Non-current		
<i>Employee benefits and related on-costs</i>		
Long service leave	862	959
Long service leave - related oncost	141	141
	1,003	1,100
Other provisions		
Make good	1,759	1,759
	1,759	1,759
Total non-current provisions	2,762	2,859
Aggregate employee benefits and related on-costs		
Provisions – current	16,269	15,812
Provisions - non-current	1,003	1,100
Accrued salaries, wages and on-costs (Note 15)	1,094	792
	18,366	17,704

**Movements in provisions
(other than employee benefits)**

	Distribution payments \$'000	Make good (non- current) \$'000
Carrying amount at 1 July 2022	233	1,759
Additional provisions recognised	753	
Change in the discount rate of make good provision	-	-
Amounts paid out	(233)	
Carrying amount at 30 June 2022	753	1,759

(a) Annual leave

The liability at 30 June 2022 is based on leave entitlements at 30 June using remuneration rates to be payable post 30 June.

	2022 \$'000	2021 \$'000
Short term – expected to be settled within 12 months	4,732	3,910
Long term – not expected to be settled within 12 months	1,400	785
	6,132	4,695

This calculation is based on the current levels of annual leave taken by staff and the minimum required to be taken to achieve the target of 30 days by June 2022.

(b) Long service leave

The total liability at 30 June 2022 was \$9.576m (2021: \$10.657m) which is shown as current \$8.714m (2021: \$9.698m) and non-current \$0.862m (2021: \$0.959m). This liability comprises:

	2022 \$'000	2021 \$'000
Short term – expected to be settled within 12 months	1,261	1,125
Long term – not expected to be settled within 12 months	8,315	9,532
	9,576	10,657

The CSO contributed \$1.343m (2021: \$0.969m) to the Crown pool account during this financial year including leave entitlement transfers received from other agencies. Reimbursements from the Crown because of payments to staff or transfers of entitlement to other agencies were \$1.105m (2021: \$0.733m).

Recognition and measurement

Employee benefits and related on-costs

Salaries and wages, annual leave and sick leave

Salaries and wages (including non-monetary benefits) and paid sick leave that are expected to be settled wholly within 12 months after the end of the period in which the employees render the service are recognised and measured at the undiscounted amounts of the benefits.

Annual leave is not expected to be settled wholly before twelve months after the end of the annual reporting period in which the employees render the related service. As such, it is required to be measured at present value in accordance with AASB 119 Employee Benefits (although short-cut methods are permitted).

Actuarial advice obtained by Treasury has confirmed that using the nominal annual leave balance plus the annual leave entitlements accrued while taking annual leave (calculated using 8.4% of the nominal value of annual leave) can be used to approximate the present value of the annual leave liability. The CSO has assessed the actuarial advice based on the CSO's circumstances and determined that the effect of discounting is immaterial to annual leave. All annual leave is classified as a current liability even where the CSO does not expect to settle the liability within 12 months as the CSO does not have an unconditional right to defer settlement.

Unused non-vesting sick leave does not give rise to a liability, as it is not considered probable that sick leave taken in the future will be greater than the benefits accrued in the future.

Long service leave and superannuation

The CSO contributes to the Agency Funded Crown LSL Pool and these payments are included in Employee Related Expenses. The amount of payments expected to be made to the employees is recognised as LSL liabilities and the amounts expected to be reimbursed by the Crown as assets.

Long service leave is measured at the present value of expected future payments to be made in respect of services provided up to the reporting date. Consideration is given to certain factors based on actuarial review, including expected future wage and salary levels, experience of employee departures, and periods of service. Expected future payments are discounted using the Commonwealth government bond rate at the reporting date.

Superannuation assumed by the Crown

The CSO's liability for defined benefit superannuation is assumed by the Crown. CSO accounts for the liability as having been extinguished; resulting in the amount assumed being shown as part of the non-monetary revenue item described as 'Acceptance by the Crown of employee benefits'. The superannuation expense for the period is determined by using the formulae specified in the Treasurer's Directions. The expense for certain superannuation schemes (i.e. Basic Benefit and First State Super) is calculated as a percentage of the employees' salary. For other superannuation schemes (i.e. State Superannuation Scheme and State Authorities Superannuation Scheme), the expense is calculated as a multiple of the employees' superannuation contributions.

Consequential on-costs

Consequential costs to employment are recognised as liabilities and expenses where the employee benefits to which they relate have been recognised. This includes outstanding amounts of payroll tax, workers' compensation insurance premiums and fringe benefits tax.

