



Crown Solicitor's Office

Annual Report 2022-23



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This annual report was produced wholly by NSW Crown Solicitor's Office officers. There were no external production costs. The annual report is available in electronic format only on the NSW Crown Solicitor's Office website at www.csso.nsw.gov.au.

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Acknowledgement of Country

The Crown Solicitor's Office acknowledges the Traditional Custodians of the land on which we live and work. In particular, we acknowledge and pay respect to the Gadigal people of the Eora Nation as the Traditional Custodians of the land on which our office sits.

We pay our deepest respects to Elders past and present. 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.

Image: Barangaroo Reserve in Sydney. The Reserve recreates a headland that existed before European arrival in Sydney. The Traditional Custodians, the Gadigal, used this area for hunting and fishing, and the foreshore as a place of congregation.

31 October 2023

The Hon. Michael Daley, MP
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 2022 to 30 June 2023.

The report has been prepared in accordance with the *Government Sector Finance Act 2018* Division 7.3.

During the reporting period, the CSO received over 4,000 new instructions, exceeded equitable briefing targets, and achieved a net surplus of over four times the budgeted amount. I would like to take this opportunity to recognise and thank my staff in legal services, legal support, and corporate services, for their hard work and dedication which has enabled us to deliver on our objectives and purpose for the benefits of our clients.

Yours faithfully

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

Karen Smith
Crown Solicitor

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1. Overview

Agency aims and objectives

The NSW Crown Solicitor's Office (CSO) is the largest provider of legal services to the NSW Government and its agencies. Our principal objective is to advise and represent agencies to support them in delivering the NSW Government's policies, programs and projects in a lawful, effective and efficient manner for the people of NSW.

Our aims are to:

- 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.

The majority 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. Most of this work is through legal services panel arrangements such as the Insurance and Care NSW (icare) Legal Services Panel, and the NSW Government Legal Services Panel, which the CSO sits alongside.

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 public.

Charter

The CSO is a public service executive agency under the *Government Sector Employment Act 2013*. The NSW Crown Solicitor is the head of the agency and the solicitor on the record for legal proceedings when representing the State, agencies, or Ministers. The CSO is an agency within the Communities and Justice portfolio and is related to the Department of Communities and Justice.

Management and structure

The CSO Senior Legal Executives

The most senior legal executives of the CSO includes the Crown Solicitor and 3 Assistant Crown Solicitors. The CSO Executive Committee oversees the CSO's organisational performance and delivery of services to clients. The Committee is chaired by the Crown Solicitor and includes membership of the 3 Assistant Crown Solicitors and the Corporate Services leaders mentioned over leaf.



Karen Smith, Crown Solicitor

Karen was appointed to the role of Crown Solicitor in April 2019. Prior to this, Karen was General Counsel and Deputy Secretary at the Department of Premier and Cabinet, with responsibilities encompassing legal, governance and corporate services. Karen leads a small practice group focussed on significant government legal issues, including Parliament and executive power.

Qualifications: BEc, LLB, LLM



Richard Kelly, Assistant Crown Solicitor

Richard leads the Civil Law and Commercial Strategy division. Prior to this, Richard led the CSO's Torts (Justice/Law Enforcement Agencies) practice group for 17 years, and had extended periods acting as Crown Solicitor, Deputy Crown Solicitor and CSO Practice Manager.

Qualifications: BEc, LLB



Naomi Malhotra, Assistant Crown Solicitor

Naomi leads the Inquiries and Criminal Law division. She has led the CSO's Criminal Law practice group as Director, and was Special Counsel in the Inquiries practice group.

Qualifications: BA, LLB (Hons)



John McDonnell, Assistant Crown Solicitor

John leads Public Law division. His experience includes representing State government agencies in relation to statutory interpretation, judicial and merits review, access to information and privacy.

Qualifications: BA, LLB

Organisational structure as at 30 June 2023

Crown Solicitor Karen Smith	Government Law Practice Group Crown Solicitor, Karen Smith
Civil Law & Commercial Strategy Division Assistant Crown Solicitor, Richard Kelly	Public Interest & Property Law Practice Group Director, Penny Csenderits Torts (Justice/Law Enforcement Agencies) Practice Group Director, Helen Maamary Torts (Service/Regulatory Agencies) Practice Group Director, Lucy Pinnock
Inquiries & Criminal Law Division Assistant Crown Solicitor, Naomi Malhotra	Inquiries Practice Group Director, Alana McCarthy Public Safety & Justice Practice Group Director, Brett Thomson Regulatory & Environment Practice Group Director, Claudia Pendlebury Special Inquiries Practice Group Director, Enzo Camporeale THRO Practice Group Director, Anna Johnson
Public Law Division Assistant Crown Solicitor, John McDonnell	Child Protection Practice Group Director, Nick Mitrevski Commercial Law Practice Group Directors, Alexandra Brown and Karen Ferris Constitutional & Administrative Law Practice Group Director, Michael Granziera Employment Law & Industrial Relations Practice Group Director, Christina Ray Property & Native Title Practice Group Director, Cheryl Drummy
Corporate Services Division	Finance & Support Services Director, Anna Brennan Information Management & Technology Director, David Schneider People & Culture Director, Jane Francis Legal Operations Manager, Ellyssa Larsson

Legal practice groups

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. 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 leads a small practice group focussed on significant government legal issues, including Parliament and executive power.

Inquiries

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

Property and Native Title

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

Public Interest and Protection

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.

Special Inquiries

A specialist team providing dedicated assistance to the Commissioner or Inquirer when a special commission of inquiry, or other form of inquiry, is established.

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 NSW service agencies. Represents agencies in coronial inquests.

2. Strategy

Strategic objectives and outcomes

The CSO exists to be the NSW Government's most trusted legal advisors. Our principal objective is to advise and represent agencies to support them in delivering the NSW Government's policies, programs and projects in a lawful, effective and efficient manner for the people of NSW

Priorities and initiatives 2022-23

The CSO continued to focus on 3 priority areas in 2022-23:

1. Growing non-core revenue while controlling costs.
2. Ensuring all core legal work is performed cost effectively in accordance with the core legal work guidelines.
3. Supporting our people so that we have a healthy, resilient and engaged workforce.

We prioritised strategic initiatives within these areas to ensure we continue to provide high quality legal advice and representation.

Growing non-core revenue

During 2022-23, the CSO continued to prioritise the growth of our non-core work revenue.

In combination with management of costs, growth of our non-core revenue will deliver increased margins, increased annual surplus and distribution to Treasury, and retain more money in the public sector.

In March 2023, Richard Kelly commenced in the role of Assistant Crown Solicitor leading the Civil Law and Commercial Strategy division. This newly defined role will support the CSO to hone its commercial focus and drive growth and revenue across the organisation.

The CSO is working towards assisting more agencies on more matters, including with respect to civil litigation, regulatory prosecutions, administrative review proceedings, and advice on questions of statutory interpretation.