Other provisions

Provisions are recognised when: the CSO has a present legal or constructive obligation as a result of a past event; it is probable that an outflow of resources will be required to settle the obligation; and a reliable estimate can be made of the amount of the obligation. When the CSO expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented net of any reimbursement in the Statement of Comprehensive Income.

If the effect of the time value of money is material, provisions are discounted at a pre-tax rate that reflects the current market assessments of the time value of money and the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time (i.e. unwinding of discount rate) is recognised as a finance cost.

(c) Make good

Make good provisions represent estimated restoration costs that the CSO is obliged to incur to restore premises to an acceptable condition as agreed with the owners of the premises, upon expiry of operating lease arrangements. CSO occupies levels 4-9 of 60-70 Elizabeth Street Sydney. Levels 4-9 have been refurbished.

The make good provisions for levels 4-9 have a non-current liability payable at the expiry of the leases. The non-current provision is discounted at 3.44% which is the rate based on the market yield on Commonwealth government bonds as per TC11-17. An increase in the provision due to the passage of time (i.e. unwinding of discount rate) is recognised as a finance cost. An increase in the provision due to a change in other assumptions is recognised in the leasehold improvement asset.

(d) Distribution payable to the Crown

A provision for financial distribution to the Crown of \$0.753m (2021: \$0.233m) is made based on the Treasurer's approval dated 30 June 2022 of the Crown Solicitor's recommendation for the 2021-2022 financial year (refer Note 6).

18. EQUITY

Recognition and measurement

Accumulated funds

The category 'Accumulated funds' includes all current and prior period retained funds.

19. COMMITMENTS FOR EXPENDITURE

(a) Capital commitments

	2022 \$'000	2021 \$'000
<i>Aggregate capital expenditure for the enhancement of the content management system and new laptops contracted for at balance date and not yet provided for:</i>		
Within one year	186	149
Later than one year and not later than five years	-	-
Later than five years	-	-
Total (including GST)	186	149

Total commitments for capital expenditure include input tax credits of \$nil (2021: \$0.013m) that are expected to be recoverable from the Australian Taxation Office.

20. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

The CSO has no contingent liabilities or contingent assets at 30 June 2022. There were no contingent liabilities or contingent assets at 30 June 2021.

21. BUDGET REVIEW

The budgeted amounts are drawn from the original budgeted financial statements presented to Parliament in respect of the reporting period. Subsequent amendments to the original budget (e.g. adjustment for transfer of functions between entities as a result of Administrative Arrangements Orders; or supplementary funding) are not reflected in the budgeted amounts.

Major variances between the original budgeted amounts and the actual amounts disclosed in the financial statements are explained as follows.

Net result

The net surplus for the year of \$5.202m is \$2.379m higher than budget of \$2.823m.

The Other Gain of \$2.330m was not budgeted and results from the derecognition of AASB 16 *Leases*.

Revenue of \$74.552m is materially on budget of \$74.287m and \$3.407m higher than 2020-21. Volumes of work in each legal practice group have remained broadly in line with prior year and budget.

Employee Related Expenses are \$0.568m higher than budget as a result of higher wage indexation than budgeted. CSO continues to recruit appropriately qualified staff and contractors to ensure that sufficient resources are available to meet client demand whilst maintaining target productivity measures.

Other Operating Expenses are \$0.567m below budget due to migration to new computer infrastructure and reduced repair and maintenance cost incurred during the year.

Depreciation & Amortisation was materially on budget.

Finance costs represent the interest expense from lease liabilities as a result of adopting AASB 16. Cost was in line with budget and prior year.

Assets and liabilities

Total assets of \$81.192m are below budget of \$110.056m. Improved cash collection and a focus on reducing Contract Assets (unbilled legal work) has resulted in Cash and Cash Equivalents being \$1.723m higher than budget and Receivables being \$2.454m higher than budgeted. Non-current assets are lower than budget primarily due to the derecognition of the office lease Right-of-Use Asset. Intangibles are \$1.608m greater than budget due to allocation of expenditure, offset by other plant and equipment which is \$2.062m lower than budget.

Total Liabilities of \$29.601m are below budget of \$62.409m. Payables are on budget. Provisions are \$1.233m lower than budget due to the changes in the present valuation of long service leave liabilities driven by Commonwealth government bond rate at the reporting date. Borrowings relating to the Right-of-Use Asset are zero due to the derecognition. Provision for distribution to Crown Entity is \$0.975m lower than budget.

Cash flows

Cash and Cash Equivalents increased by \$1.937m compared to a budgeted increase of \$0.214m. The variance of \$1.723m is due to an improvement in collection of Receivables.

22. RECONCILIATION OF OPERATING CASH FLOWS TO NET RESULT

Reconciliation of cash flows from operating activities to the net result as reported in the Statement of Comprehensive Income as follows:

	2022	2021
	\$'000	\$'000
Net cash flows from operating activities	8,361	18,086
Depreciation and amortisation expense	(8,771)	(8,293)
(Increase)/decrease in provisions	(694)	240
Decrease in receivables, prepayments and other assets	9,436	(12,399)
(Increase)/decrease in contract assets	(3,550)	1,454
Decrease/(increase) in payables	(1,887)	1,476
Net loss on disposal of assets	(23)	(5)
Net gain on derecognition of right-of use assets	2,330	-
Net result	5,202	559

23. TRUST FUNDS

The Crown Solicitor operates a Trust Account in accordance with the *Legal Profession Uniform Law Application Regulation 2015*. As the CSO performs only a custodial role in respect of these monies, and because the monies cannot be used for the achievement of the CSO's own objectives, these funds are not recognised in the financial statements. Interest earned on funds held in the Crown Solicitor's Trust Account is retained by NSW Treasury.

	2022	2021
	\$'000	\$'000
Cash balance at beginning of financial year	2,112	9,779
Add: Receipts	11,248	17,949
Less: Expenditure	(10,892)	(25,616)
Cash balance at end of financial year	2,468	2,112

24. FINANCIAL INSTRUMENTS

The CSO's principal financial instruments are outlined below. These financial instruments arise directly from the CSO's operations. The CSO does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

The CSO's main risks arising from financial instruments are outlined below, together with the CSO's objectives, policies and processes for measuring and managing risk. Further quantitative and qualitative disclosures are included throughout these financial statements.

The Crown Solicitor has overall responsibility for the establishment and oversight of risk management and reviews and agrees policies for managing each of these risks. Risk management policies are established to identify and analyse the risks faced by the CSO, to set risk limits and controls and to monitor risks. Compliance with policies is reviewed by the CSO on a regular basis.

(a) Financial instrument categories

Class	Note	Category	Carrying amount	
			2022 \$'000	2021 \$'000
Financial assets				
Cash and cash equivalents	8	Amortised cost	14,989	13,052
Receivables ¹	9	Amortised cost	27,820	17,526
Contract assets ²	10		5,940	9,489
			48,749	40,067
Financial liabilities				
Payables ³	15	Financial liabilities measured at amortised cost	9,754	7,214
Borrowings	16	Financial liabilities measured at amortised cost	-	36,158
			9,754	43,372

1. Excludes statutory receivables and prepayments (i.e. not within scope of AASB 7).

2. While contract assets are also not financial assets, they are explicitly included in the scope of AASB 7 for the purpose of the credit risk disclosures.

3. Excludes statutory payables and unearned revenue (i.e. not within scope of AASB 7).

The CSO determines the classification of its financial assets and liabilities after initial recognition and, when allowed and appropriate, re-evaluates this at each financial year end.

(b) Derecognition of financial assets and financial liabilities

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when the contractual rights to the cash flows from the financial assets expire; or if the CSO transfers its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either:

- the CSO has transferred substantially all the risks and rewards of the asset; or
- the CSO has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control.

When the CSO has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. Where the CSO has neither transferred nor retained substantially all the risks and rewards or transferred control, the asset continues to be recognised to the extent of the CSO's continuing involvement in the asset. In that case, the CSO also recognises

an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the CSO has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the CSO could be required to repay.

A financial liability is derecognised when the obligation specified in the contract is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the net result.

(c) Offsetting financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the Statement of Financial Position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

(d) Financial risks

(i) Credit risk

Credit risk arises when there is the possibility that the counterparty will default on their contractual obligations, resulting in a financial loss to the CSO. The maximum exposure to credit risk is generally represented by the carrying amount of the financial assets (net of any allowance for credit losses or allowance for impairment).

Credit risk arises from the financial assets of the CSO, including cash and receivables. No collateral is held by the CSO. The CSO has not granted any financial guarantees.