Cost-effective core legal work

In 2022-23, the Attorney General's Legal Fund, which pays for core legal work, allocated \$75.9 million for the CSO. An allocation of \$6.9 million was received for the Crown Solicitor's engagement on the Special Commission of Inquiry into LGBTIQ hate crimes.

Core work is subject to the same internal productivity targets and fiscal disciplines as non-core work.

A healthy, resilient, and engaged workforce

The CSO achieved an employee engagement score of 66 in the 2022 People Matter Employee Survey (PMES), marginally higher than the score for the Stronger Communities Cluster and the sector. We will continue to monitor employee engagement and wellbeing through the PMES, and develop strategies and initiatives to improve the experience of all staff at the CSO.

In 2022-23, guided by our PMES results, we developed and published a Wellbeing Framework and Action Plan, established a staff-led wellbeing working group, and delivered wellbeing initiatives for the benefit of staff.

3. Operations and performance

Delivering legal services to the State of NSW

The CSO contributed to the delivery of the State Outcome, an 'efficient and effective legal system', through the provision of high quality and cost-effective legal services to its clients, and by ensuring that core legal work was undertaken as efficiently and effectively as possible.

2022-23 snapshot



4,112 new instructions



6,453 active matters (60% core work, 40% other)



158 NSW Government agencies advised



Equitable briefing targets **exceeded**

New instructions

The CSO accepted 4,112 new instructions in 2022-23, an increase on 3,641 in 2021-22, and 3,926 in 2020-21.

Active matters

The CSO had 6,452 active matters in 2022-23, generally consistent with the previous 2 years. Forty per cent of active matters were non-core work.

Clients

The CSO served 158 NSW Government agencies and other entities in 2022-23, generally consistent with the previous 2 years.

Exceeding NSW Government equitable briefing targets

The CSO made more than 1,400 junior counsel engagements on behalf of clients in 2022-23. Of these engagements, 37% were with female barristers, exceeding the 30% target set out in the NSW Government Equitable Briefing Policy for Women Barristers.

We made 159 senior counsel engagements in 2022-23. Of these engagements, 28% were with female barristers, exceeding the NSW Government's 20% target.

Significant work

Supporting the NSW Government's Shared Equity Scheme

Between 1 April and 30 June 2023, the CSO accepted 211 instructions from Revenue NSW for conveyancing related to home purchases under the NSW Government's Shared Equity Scheme.

Resolving historical abuse claims

The CSO continued to act for NSW Government agencies in historic child abuse claims, resolving 258 claims during 2022-23.

Our solicitors managed and resolved these sensitive matters using a trauma-informed framework, consistent with the NSW Government Guiding Principles for Government Agencies Responding to Civil Claims for Child Abuse.

Coronial inquests

The CSO was instructed in 104 coronial inquests and acted as solicitor assisting the State Coroner and Deputy State Coroners in 62 inquest hearings at the Coroners Court of NSW and in regional centres across NSW.

These included inquests concerning:

- deaths in custody, including several matters falling within the State Coroner's First Nations Protocol
- missing persons, such as the Inquest into the disappearance of Melissa Caddick and the Inquest into the disappearance of Marion Barter.

Royal Commissions

The CSO continued to act for the State of NSW in 2 ongoing Royal Commissions.

The first is the Royal Commission into Violence, Abuse, Neglect and Exploitation of People with Disability, established in April 2019. The CSO represented the State before 28 of the 33 public hearings. The Royal Commission held a final ceremonial sitting in Sydney on 15 September 2023 and subsequently provided its final report to the Governor-General.

The second is the Royal Commission into Defence and Veteran Suicide, established in July 2021. The CSO represented the State in the 9 hearing blocks held to date and has assisted with the State's response to numerous notices for information and production of documents. The Royal Commission is due to provide its final report to the Governor-General by June 2024.

Special Commission of Inquiry

CSO solicitors continued to assist the Commissioner, Justice Sackar, in the Special Commission of Inquiry into LGBTIQ hate crimes, which 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 December 2023.

Regulatory offences

The CSO appeared in more than 80 prosecutions in the Local and District Courts of NSW on behalf of the NSW Electoral Commission, regulating compliance to ensure the integrity of the electoral process.

The CSO provided advice and/or representation to government agencies and statutory authorities in more than 90 prosecutions related matters spanning the areas of transport, rail safety, childcare centres, State revenue, hospitality and racing, and the enforcement of sustainable water use and fishing practices.

We acted in *Grant Barnes, Chief Regulatory Officer, Natural Resources Access Regulator v Henry Payson Pty Ltd* [2023] NSWLEC 5, in which the Land and Environment Court imposed the largest overall fine in the history of the *Water Management Act 2000*.

High-risk offenders

The CSO acted for the Attorney General and State of NSW in 50 Supreme Court applications for orders concerning offenders and forensic patients under the *Crimes (High Risk Offenders) Act 2006*, the *Terrorism (High Risk Offenders) Act 2017*, and the *Mental Health and Cognitive Impairment Forensic Provisions Act 2020*.

In a significant matter, the CSO acted for the State in a successful application for an extended supervision order (*State of New South Wales v Taleb (Final)* [2022] NSWSC 1748). This followed a successful severity appeal in relation to the defendant's offences that compressed the timeframe available. The offender had a complex history of mental illness and serious criminal offending, including preparing to travel to the Middle East to fight for the Islamic State.

Property, native title and Aboriginal land rights

The CSO is the NSW Government's representative in native title and Aboriginal land rights matters, most of which fall within the scope of core legal work.

In 2022-23, we advised clients on 94 native title matters, and represented one client in a native title non-claimant litigation matter.

We provided 14 *Aboriginal Land Rights Act* (ALRA) advices, including in relation to Aboriginal land agreements and 5 ALRA claim litigation matters.

In a significant matter, the CSO acted for Sydney Metro in proceedings in the Land and Environment Court and Court of Appeal, concerning whether compensation was payable for the compulsory acquisition of substratum where the surface soil disturbance was found to be 1.5 mm or moderately greater.

The result of the Court of Appeal's decision is that objectively, trivial disturbance of overlying soil arising from the construction of underground rail facilities will not be sufficient to enable an applicant to obtain compensation for compulsory acquisition of substratum for the purpose of underground rail facilities under the *Land Acquisition (Just Terms Compensation) Act 1991 - Sydney Metro v Expandamesh Pty Ltd* [2023] NSWCA 200.

Privacy and GIPA Act matters

The CSO managed 61 privacy matters in 2022-23, including advices and appearances in the NSW Civil and Administrative Tribunal (NCAT) and the Supreme Court.

We acted for clients in 15 matters involving *Government Information (Public Access) Act 2009*, including appearances in NCAT.

Constitutional and Administrative law

The CSO acted in the Court of Appeal in relation to whether s. 48(1) of the *Interpretation Act 1987* confers a power to revoke a previous decision made under a statutory power.

At first instance, the primary judge had followed the authority of *Parkes Rural Distributions Pty Ltd v Glasson* (1986) 7 NSWLR 332 to the effect that s. 48(1) did imply such a power.

The Court of Appeal did not follow *Glasson* but preferred to follow a Full Federal Court judgment so that there is now a convergence of opinion among senior appellate courts in Australia about the construction of a provision like s. 48(1) of the *Interpretation Act* and its cognate provisions – *Independent Liquor & Gaming Authority v 4 Boys (NSW) Pty Ltd* [2023] NSWCA 210.

Employment and Industrial Relations

The CSO acted in more than 50 matters on behalf of the Children's Guardian concerning the failure to grant working with children check

clearances (WWCCC) under the *Child Protection (Working with Children) Act 2012*.

In one significant decision, the Children's Guardian successfully appealed against a decision of NCAT to grant a WWCCC to DVR, against whom allegations were made of sexual assault against four children under the age of 15, including his stepdaughter – *Office of the Children's Guardian v DVR* [2022] NSWSC 1036.

Commercial law

The CSO advised and assisted the State in connection with an appeal to the Full Federal Court brought by the Australian Competition and Consumer Commission (ACCC). This matter was in relation to the privatisation of Port Botany and Port Kembla, which raised significant issues about the law on Crown immunity.

The Full Court of the Federal Court dismissed the ACCC's appeal, finding that the entry into the relevant transaction documents was not in the course of the State carrying on a business. The State therefore had the benefit of Crown immunity.

Further, the counterparties had the benefit of derivative Crown immunity – *Australian Competition and Consumer Commission v NSW Ports Operations Hold Co Pty Ltd* [2023] FCAFC 16.

Public Interest and Protection

The CSO advised and represented NSW Government agencies and statutory authorities, including the NSW Police Force, Corrective Services NSW, Transport for NSW, Treasury, and The Cabinet Office, with respect to claims of public interest immunity and other objections to production and disclosure of sensitive government information.

In *The Commissioner of Police v Gregory John Walker* [2023] NSWSC 539, the CSO acted for the Commissioner of Police in a successful application for judicial review. The Supreme Court determined that s. 61 of the *Criminal Procedure Act 1986* does not fetter the power of the Local Court to order that the accused's access to parts of a brief of evidence be restricted.

The Crown Solicitor also advised and represented the Attorney General with respect to charitable trusts. The CSO continues to act for the Attorney General in respect of the appeal against the decision in *Grain Technology Australia Ltd v Rosewood Research Pty Ltd (No 3)* [2023] NSWSC, which concerns the position regarding corporations with charitable objects.

Group civil action claims

The CSO acted for several NSW Government agencies responding to group civil actions for liability in tort.

Significantly, the CSO successfully resolved 36 claims made against a government agency seeking damages for deprivation of a right to residual liberty, assault and battery without recourse to litigation.

Delivering value-adding services

Training and education

The CSO provided a range of no-cost and low-cost training and education to NSW Government agencies. We shared our legal expertise and insights to help clients make informed decisions about their matters and operations, reduce risk, and manage compliance with relevant legislation.

Our seminars on legal topics are designed to support the Continuing Professional Development (CPD) requirements of legal practitioners in NSW.

Supporting our commitment to continuous improvement, participants in our training and education sessions were invited to complete feedback surveys about the quality of the content and of our trainers and presenters.

GIPA Act and NSW privacy legislation

The CSO continued to offer training to NSW Government agency staff on the *Government Information (Public Access) Act 2009* (GIPA Act) and NSW privacy legislation, assisting agencies to understand and meet their obligations under the relevant legislation. Courses offered in 2022-23 were:

- Introduction to the GIPA Act
- Advanced GIPA Act
- Introduction to Privacy Law
- Advanced Privacy Law
- Conducting privacy internal reviews

The CSO was also engaged by the Department of Customer Service and the Department of Education to deliver tailored training to their staff.

NSW Government solicitors' induction

In February 2023, the CSO delivered its third annual induction training for solicitors new to the NSW Government sector. Seventy-five solicitors from government agencies joined CSO solicitors for the half-day livestreamed event. The event aims to provide solicitors new to government with an understanding of key public law concepts, processes, and NSW legislation. This was delivered as a low-cost value add service to NSW Government solicitors.

CPD seminars

More than 1,200 NSW Government solicitors, including from the CSO, joined our annual CPD Conference in March 2023. The event, exclusively for NSW Government solicitors and members of the NSW public sector, was provided at no charge to participants.

Senior CSO solicitors and three external experts addressed the latest legal developments and key issues that impact NSW Government agencies. Six conference sessions covered the following topics:

- the rapid development of climate change litigation in the areas of tort, environmental and administrative law
- the implications of *Kozarov v State of Victoria* [2022] HCA 12 and tips for practitioners on managing mental health and wellbeing
- developments relating to information technologies, information security and privacy and their impact upon lawyers' responsibilities
- significant issues in statutory interpretation including extraterritoriality, purposive construction, and powers of revocation
- the law, institutions, and conventions of government in preparation for what happens after an election
- when agencies can charge fees when exercising functions and providing services.

In addition, CSO solicitors delivered seminars and training over the course of 2022-23 on topics including: privacy; advice writing; disclosure, subpoenas, privilege and public interest immunity; drafting defences; and historical child abuse damages claims.

Legal news and insights

The CSO kept clients informed of significant legal decisions, legislative updates and other relevant legal developments throughout 2022-23 through periodic newsletters (also published on the CSO website).

Administrative Law Quarterly provided summaries of selected administrative law decisions/judgments in matters relevant to the NSW Government and its agencies and in which the Crown Solicitor acted.

Regulatory & Environment Insights highlighted the practical implications for prosecutors and regulators on key decisions by the High Court of Australia, NSW Court of Criminal Appeal, and the Land and Environment Court of NSW.

Secondments

During 2022-23, 29 CSO staff were seconded to other NSW Government agencies in legal and administrative roles. The CSO had 22 staff seconded to it from other agencies. These arrangements facilitate and strengthen knowledge sharing and relationship building between the CSO and our client agencies.

Major projects

During 2022-23, the CSO progressed major projects that supported our aims and objectives.

Information management and technology

The CSO continued to support a flexible, digital-first work environment. We refined 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.

We supported the government-wide Process and Technology Harmonisation (PaTH) program to standardise corporate and shared services. The CSO transitioned to myWorkZone, the upgraded SAP HR and Payroll application, as part of the PaTH rollout within the Stronger Communities Cluster.

We continued to work with the Department of Communities and Justice to implement security technologies to improve our overall cyber security protection.

In late 2022, the CSO website and secure online Client Centre were transitioned to new platforms, offering us improved capability.