The CSO considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the CSO may also consider a financial asset to be in default when internal or external information indicates that the CSO is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the CSO.

Cash and cash equivalents

Cash comprises cash on hand and bank balances within the NSW Treasury Banking System. Interest is earned on daily bank balances at the monthly average NSW Treasury Corporation (TCorp) 11am unofficial cash rate, adjusted for a management fee to NSW Treasury.

Receivables – trade receivables and contract assets

Collectability of trade receivables is reviewed on an ongoing basis. Procedures as established in the Treasurer's Directions are followed to recover outstanding amounts, including letters of demand.

The CSO applies the AASB 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade debtors and contract assets.

To measure the expected credit losses, trade receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due.

The expected loss rates are based on historical observed loss rates. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The CSO has identified the GDP and the unemployment rate to be the most relevant

factors, and accordingly adjusts the historical loss rates based on expected changes in these factors.

Trade receivables and contract assets are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others a failure to make contractual payments for a period of greater than 90 days past due.

The CSO is not materially exposed to concentrations of credit risk to a single debtor or groups of debtors at 30 June 2022. The CSO's debtors are primarily other NSW government entities and credit risk is assessed as very low.

The loss allowance for trade receivables and contract assets as at 30 June 2022 and 30 June 2021 was determined to be \$nil.

(ii) Liquidity risk

Liquidity risk is the risk that the CSO will be unable to meet its payment obligations when they fall due. The CSO continuously manages risk through monitoring future cash flows, which coordinates the payment of creditors with cash receipts from debtors.

The CSO has effective billing and debtor management policies and procedures in place to maintain levels of debt within established KPIs and to ensure that work in progress is billed in a timely fashion.

During the current year and prior year, there were no defaults of borrowings. No assets have been pledged as collateral. The CSO's exposure to liquidity risk is deemed insignificant based on prior periods' data and current assessment of risk.

Liabilities are recognised for amounts due to be paid in the future for goods or services received, whether or not invoiced. Amounts owing to suppliers (which are unsecured) are settled in accordance with the policy set out in NSW TC 11/12 *Payment of Accounts* and the *Faster Payment Terms* policy. For registered small business suppliers, payment is made within 5 days from date of receipt of a correctly rendered invoice, unless an alternative period is provided. For other suppliers, if trade terms are not specified, payment is made no later than the end of the month following the month in which an invoice or a statement is received. Interest payments for late payments are at the discretion of the Crown Solicitor.

Interest incurred this year was \$nil (2021: \$nil) and the rate of interest applied during the year was 0% (2021: 0%).

The table below summarises the maturity profile of the CSO's financial liabilities based on contractual undiscounted payments, together with the interest rate exposure.

Maturity analysis and interest rate exposure of financial liabilities

	Weighted average effective interest rate	\$'000				Maturity Dates		
		Nominal amount	Interest Rate Exposure			< 1 year	1-5 years	> 5 years
			Fixed interest rate	Variable interest rate	Non-interest bearing			
2022								
Payables	-	9,754	-	-	9,754	9,754	-	-
		9,754	-	-	9,754	9,754	-	-
2021								
Payables	-	7,214	-	-	7,214	7,214	-	-
Lease liabilities	2.0%	38,716	38,716	-	-	5,183	22,741	10,792
		45,930	38,716	-	7,214	12,397	22,741	10,792

The amounts disclosed are the contractual undiscounted cash flows of each class of financial liabilities based on the earliest date on which the CSO can be required to pay.

(iii) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The CSO has no exposure to foreign currency risk and does not enter into commodity contracts.

The effect on profit and equity due to a reasonably possible change in risk variable is outlined in the information below, for interest rate risk and other price risk. A reasonably possible change in risk variable has been determined after taking into account the economic environment in which the entity operates and the time frame for the assessment (i.e. until the end of the next annual reporting period). The sensitivity analysis is based on risk exposures in existence at the Statement of Financial Position reporting date. The analysis is performed on the same basis as for 2021. The analysis assumes that all other variables remain constant.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Exposure to interest rate risk arises primarily through the CSO's interest bearing assets. The sensitivity analysis is performed based on a reasonably possible change of +/- 1.00 per cent (2021: +/- 0.05%), consistent with current trends in interest rates (based on official RBA interest rate volatility over the last five years). The basis will be reviewed annually and amended where there is a structural change in the level of interest rate volatility.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates:

	2022 \$'000		2021 \$'000	
	+1.00%	-1.00%	+0.05%	-0.05%
Net result	148	(148)	7	(7)
Equity	148	(148)	7	(7)

(e) Fair Value measurement

(i) Fair value compared to carrying amount

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability or in the absence of a principal market, in the most advantageous market for the asset or liability.