Document management and practice management systems

During 2022-23, the CSO rolled out several upgrades to our practice management system, Thomson Reuters Elite, providing enhanced functionality and streamlining business processes.

Key enhancements included update to team structures, workflow approvals, and trust compliance to support the NSW Government's Shared Equity Scheme, in which the CSO is participating as the legal processing entity.

Two key stages of the ongoing Elite upgrade project were completed in 2022-23, and a third stage is due to be completed in late 2023.

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

Looking ahead

During 2023-24, information management and technology focus areas include:

- investigating the use of Artificial Intelligence technologies to enhance the efficiency of our legal services, with a 'proof-of-concept' project, commencing July 2023
- commencing the Content Manager document management system upgrade
- delivering, in partnership with the Department of Communities and Justice, a major Microsoft Office 365 tenant consolidation project
- replacing the CSO intranet platform
- continuing to work closely with the Department of Communities and Justice to continue to enhance our security systems, including a focus on data leakage prevention technologies.

Performance measures

Measure	2021-22 Actual	2021-22 Budget	2022-23 Actual	2022-23 Budget
Net surplus	\$5.2M	\$2.8M	\$6.7M	\$1.4M
New matters	3,641	n/a	4,112	n/a
Employee utilisation ¹ (solicitors' average daily billable hours)	4.6 hrs	4.7 hrs	4.7 hrs	4.7 hrs
% of clients rating the CSO's legal services as better than or equal to that of other law firms they use ²	79%	85%	87%	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.

Financial performance

The CSO achieved a net surplus of \$6.66 million. This was \$5.21 million higher than the budgeted \$1.45 million. The office will make a distribution payment of \$2.78 million from the distributable operating surplus, as approved by the Treasurer.

Revenue of \$84.51 million was \$5.53 million higher than budget of \$78.98 million and \$9.96 million higher than 2021-22, attributable to growth in non-core work and to the Special Commission of Inquiry into LGBTIQ hate crimes.

Employee-related expenses were \$1.02 million higher than budget due to the increased workload, offset by vacancies in the first part of the year. The 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.

State Outcome

The CSO operated under a single State Outcome, an 'efficient and effective legal system.' The CSO's State Outcome Program Performance Indicator (PPI) was driven by our primary business objective of providing quality legal services to the NSW Government and its agencies.

Our PPI was measured by responses to the CSO's annual client survey question, 'Overall, how do you rate the CSO's legal services compared with other law firms you use?'

Employee utilisation

Solicitors' average daily billable hours is a widespread legal-industry productivity measure. The measure is based on chargeable hours for the period divided by available days and adjusted for any write-offs or discounts subsequently applied prior to invoicing.

4. Management and accountability

Senior executives

Number by band and gender

Band	2021-22 Female	2021-22 Male	2022-23 Female	2022-23 Male
Band 4 (Secretary)	N/A	N/A	N/A	N/A
Band 3 – Crown Solicitor (Agency Head)	1	0	1	0
Band 2 – Assistant Crown Solicitor (Executive Director equivalent)	2	1	1	2
Band 1 – Director and Special Counsel	12	9	19	8
Total by gender	15	10	21	10

Average total remuneration package

CSO senior executive roles	2021-22	2022-23	Range
Band 4 (Secretary)	N/A	N/A	N/A
Band 3 – Crown Solicitor (Agency Head)	\$499,192	\$509,176	\$361,301 to \$509,250
Band 2 – Assistant Crown Solicitor (Executive Director equivalent)	\$310,495	\$320,638	\$287,201 to \$361,300
Band 1 – Director and Special Counsel	\$237,853	\$244,274	\$201,350 to \$287,200

Percentage of total employee-related expenditure

The percentage of total employee-related expenditure in 2022-23 associated with senior executives was 12.3%, compared with 11.8% for 2021-22.

Human resources

Officers and employees by category

Occupation classification (ANZSCO)	2019-20	2020-21	2021-22	2022-23
Managers	1	1	4	4
Professionals	270	247	293	289
Technicians and Trades Workers	3	3	1	2
Clerical and Administrative Workers	178	170	157	212

Note: Headcount as at 22 June 2023. These figures do not include agency staff. The figures are estimates compiled from the Annual Workforce Profile, showing the current reporting period plus the previous 3 years for comparison.

Consultants

Total consultant expenditure in 2022-23 was \$45,000, comprising one engagement: Deloitte was engaged to undertake an assessment of the financial controls over the financial statement close process and trust account management.

Promotion

There were no overseas visits by CSO officers or employees in 2022-23.

Legal change

Significant judicial decisions and legislative changes affecting clients of the CSO are referenced in section 3 of this report.

Legislative compliance

Privacy and Personal Information Protection Act 1998

The CSO did not receive any requests for internal review under the *Privacy and Personal Information Protection Act 1998* (PIIP Act) during the 2022-23 financial year.

The CSO is a separate agency for the purposes of the PIIP 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 PIIP Act, the CSO has a Privacy Management Plan.

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.

Public interest disclosures

There were no public interest disclosures to the CSO in the 2022-23 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.

The PID policy will be reviewed and updated in 2023-24 following the release of the *Public Interest Disclosures Act 2022*, which commences on 1 October 2023 and replaces the *Public Interest Disclosures Act 1994*.

Risk management and insurance activities

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.

Fraud and corruption control framework

The CSO's Fraud and Corruption Control Framework sets out the CSO's approach to prevention and detection of fraud and corruption and procedures for responding to and reporting of actual, suspected, or alleged incidents. The requirements apply to all staff, volunteers, consultants, contractors, and outsourced service providers performing work for the CSO.

The framework 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 CSO's Chief Audit Executive at 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 2022-23.

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 2022-2023 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:	
<ul style="list-style-type: none"> • 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 January 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.



20/9/23

Karen Smith
Crown Solicitor
Crown Solicitor's Office
11 September 2023



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

Crown Solicitor's Office



20 September 2023

Cyber Security Annual Attestation Statement for the 2022-2023 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 2022-2023 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.

The Crown Solicitor's Office has assessed its cyber security risks and appropriate 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

5. Sustainability

Work health and safety

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.

Health and wellbeing

In August 2022, the CSO launched its 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 to wellbeing and outline our responsibility and approach to setting wellbeing objectives.

The Framework included a Wellbeing Action Plan for 2022-2025, which focuses on supporting early detection of risks to mental and physical health that may be caused by personal or professional responsibilities.

One of the initiatives identified in the Action Plan was the implementation of a proactive wellbeing supervision program for employees in high-risk teams. The CSO partnered with FBG Group to deliver proactive wellbeing sessions to members of the CSO Executive Committee, Directors, and high-risk teams that took a preventative approach to support individual wellbeing.

The CSO continued to partner with Benestar to deliver the Employee Assistance Program (EAP). The EAP enables all CSO staff members and their immediate family to access free and confidential counselling, coaching, and support services.