The CSO does not hold financial assets and financial liabilities where the fair value differs from carrying amount.

(ii) Fair value recognised in the Statement of Financial Position

A number of the CSO's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities. The CSO does not hold financial assets and liabilities that are valued at fair value using valuation techniques.

Management assessed that cash, trade receivables, trade payables, and other current liabilities approximate their fair values, largely due to the short-term maturities of these instruments.

25. RELATED PARTY DISCLOSURES

The CSO's key management personnel compensation was as follows:

Short term employee benefits:

	2022	2021
	\$'000	\$'000
Salaries	1,255	1,432
Other monetary allowances	198	224
Total remuneration	1,453	1,656

The CSO did not enter into any transactions during the year with key management personnel, their close family members or controlled or jointly controlled entities thereof.

The CSO entered into transactions with other entities that are controlled/jointly controlled/significantly influenced by the NSW Government. These transactions in aggregate are a significant portion of the CSO's rendering of services and receiving of services.

The CSO provides legal services to the NSW Government and its agencies. \$50.874m (2021: \$48.327m) of the CSO's fee for service revenue is related to the delivery of services on core legal matters which must be referred to the Crown Solicitor under the Premier's Memorandum 2016-04. This work is funded from the Attorney General's Legal Fund, an appropriation administered jointly by the Secretary, Department of Communities and Justice (DCJ) and the Crown Solicitor, unless an alternative source of funding is available. The remainder of CSO's revenue for services and other revenue is paid by various NSW government agencies or the Treasury Managed Fund.

The CSO receives shared services from DCJ in the areas of payroll, information and technology systems support and library services. The CSO incurred \$1.987m (2021: \$2.207m) in fees to DCJ for these services.

The CSO resides in leased premises and made payments for rent and outgoings due under the lease to Property NSW. These amounts totalled \$5.522m (2021: \$5.294m).

Other transactions with entities that are controlled/jointly controlled or significantly influenced by the NSW Government that are collectively, but not individually, significant include:

- payments to, and reimbursements from, the Long Service Leave pool in relation to CSO employees
- interest revenue received from the NSW Treasury banking system
- payments to the Government Records Repository for storage of CSO records
- payments to the NSW Treasury Managed Fund for workers' compensation insurance and other insurances
- payments to Government Advertising in respect of the advertising of job vacancy notices.

26. EVENTS AFTER THE REPORTING PERIOD

No events have occurred between the financial reporting date and the date of these financial statements that require adjustment to these financial statements.

End of audited financial statements.

2. Payment of accounts

The payment of accounts for goods and services is closely monitored to ensure accounts are paid in accordance with NSW Treasury directions.

Initiatives to improve payment performance

The CSO targets satisfactory payment performance through:

- the provision of Purchasing Cards, where appropriate, to ensure prompt payment of low-value invoices
- use of EFT as the preferred method of paying creditors
- payment of major suppliers by way of consolidated invoicing
- ensuring that CSO employees are aware of and abide by the payment performance requirements.

Aged analysis at the end of each quarter

Measure \$'000	Sep 2021	Dec 2021	Mar 2022	Jun 2022
All suppliers				
Current not yet due	6,852	5,113	7,096	5,445
Overdue 1–30 days	4	346	93	94
Overdue 31–60 days	3	-	26	6
Overdue 61–90 days	-	-	-	0
Overdue 91 days and over	1	1	1	1
Small business suppliers				
Current not yet due	560	496	474	718
Overdue 1–30 days	4	346	70	94
Overdue 31–60 days	3	-	26	6
Overdue 61–90 days	-	-	-	-
Overdue 91 days and over	-	-	-	-

Note: the amounts listed above comprise invoices yet to be paid. The reasons may include:

- non-compliant invoices (for example, missing or incorrect purchase order details, vendor details, amounts)
- invoices that require additional approvals (e.g. due to financial delegations limits)
- invoices that are being disputed or put on hold (for example, vendors failing to provide goods/services as per the original arrangement)

Accounts due or paid within each quarter

Measure	Unit	Sep 2021	Dec 2021	Mar 2022	Jun 2022
All suppliers					
Accounts due for payment	Number	2,180	1,971	1,644	2,093
Accounts paid on time	Number	2,000	1,765	1,460	1,907
Accounts paid on time (based on number of accounts)	%	92	90	89	91
Accounts due for payment ('000)	\$	24,793	24,021	22,115	30,912
Accounts paid on time ('000)	\$	22,940	22,205	20,893	29,614
Accounts paid on time	%	93	92	94	96
Payments for interest on overdue accounts	Number	-	-	-	-
Interest paid on overdue accounts	\$	-	-	-	-
Small business suppliers					
Accounts due for payment	Number	973	920	680	916
Accounts paid on time	Number	831	757	511	744
Accounts paid on time (based on number of accounts)	%	85	82	75	81
Accounts due for payment ('000)	\$	6,696	5,467	4,283	5,791
Accounts paid on time ('000)	\$	5,121	4,300	3,100	4,523
Accounts paid on time	%	76	79	72	78
Payments for interest on overdue accounts	Number	-	-	-	-
Interest paid on overdue accounts	\$	-	-	-	-

Note: The reasons for overdue invoices may include:

- non-compliant invoices (for example, missing or incorrect purchase order details, vendor details, amounts)
- invoices that require additional approvals (e.g. due to financial delegations limits)
- invoices that are being disputed or put on hold (for example, vendors failing to provide goods/services as per the original arrangement).

3. Promotion

In the 2021-22 financial year, there were no overseas visits by CSO officers or employees.

4. Consultant expenditure

Total consultant expenditure in 2021-22 was \$120,900 comprising one engagement.: QVC Solutions Pty Ltd, Information Technology consultants were engaged to undertake a Post-Implementation Review of Elite, the CSO's integrated legal and financial practice management system, and an Elite Improvement Plan.

5. Management and activities

Financial performance

The CSO achieved a net surplus of \$5.2M, \$2.4M higher than the budgeted \$2.8M. The office will make a distribution payment of \$0.8M from the distributable operating surplus, as approved by the Treasurer.

The *Other Gain* of \$2.3M was not budgeted and results from the derecognition of AASB 16 *Leases*.

Revenue of \$74.6M was materially on budget of \$74.3M, and \$3.4M higher than 2020-21. The volumes of work in each legal practice group remained broadly in line with the previous year and budget.

Performance measures

Measure	2020-21		2021-22	
	Actual	Budget	Actual	Budget
Net surplus	\$0.6M	\$0.8M	\$5.2M	\$2.8M
New matters	3,926	n/a	3,641	n/a
Employee utilisation ¹ (solicitors' average daily billable hours)	4.6hrs	4.7hrs	4.6hrs	4.7hrs
% of clients rating the CSO's legal services as better than or equal to that of other law firms they use ²	90%	85%	79%	85%

¹ Solicitors' average daily billable hours are adjusted for any write-offs or discounts applied prior to invoicing.

² Data comes from the CSO's annual client service survey.

6. Risk management and insurance

Risk management activities

The CSO maintains a Risk Management Framework and internal audit function, in addition to having independent Audit and Risk Committee oversight, to comply with the *Internal Audit and Risk Management Policy for the General Government Sector* (TPP 20-08).

Enterprise Risk Management Framework

The CSO's Risk Management Framework governs the approach of the office to risk management. The Framework is based on the Department of Communities and Justice's framework and is designed to conform to TPP20-08 (which is consistent with *AS ISO 31000:2018 Risk management – Guidelines*).

Our Executive team continually reviews the CSO's risk register to identify new and emerging risks. Controls are applied and monitored for each identified risk and formal risk treatment plans are required for risks rated high or critical.

Risk management is also included as part of the CSO project management framework, specifically in relation to projects under the information and communication technology strategic plan.

Corruption prevention strategy

The CSO's internal Fraud and Corruption Control Policy sets standards and provides guidance on how to control fraud and corruption, and how to report corrupt conduct. The policy applies to all staff, volunteers, consultants, contractors and outsourced service providers performing work for the CSO.

The policy also outlines key roles and responsibilities in relation to controlling fraud and corruption.

Business Continuity Framework

The CSO's Business Continuity Framework provides guidance on how the CSO will recover and maintain services following a critical disruptive event. The framework outlines how the CSO prepares, responds to and recovers from a disruption. The CSO's Business Continuity Plan is reviewed and tested regularly, with established governance committees ready to respond to a disruptive event.