Managers and supervisors had access to Benestar's *MyCoach for People Leaders*, which offers confidential and proactive support on workplaces issues or challenges.

The CSO offered its annual flu vaccination program to staff in April 2023 to minimise the risk of influenza transmission and to maintain operations throughout the 2023 winter period.

Wellbeing Working Group

A Wellbeing Working Group, established in December 2022, brought together representatives from across the CSO. Members of the working group met every 2 months to collate and share team and/or division feedback and requirements. They provided recommendations to the Executive Committee on initiatives and programs, and planned wellbeing-related staff events.

The CSO promoted health and wellbeing initiatives through mandatory e-learning, publication of the monthly Wellbeing Connection newsletter, employee-led working groups and team meetings.

Training delivered in 2022-23

- Managing exposure to sensitive material
- Dealing with vulnerable clients
- Managing challenging interactions
- Manual handling
- Personal security awareness
- Mental Health First Aid

WHS statistics

The CSO responded to 3 workplace injuries that resulted in workers compensation claims. Of these, one was a psychological injury claim and 2 were claims for physical injury resulting in one lost time. One claim remains open as at 30 June 2023. There have been no prosecutions.

Workforce diversity

Equal Employment Opportunity (EEO) groups

Trends in the representation of EEO groups

EEO group	Benchmark/ target	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23
Women ¹	50%	75.1%	74.7%	73.7%	73.2%	75.8%	74.2%
Aboriginal people and Torres Strait Islanders ²	3%	0.8%	0.7%	0.7%	0.5%	0.2%	0.4%
People whose first language was not English ³	23.3%	13.4%	11.7%	10.6%	11.4%	12.3%	11.7%
People with a disability ⁴	5.6%	1.8%	1.8%	1.5%	2.6%	2.2%	1.6%
People with a disability requiring work-related adjustments ⁵	N/A	0.8%	0.9%	0.7%	0.9%	0.9%	1.4%

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 former NSW Government Premier's Priorities aimed to have 5.6% of government sector roles held by people with a disability by 2025. The CSO maintained this benchmark during 2022-23.
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	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23
Women	100	296	326	333	309	345	376
Aboriginal people and Torres Strait Islanders	100	N/A	N/A	N/A	2	1	2
People whose first language was not English	100	53	51	48	55	56	59
People with a disability	100	N/A	N/A	N/A	11	10	8
People with a disability requiring work-related adjustments	100	N/A	N/A	N/A	4	4	7

Note: 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. We recognise belonging and inclusion as foundational to our organisational culture.

We published our Belonging and Inclusion Framework in April 2023, and our strategy for 2023-24 will be guided by the 2023-2027 Inclusion Action Plan, published in August 2023.

First Nations people

In 2022-23, we continued our partnership with CareerTrackers to offer a 16-week internship program for Aboriginal and/or Torres Strait Islander law students to gain practical legal experience in a legal practice group.

We also partnered with Ngalaya Indigenous Corporation to offer a 12-month cadetship program for First Nations law students to gain practical legal experience in a legal practice group.

With exemption from Anti-Discrimination NSW, we advertised targeted Graduate Solicitor positions in 2022. We employed 2 First Nations people as part of the CSO Graduate Development Program. This exemption is valid from 1 July 2020 to 30 June 2026.

Our Reconciliation Action Plan (RAP) working group organised workshops for CSO staff on how to deliver an authentic Acknowledgement of Country. The RAP working group continues to support a diverse and inclusive environment by raising awareness of and celebrating days such as National Reconciliation Week and NAIDOC week.

As part of our ongoing commitment to improve cultural awareness, we launched the Public Service Commission's 'Everyone's Business - Learning about the Stolen Generations trauma-informed training' to CSO staff, and will continue to promote this training to all staff.

We organised an Aboriginal Employee Network Discussion with Aboriginal staff (including interns) and external Aboriginal Senior Leaders.

People with disability

The CSO partnered with Sign Hear to deliver Deaf Awareness Training to staff to better understand how a person who is deaf or hard of hearing functions in the workplace, and the uniqueness of the Deaf Culture.

We continued our partnership with the Australian Network on Disability (AND) and their Stepping into Law Program to offer 16-week internships to law students with disability. We provided 2 interns with practical legal experience our legal practice groups.

As part of acknowledging the International Day of People with Disabilities (IDPWD) in 2022, we partnered with AND to deliver a Lunch & Learn session on the topic of 'How can you support and promote the inclusion of people with disability?'

Cultural and linguistic diversity

Our partnership with CareerSeekers, a non-profit organisation supporting Australia's humanitarian entrants into professional careers, continued in 2022-23. Through CareerSeekers' New Australian Internship Program, we provided a 16-week internship to a law student from a culturally and linguistically diverse background to gain practical legal experience in one of our legal practice groups.

The CSO's Inclusion Working Group is developing a 2023-24 Days of Significance calendar to be published on our intranet to increase awareness of cultural days of significance.

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 throughout 2022-23. 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.

Modern Slavery Act 2018 (NSW)

No significant issues were raised by the Anti-slavery Commissioner during 2022-23 concerning the operations of the CSO.

The CSO is in the early stages of developing its approach to this important issue. During the reporting period, the CSO's code of conduct, which establishes standards of conduct and ethical behaviour, was updated to require employees to take reasonable steps to ensure that goods and services procured for the CSO are not a product of modern slavery within the meaning of the *Modern Slavery Act 2018*.

We commenced a review of modern slavery risks in our operations and supply chains. The review is ongoing, but preliminary indications are that the risk is low.

The legal sector, in which the CSO operates, is generally assessed as low risk. CSO staff are employed under an Award. Procurement is generally from qualified professionals such as barristers and experts via whole-of-government panels, or from schemes, such as for office supplies, or from our lead department, such as for ICT and payroll services and support.

During 2023-24, the CSO will continue the risk review and then develop its procurement framework. This will include and/or reference modern slavery tools and templates for use where appropriate as part of its procurement processes, such as those available through buy.nsw, the single procurement platform for all NSW Government.

6. Financial performance

Financial statements

The CSO's financial statements, including the independent auditor's report, are set out on the following pages.

Crown Solicitor's Office

Annual Financial Statements
for the year ended 30 June 2023



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Crown Solicitor's Office

Financial Statements for the year ended 30 June 2023

Statement by the Crown Solicitor

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

- (a) The accompanying financial statements have been prepared in accordance with the Australian Accounting Standards and the applicable requirements of the GSF Act, the Government Sector Finance Regulation 2018 and the Treasurer's directions, and
- (b) present fairly the agency's financial position, financial performance and cash flows.



Karen Smith
Crown Solicitor
4 October 2023

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 2023, the Statement of Financial Position as at 30 June 2023, 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).

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

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

Independent Auditor's Report (continued)

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.