Cyber security

The CSO has cyber security policies and procedures and embeds cyber security into risk management practices and assurance processes. Each year, the CSO undertakes a formal cyber security maturity self-assessment, and the Crown Solicitor provides an annual attestation on cyber security (refer to Appendix 7. Cyber security, in this report).

The CSO has a suite of information security policies to provide oversight and guidance to CSO staff. The CSO maintains a Cyber Security Incident Response Plan and provides cyber security training to staff, developed under the *NSW Cyber Security Policy* (DCS-2021-02).

The *NSW Cyber Security Policy* recognises the growing need for effective cyber security. Ensuring the security of agency data is paramount as government services are increasingly delivered through digital channels. Those accessing CSO services or operating within CSO ICT environment need to be confident that the digital services they use are stable, secure and resilient to cyber-attack.

Internal audit

The CSO's Internal Audit Plan is based on the CSO's Risk Register and typical financial controls risks, alongside input from the Department of Communities and Justice.

Further risk management measures in place at the CSO include the Legislative Compliance Management Policy, which provides the principles and tools to ensure operations are conducted in accordance with legal and NSW Government policy requirements, and the Register of Material Legislation.

Additionally, the CSO Staff Manual, a central directory of current policies accessible to all staff, includes policies covering key areas such as Code of Conduct, Public Interest Disclosures, Managing Gifts and Benefits and supervision requirements.

Insurance activities

The Treasury Managed Fund (TMF), a government-wide self-insurance scheme managed by icare's Insurance for NSW on behalf of the NSW Treasury, provides full workers' compensation, property, liability and miscellaneous insurance cover to the CSO.

On behalf of icare, QBE Insurance provided workers' compensation and Gallagher Bassett provided General Lines insurance claims management service for the CSO during 2021-22.

The CSO monitors its claims on an ongoing basis, with a focus on work health and safety and claims management, with the aim of reducing the number and value of workers' compensation insurance claims.

Risk management policies and procedures are continually reviewed to enhance the CSO's risk management profile and reduce future premiums.

Internal audit and risk management policy attestation statement

Internal Audit and Risk Management Attestation Statement for the 2021-2022 Financial Year for the Crown Solicitor's Office

I, Karen Smith am of the opinion that the Crown Solicitor's Office has internal audit and risk management processes in operation that are, excluding the exemptions or transitional arrangements described below, compliant with the seven (7) Core Requirements set out in the *Internal Audit and Risk Management Policy for the General Government Sector*, specifically:

Core Requirements	For each requirement, please specify whether compliant, non-compliant, or in transition
Risk Management Framework	
1.1 The Accountable Authority shall accept ultimate responsibility and accountability for risk management in the agency.	Compliant
1.2 The Accountable Authority shall establish and maintain a risk management framework that is appropriate for the agency. The Accountable Authority shall ensure the framework is consistent with AS ISO 31000:2018.	Compliant
Internal Audit Function	
2.1 The Accountable Authority shall establish and maintain an internal audit function that is appropriate for the agency and fit for purpose.	Compliant
2.2 The Accountable Authority shall ensure the internal audit function operates consistent with the International Standards for Professional Practice for Internal Auditing.	Compliant
2.3 The Accountable Authority shall ensure the agency has an Internal Audit Charter that is consistent with the content of the 'model charter'.	Compliant
Audit and Risk Committee	
3.1 The Accountable Authority shall establish and maintain efficient and effective arrangements for independent Audit and Risk Committee oversight to provide advice and guidance to the Accountable Authority on the agency's governance processes, risk management and control frameworks, and its external accountability obligations.	Compliant
3.2 The Accountable Authority shall ensure the Audit and Risk Committee has a Charter that is consistent with the content of the 'model charter'.	Compliant

Membership

The independent chair and members of the Audit and Risk Committee are:

- Independent Chair, Carolyn Burlew, 1 August 2019 to 31 July 2024
- Independent Member 1, Christine Feldmanis, 1 August 2019 to 31 July 2024
- Independent Member 2, Abby Bloom, 1 August 2019 to 31 July 2024
- Independent Member 4, Garry Dinnie, 1 February 2021 to 31 March 2024
- Independent Member 5, Ian Gillespie, 14 July 2021 to 13 July 2024

Shared Arrangements

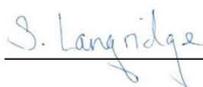
I, Karen Smith advise that the Crown Solicitor's Office has entered into an approved shared arrangement with the following agencies:

- Department of Communities and Justice
- Legal Profession Admission Board
- Office of the Ageing and Disability Commissioner

The resources shared include the Audit and Risk Committee, the Chief Audit Executive and the internal audit functions. The shared Audit and Risk Committee is a Principal Department Led Shared Audit and Risk Committee.