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

6 October 2023
SYDNEY

Statement of Comprehensive Income

For the year ended 30 June 2023

	Note	Actual 2023 \$'000	Budget 2023 \$'000	Actual 2022 \$'000
Expenses excluding losses				
Employee-related expenses	2(a)	58,675	57,659	52,951
Operating expenses	2(b)	15,072	16,115	9,264
Depreciation and amortisation	2(c)	3,986	3,757	8,770
Finance costs	2(d)	113	-	672
Total expenses excluding losses		77,846	77,531	71,657
Revenue				
Sale of goods and services from contracts with customers	3(a)	83,272	78,980	73,444
Investment revenue	3(b)	700	-	30
Other revenue	3(c)	324	-	820
Acceptance by the Crown of employee benefits	3(d)	218	-	258
Total revenue		84,514	78,980	74,552
Operating result		6,668	1,449	2,895
Losses on disposal	4	(6)	-	(23)
Other gains	5	-	-	2,330
Net result		6,662	1,449	5,202
Other comprehensive income		-	-	-
Total other comprehensive income		-	-	-
Total comprehensive income		6,662	1,449	5,202

The accompanying Notes form part of these financial statements.

Statement of Financial Position

as at 30 June 2023

	Note	Actual 2023 \$'000	Budget 2023 \$'000	Actual 2022 \$'000
Assets				
Current assets				
Cash and cash equivalents	8	22,868	16,765	14,989
Receivables	9	26,773	22,994	28,609
Contract assets	10	6,352	8,035	5,940
Other current assets	14	9,095	9,922	8,714
Total current assets		65,088	57,716	58,252
Non-current assets				
Plant and equipment	11			
- Plant and equipment		433	482	784
- Leasehold improvements		9,205	10,253	11,124
Total plant and equipment		9,638	10,735	11,908
Intangible assets	13	9,806	9,938	10,169
Other non-current assets	14	899	847	862
Total non-current assets		20,343	21,520	22,939
Total assets		85,431	79,236	81,191
Liabilities				
Current liabilities				
Payables	15	7,301	8,736	9,817
Provisions	17	19,744	17,578	17,022
Total current liabilities		27,045	26,314	26,839
Non-current liabilities				
Provisions	17	2,912	2,805	2,762
Total non-current liabilities		2,912	2,805	2,762
Total liabilities		29,957	29,119	29,601
Net assets		55,474	50,117	51,590
Equity				
Accumulated funds	18	55,474	50,117	51,590
Total equity		55,474	50,117	51,590

The accompanying Notes form part of these financial statements.

Statement of Changes in Equity

For the year ended 30 June 2023

	Note	Accumulated funds \$'000
Balance at 1 July 2022		51,590
Net result for the year		6,662
Other comprehensive income		-
Total other comprehensive income		-
Total comprehensive income for the year		6,662
Transactions with owners in their capacity as owners		
Distribution payable to the Crown	6	(2,778)
Balance at 30 June 2023		55,474

		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

The accompanying Notes form part of these financial statements.

Statement of Cash Flows

For the year ended 30 June 2023

		Actual 2023 \$'000	Budget 2023 \$'000	Actual 2022 \$'000
	Note			
Cash flows from operating activities				
Payments				
Employee related		(57,754)	(57,659)	(51,184)
Suppliers for goods and services		(18,047)	(17,173)	(7,386)
Finance costs		-	-	(672)
Total payments		(75,801)	(74,832)	(59,242)
Receipts				
Legal fees from clients		84,681	78,980	66,258
Interest received		700	-	30
Other		325	-	1,315
Total receipts		85,706	78,980	67,603
Net cash flows from operating activities	22	9,905	4,148	8,361
Cash flows from investing activities				
Purchase of plant and equipment		(200)	(881)	(228)
Purchase of intangible assets		(1,073)	(1,100)	(1,451)
Net cash flows from investing activities		(1,273)	(1,981)	(1,679)
Cash flows from financing activities				
Financial distribution to the Crown	6	(753)	(752)	(233)
Payment of principal portion of lease liabilities		-	-	(4,512)
Net cash flows from financing activities		(753)	(752)	(4,745)
Net increase in cash and cash equivalents		7,879	1,415	1,937
Opening cash and cash equivalents		14,989	15,350	13,052
Closing cash and cash equivalents	8	22,868	16,765	14,989

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 2023 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 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 2022-23

The accounting policies applied in 2022-23 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 TPG23-04 *Mandates of options and major policy decisions under Australian Accounting Standards*:

AASB 2020-1 Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-current

AASB 2021-2 Amendments to Australian Accounting Standards – Disclosure of Accounting Policies and Definition of Accounting Estimates

AASB 2021-7b Amendments to Australian Accounting Standards – Effective Date of Amendments to AASB 10 and AASB 128 and Editorial Corrections

AASB 2021-7c Amendments to Australian Accounting Standards – Effective Date of Amendments to AASB 10 and AASB 128 and Editorial Corrections

AASB 2022-1 Amendments to Australian Accounting Standards – Initial Application of AASB 17 and AASB 9 – Comparative Information

AASB 2022-5 Amendments to Australian Accounting Standards – Lease Liability in a Sale and Leaseback

AASB 2022-6 Amendments to Australian Accounting Standards – Non-current Liabilities with Covenants

AASB 2022-7 Editorial Corrections to Australian Accounting Standards and Repeal of Superseded and Redundant Standards

AASB 2022-10 Amendments to Australian Accounting Standards – Fair Value Measurement of Non-Financial Assets of Not-for-Profit Public Sector 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 2022-23

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.

CSO's staff continue to work flexibly when work can be performed efficiently and effectively. State courts have largely reverted to in-person while federal courts still operate extensively online. The overall volume of work received by the CSO during the year was higher than prior years (refer to Note 21).

2. Expenses excluding losses

(a) Employee-related expenses

	2023	2022
	\$'000	\$'000
Salaries and wages (including annual leave)	49,350	45,021
Superannuation - defined benefit plans	207	246
Superannuation - defined contribution plans	4,437	3,685
Long service leave	1,299	1,197
Workers compensation insurance	496	384
Payroll tax and fringe benefit tax	2,886	2,414
Redundancy costs	-	4
	58,675	52,951

(b) Operating expenses

	2023	2022
	\$'000	\$'000
Auditor's remuneration		
- audit of the financial statements	77	75
- audit of the Trust Account	11	11
Computer services and equipment	242	197
Consultants	45	121
Contractors	1,624	1,628
Efficiency dividend	1,725	1,683
Fees - archive	445	458
Fees – shared services agreement	2,032	1,987
Insurance	108	92
Outgoings and cleaning	281	302
Printing	451	469
Professional fees and membership	214	201
Publications and subscriptions	522	488
Rent expense	5,402	-
Repairs and routine maintenance*	511	350
Security	163	163
Staff training	259	203
Telephone and data	340	359
Other operating expenses	620	477
	15,072	9,264

* Reconciliation - Total maintenance

Maintenance expense - contracted labour and other (non-employee related) as above

Total maintenance expenses included in Note 2(b)

511	350
511	350

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.