Karen Smith
Crown Solicitor
23 September 2022



Sandra Langridge
Audit and Risk Committee Secretariat
Contact: 02 8688 7636

7. Cyber security policy attestation



**Crown
Solicitor's
Office**

20 October 2022

Cyber Security Annual Attestation Statement for the 2021-2022 Financial Year for Crown Solicitor's Office

I, Karen Smith, NSW Crown Solicitor, am of the opinion that Department of Communities and Justice (formerly Department of Justice), Information Technology Services (our shared service provider) had an Information Security Management System in place during the 2021-2022 financial year that is consistent with the Mandatory Requirements set out in the NSW Cyber Security Policy

For the purpose of compliance with the NSW Cyber Security Policy, the Crown Solicitor's Office has relied on the attestation by the Department of Communities and Justice, Information Technology Services and certification of their department's ISMS against the ISO270001 standard.

Governance is in place to manage the cyber security maturity and initiatives of the Crown Solicitor's Office.

The controls in place to mitigate identified risks to the digital information and digital information systems of Crown Solicitor's Office are reasonable.

The Crown Solicitor's Office is continuing to work with Department of Communities and Justice to review and refine the agency's governance and cyber security response posture.

Yours faithfully

A handwritten signature in black ink that reads 'Karen Smith'.

Karen Smith
Crown Solicitor

8. Consumer response

The CSO received one client complaint during the reporting year, which was resolved in accordance with the CSO's complaints procedure.

The CSO welcomes feedback and suggestions about our services, and we take any complaints from clients about the quality of services received or the conduct of our staff seriously. The feedback we receive is used to improve our performance and services. We update our policies and procedures in response to complaints or suggestions, where appropriate.

Complaints are managed in accordance with our complaints policy and process. The process is publicly available on the CSO website, outlining to whom feedback and complaints should be made, how a complaint will be dealt with, and what outcomes can be expected. The page also provides information about privacy and confidentiality protections and includes links to alternative complaint-handling agencies. A record is kept of all complaints received. The page is available at <http://www.cso.nsw.gov.au/Pages/feedback-and-complaints.aspx>.

The CSO also proactively seeks feedback from clients. Each year, we invite key clients to complete a confidential, online client service survey to provide feedback on how the CSO is performing in its delivery of legal services.

Clients are also given opportunities to provide feedback following our events (including CPD seminars, conferences and training sessions) through confidential online surveys. This feedback is used to improve the way we deliver these services and to develop new services.

9. Government Information (Public Access) Act 2009

The CSO is declared not to be a separate agency, but is taken to be part of, and included in, the Department of Communities and Justice under clause 13 of Schedule 3 to the *Government Information (Public Access) Regulation 2018*, made pursuant to clause 6 of Schedule 4 to the *Government Information (Public Access) Act 2009* (GIPA Act). Accordingly, the CSO does not exercise functions in relation to GIPA Act applications; these are dealt with by the Department of Communities and Justice. The CSO has no subsidiary agencies.

10. Privacy and personal information

The CSO received no requests for internal review under the *Privacy and Personal Information Protection Act 1998* (PPIP Act) during the 2021-22 financial year.

The CSO is a separate agency for the purposes of the PPIP Act. No agencies have been prescribed by regulation for the purposes of s. 4B(1)(a) of the Act. In compliance with the provisions of the PPIP Act, the CSO has a Privacy Management Plan.

11. Public interest disclosures

There were no public interest disclosures to the CSO in the 2021-22 reporting period.

The CSO has a public interest disclosure (PID) policy in place. The policy, and an internal disclosures form, is made available to all staff via the CSO intranet and publicly on the CSO website.

12. Legal change

Significant judicial decisions and legislative changes affecting clients of the CSO are outlined in the body of this report.

13. Report production

No costs, other than existing salaries, were incurred in the production of this report.

A copy of this report is made available to the public on the CSO website at www.cso.nsw.gov.au or upon request by email to csomarketing@cso.nsw.gov.au.