Fees – shared services agreement

Shared services charges from the Department of Communities and Justice in the areas of payroll, information and technology systems support and library services are recognised as expenses as incurred over the agreement duration.

Rent expense

From 1 July 2022, accommodation charges are recognised as expenses as incurred over the agreement duration. Prior to this, accommodation arrangements were accounted for as a lease within the scope of AASB 16 *Leases*.

(c) Depreciation and amortisation

	2023	2022
	\$'000	\$'000
Depreciation		
Plant and equipment	631	447
Leasehold improvements	1,919	1,900
Right-of-use asset	-	5,065
Total depreciation	2,550	7,412
Amortisation		
Intangible assets	1,436	1,358
Total amortisation	1,436	1,358
Total depreciation and amortisation	3,986	8,770

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

(d) Finance costs

	2023	2022
	\$'000	\$'000
Interest expense on lease liabilities	-	672
Unwinding of discount and effect of changes in discount rate on make good provisions	113	-
	113	672

Recognition and measurement

Finance costs consist of the unwinding of the discount rate for the make good provision. There was no interest incurred on lease liabilities in 2023 following the change to accommodation arrangements with Property and Development NSW which resulted in the derecognition of lease liabilities.

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

	2023	2022
	\$'000	\$'000
Rendering of services – legal fees from contracts with customers	83,272	73,444
	<u>83,272</u>	<u>73,444</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

	2023	2022
	\$'000	\$'000
Interest revenue	700	30
	<u>700</u>	<u>30</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

	2023	2022
	\$'000	\$'000
TMF hindsight adjustment – workers compensation	6	33
Other services provided	318	787
	<u>324</u>	<u>820</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:

	2023	2022
	\$'000	\$'000
Superannuation – defined benefit	218	258
	<u>218</u>	<u>258</u>

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

4. Losses on disposal

	2023	2022
	\$'000	\$'000
Plant and equipment	6	1
Intangible assets	-	22
	<u>6</u>	<u>23</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

	2023 \$'000	2022 \$'000
Derecognition of right-of-use assets and lease liabilities with Property NSW*	-	2,330
	<u>-</u>	<u>2,330</u>

* 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 NSW ('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 \$2.778m (2022: \$0.753m) 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

	2023	2022
	\$'000	\$'000
Cash at bank and on hand	22,868	14,989
	22,868	14,989

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

	2023	2022
	\$'000	\$'000
Current receivables		
Trade receivables from contracts with customers	24,925	26,050
Less: Allowance for expected credit losses		
- Trade receivables from contracts with customers	-	-
	24,925	26,050
Prepayments	594	475
Secondment income receivable	52	147
Recoverable disbursements	1,164	1,624
Long service leave recoverable	38	313
	26,773	28,609

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

Recognition and measurement

The CSO recognises a financial asset or a financial liability when, and only when, it becomes a party to the contractual provisions of the instrument. To determine when it becomes a party to the contractual provisions of the instrument, the CSO considers:

- Whether it has a legal right to receive cash (financial asset) or a legal obligation to pay cash (financial liability); or
- Whether at least one of the parties has performed under the agreement.

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.

The CSO assessed the loss allowance for receivables as at 30 June 2023 and 30 June 2022 to be \$nil.

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

	2023	2022
	\$'000	\$'000
Contract assets - current	7,053	6,604
Less: impairment allowance	(701)	(664)
	6,352	5,940
Contract receivables (included in Note 9)	24,925	26,050

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 current balance is within normal expectations.

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 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
At 1 July 2022 – fair value			
Gross carrying amount	2,095	17,894	19,989
Accumulated depreciation and impairment	(1,311)	(6,770)	(8,081)
Net carrying amount	784	11,124	11,908
Year ended 30 June 2023			
Net carrying amount at start of year	784	11,124	11,908
Additions	286	-	286
Disposals	(6)	-	(6)
Depreciation expense-asset owned	(631)	(1,919)	(2,550)
Net carrying amount	433	9,205	9,638
At 30 June 2023 – fair value			
Gross carrying amount	1,981	17,894	19,875
Accumulated depreciation and impairment	(1,548)	(8,689)	(10,237)
Net carrying amount	433	9,205	9,638

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
Computer, voice and data communications equipment	20% - 33%
Furniture and fittings	10%
Other plant and equipment	20%
Leasehold improvements and make good assets	Over the term of lease
Software projects	10% or over the useful life of the asset where that is assessed at < 10 years

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(d)(i) 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 accepted changes in the office accommodation arrangements with Property NSW (PNSW). The main change was 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 were 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 are recognised as expenses when incurred over the agreement duration (refer to Note 2(b)).

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 2023 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 2022	-	-
Depreciation expense	-	-
Balance at 30 June 2023	-	-

	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	-	-

Lease liabilities

The following table presents liabilities under leases.

	2023	2022
	\$'000	\$'000
Balance at 1 July	-	36,158
Interest expenses	-	672
Payments	-	(5,183)
Derecognition of lease liabilities	-	(31,647)
Balance at 30 June	-	-

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

	2023	2022
	\$'000	\$'000
Depreciation expense of right-of-use assets	-	5,065
Interest expense on lease liabilities	-	672
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

The CSO had no cash outflows for leases during this financial year (2022: \$5.183m).

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.

Any lease liabilities are included in borrowings.

13. Intangible assets

	Software \$'000	Total \$'000
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
Disposals	(22)	(22)
Amortisation (recognised in "depreciation and amortisation")	(1,358)	(1,358)
Net carrying amount at end of year	10,169	10,169
At 1 July 2022		
Cost (gross carrying amount)	13,330	13,330
Accumulated amortisation and impairment	(3,161)	(3,161)
Net carrying amount	10,169	10,169
Year ended 30 June 2023		
Net carrying amount at start of year	10,169	10,169
Additions**	1,073	1,073
Amortisation (recognised in 'depreciation and amortisation')	(1,436)	(1,436)
Net carrying amount at end of year	9,806	9,806
At 30 June 2023		
Cost (gross carrying amount)	14,326	14,326
Accumulated amortisation and impairment	(4,520)	(4,520)
Net carrying amount	9,806	9,806

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

** Additions of \$1.1m includes \$0.1m 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

	2023	2022
	\$'000	\$'000
Crown Acceptance of long service leave liability - current	9,095	8,714
Crown Acceptance of long service leave liability – non-current	899	862
	9,994	9,576

15. Current liabilities – payables

	2023	2022
	\$'000	\$'000
Accrued salaries, wages and on-costs	1,494	1,094
Creditors	5,071	4,452
Accrued expenses	590	4,254
GST payable to the Australian Taxation Office	146	17
	7,301	9,817

Details regarding liquidity risk, including 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. Changes in liabilities arising from financing activities

	Financial distribution payable	Leases	Total liabilities from financing activities
	\$'000	\$'000	\$'000
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
1 July 2022	753	-	753
Cash flows	(753)	-	(753)
Provision for distribution 30 June 2023	2,778	-	2,778
30 June 2023	2,778	-	2,778

17. Current/non-current liabilities – provisions

	2023 \$'000	2022 \$'000
Current		
Employee benefits and related on-costs		
Annual leave	6,450	6,132
Long service leave	10,516	10,137
	16,966	16,269
Other provisions		
Distribution to the Crown	2,778	753
	2,778	753
Total current provisions	19,744	17,022
Non-current		
Employee benefits and related on-costs		
Long service leave	1,040	1,003
	1,040	1,003
Other provisions		
Make good	1,872	1,759
	1,872	1,759
Total non-current provisions	2,912	2,762
Aggregate employee benefits and related on-costs		
Provisions – current	16,966	16,269
Provisions - non-current	1,041	1,003
Accrued salaries, wages and on-costs (Note 15)	1,494	1,094
	19,501	18,366
Movements in provisions (other than employee benefits)		
	Distribution payments	Make good (non-current)
	\$'000	\$'000
Carrying amount at 1 July 2022	753	1,759
Additional provisions recognised	2,778	-
Change in the discount rate of make good provision	-	113
Amounts paid out	(753)	-
Carrying amount at 30 June 2023	2,778	1,872

(a) Annual leave

The liability at 30 June 2023 is based on leave entitlements at 30 June using remuneration rates to be payable post 30 June.

	2023 \$'000	2022 \$'000
Short term – expected to be settled within 12 months	5,049	4,732
Long term – not expected to be settled within 12 months	1,401	1,400
	6,450	6,132

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 2024.

(b) Long service leave

The current liability comprises:

	2023	2022
	\$'000	\$'000
Short term – expected to be settled within 12 months	1,007	1,334
Long term – not expected to be settled within 12 months	9,509	8,803
	<u>10,516</u>	<u>10,137</u>

The CSO contributed \$1.544m (2022: \$1.343m) 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 \$1.239m (2022: \$1.105m).

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 3.95% which is the rate based on the market yield on Commonwealth government bonds as per TC 11-17 *Determining the present value of a provision* and Treasury directives. 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 \$2.778m (2022: \$0.753m) is made based on the Treasurer's approval dated 30 June 2023 of the Crown Solicitor's recommendation for the 2022-2023 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

	2023	2022
	\$'000	\$'000
<i>Aggregate capital expenditure for the enhancement of the Practice Management System (2023) and for new laptops (2022) contracted for at balance date and not yet provided for:</i>		
Within one year	263	186
Later than one year and not later than five years	-	-
Later than five years	-	-
Total (including GST)	263	186

Total commitments for capital expenditure include input tax credits of \$0.024m (2022: \$nil) 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 2023. There were no contingent liabilities or contingent assets at 30 June 2022.

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 \$6.662m is \$5.213m higher than budget of \$1.449m.

Revenue of \$84.514m is \$5.534m higher than budget of \$78.980m and \$9.962m higher than 2021-22, attributable to the Special Commission of Inquiry into LGBTIQ hate crimes and growth in non-core work.

Employee-related expenses are \$1.016m higher than budget as a result of the increased workload, offset by vacancies in the first part of the year. 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.

Operating expenses are \$1.043m below budget due to lower costs due to the vacancies in the first part of the year.

Depreciation and amortisation was materially on budget.

Finance costs of \$0.113m (2022: \$0.672m) relate to the make good provision whilst costs in prior year represented the interest expense from lease liabilities as a result of adopting AASB 16.

Assets and liabilities

Total assets of \$85.431m are higher than budget of \$79.236m. Higher than budgeted revenue and a continued focus on minimising contract assets (unbilled legal work) has resulted in cash and cash equivalents being \$6.103m higher than budget and receivables being \$3.779m higher than budgeted.

Intangibles are materially in line with budget at \$9.806m, and total plant and equipment is \$1.097m lower than budget due to allocation of expenditure.

Total liabilities of \$29.957m are above budget of \$29.119m. Payables are \$1.435m lower than budget. Current provisions are \$2.166m higher 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. Provision for distribution to Crown Entity is \$1.764m higher than budget due to the net surplus and distribution to Crown Entity exceeding budget.

Cash flows

Cash and cash equivalents increased by \$7.879m compared to a budgeted increase of \$1.776m. The variance of \$6.103m is due to higher than budgeted revenue.

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:

	2023	2022
	\$'000	\$'000
Net cash flows from operating activities	9,905	8,361
Depreciation and amortisation expense	(3,986)	(8,771)
(Increase)/decrease in provisions	(434)	(694)
Decrease in receivables, prepayments and other assets	(1,547)	9,436
(Increase)/decrease in contract assets	412	(3,550)
Decrease/(increase) in payables	2,318	(1,887)
Net loss on disposal of assets	(6)	(23)
Net gain on derecognition of right-of use assets	-	2,330
Net result	6,662	5,202

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.

	2023	2022
	\$'000	\$'000
Cash balance at beginning of financial year	2,468	2,112
Add: Receipts	55,061	11,248
Less: Expenditure	(51,107)	(10,892)
Cash balance at end of financial year	6,422	2,468

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	
			2023	2022
			\$'000	\$'000
Financial assets				
Cash and cash equivalents	8	Amortised cost	22,868	14,989
Receivables ¹	9	Amortised cost	26,142	27,820
Contract assets ²	10		6,352	5,940
			55,362	48,749
Financial liabilities				
Payables ³	15	Financial liabilities measured at amortised cost	7,082	9,754
			7,082	9,754

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 expected changes in economic conditions, debtor credit rates and past experience.

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 2023. 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 2023 and 30 June 2022 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 (2022: \$nil) and the rate of interest applied during the year was 0% (2022: 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.

	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			
2023								
Payables	-	7,082	-	-	7,082	7,082	-	-
		7,082	-	-	7,082	7,082	-	-
2022								
Payables	-	9,754	-	-	9,754	9,754	-	-
		9,754	-	-	9,754	9,754	-	-

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 2022. 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 (2022: +/- 1.00%), 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:

	2023 \$'000		2022 \$'000	
	+1.00%	-1.00%	+1.00%	-1.00%
Net result	229	(229)	148	(148)
Equity	229	(229)	148	(148)

(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

The CSO does not hold financial assets and liabilities that are valued at fair value using valuation techniques.

25. Related party disclosures

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

Short term employee benefits:

	2023	2022
	\$'000	\$'000
Salaries	1,437	1,255
Other monetary allowances	276	198
Total remuneration	1,713	1,453

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. \$57.772m (2022: \$50.874m) 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 \$2.032m (2022: \$1.987m) 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 \$5.735m (2022: \$5.522m).

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

26. Events after the reporting period

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

End of audited financial statements.

