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# Department of Human Services NSW

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## AUDIT OPINION

The audits of the Department and its controlled entities' financial statements for the year ended 30 June 2010 resulted in unqualified Independent Auditor's Reports.

Unless otherwise stated, the following commentary relates to the consolidated entity.

## KEY ISSUES

### Transfer of functions to the Department of Human Services

The Department of Human Services was created in July 2009 through the amalgamation of five agencies:

- Aboriginal Affairs NSW
- Ageing, Disability and Home Care
- Community Services
- Housing NSW
- Juvenile Justice.

### Special Commission of Inquiry into Child Protection Services (the Wood Commission)

The Wood Commission Report into child protection services in New South Wales was released in November 2008, and contained 111 recommendations. 'Keep Them Safe: A shared approach to child wellbeing (2009-2014)' (KTS) was the Government's response to each of the recommendations. Priority rankings were assigned to each recommendation to determine when implementation was expected to substantially commence:

- Immediate = substantially commenced within 6 months
- Short Term = substantially commenced within 12-18 months
- Long Term = substantially commenced within 2-3 years.

Community Services provided us with the following information:

- of the 70 Community Services led or joint led recommendations, 28 have been completed and three are almost complete. Of those completed, all but one was completed within the timeframe. The recommendation regarding the Managers' Casework qualifications was delayed to allow for negotiations with the Public Service Association (a public sector union) over transitional arrangements
- all 22 immediate recommendations have either been substantially commenced (7) and are therefore on track, or have been completed, or are almost complete (15)
- of the 34 short term recommendations, 16 are complete or almost complete. The remainder have commenced
- work has commenced on most of the remaining long term recommendations.

Community Services advised that delays in commencing recommendations are generally due to competing priorities and limited staff and/or fiscal resources.

Whilst Community Services plays a major role in the implementation of KTS, the Department of Premier and Cabinet (DPC) oversees the KTS action plan and works with the relevant agencies to ensure its implementation. The status of all recommendations is monitored by the KTS Senior Officers Group led by DPC, which reports regularly to the Justice and Human Services Chief Executive Officers Group. The DPC KTS Implementation Unit monitors compliance with all Wood Commission recommendations via monthly reports from Community Services and other lead agencies.

The Child Protection Advisory Group (CPAG) which is chaired by the Minister for Community Services meets bimonthly to discuss key issues arising in the development and implementation of KTS, including any unintended consequences arising as KTS is rolled out. The CPAG comprises representatives from key peak organisations in the non-government community services sector.

Internally, the implementation status of Community Services' lead recommendations is monitored by the Major Change Program Unit. Monthly progress reports are provided to the Community Services Senior Executive Forum which is chaired by the Chief Executive.

### Out-of-Home Care Accreditation

In 2003, Community Services received interim accreditation for the provision of Out-of-Home Care (OOHC) services until June 2013. Community Services is currently participating in the Children's Guardian's Quality Improvement Program, which requires it to meet OOHC standards by June 2013 to achieve full accreditation. Community Services advised that it is working towards accreditation and has identified a significant risk for on-going service delivery if accreditation cannot be maintained.

### Caseworker Workload

I recommend the Department of Human Services make concerted efforts to fill vacant Community Services caseworker positions.

In my view, the following data indicates that Community Services does not have sufficient caseworkers to perform its functions effectively.

Year Ended 30 June	2010	2009****
Average number of vacant caseworker positions*	497	450
Average number of total caseworker positions available	2,481	2,440
Average total caseworker hours available ('000)**	4,480	4,554
Average actual caseworker hours ('000)***	3,597	3,680

Source: Department of Human Services (unaudited)

\* Vacant positions are those substantively vacant (no holder and no occupant) and those temporarily vacant (position has a holder but on unpaid leave, or the holder is acting in another position).

\*\* Calculated by multiplying the average position full time equivalent (FTE) by total hours available in each working financial year (1,820 hours)

\*\*\* Calculated by multiplying the average employee FTE by total hours available in each working financial year (1,820 hours)

\*\*\*\*Responsibility of the former Department of Community Services.

At 30 June 2010, 20.0 per cent (18.4 per cent at 30 June 2009) of caseworker positions were unfilled.

The Department advised that:

- Community Services' caseworker to child ratio is currently 1 to 29, more than double the KTS recommendation that there be one caseworker to 12 children and young persons
- Community Services currently has one of its highest recruitment rates in over five years. On average approximately 9.0 per cent of full and part time caseworker positions are actually unfilled. The nature of its workforce means that over 11.0 per cent of positions, while permanently filled may be temporarily vacant due to such things as maternity leave and secondments.
- the Government in its KTS response did not agree to fund Community Services to reduce the ratio to the recommended level. Instead the Government said 'reducing caseworker ratios will take some time, given the projected increases in the out-of-home care population in the coming years. The Government will develop a strategy to reduce caseworker ratios and is currently considering options'. The Government is proceeding with this work.

#### Out-of-Home Care Placement Reviews (Repeat Issue)

I recommend the Department of Human Services adhere to statutory requirements by ensuring Community Services placement reviews for children and young persons in Out-of-Home Care are undertaken at appropriate intervals.

Placement reviews for children in OOHC are not always performed at appropriate intervals that meet statutory requirements. Section 150 of the *Children and Young Persons (Care & Protection) Act 1998* requires the placement of the child or young person to be reviewed at least every 12 months. We have reported this matter for several years. Management advised this issue is being addressed through a project to transfer an increasing number of OOHC placements to the Non-Government Organisation (NGO) sector, and as part of the work towards obtaining full accreditation from the Children's Guardian. Community Services advised it has also completed a review of caseworker caseloads.

#### Grants Acquittals

I recommend the acquittal process for Community Services' grants, which are made to service providers, be re-examined and strengthened. The Department of Human Services should consider a range of options including:

- the need to engage its own independent auditor or specialist audit resources to cyclically audit grants based on a risk rating for service providers
- ensuring that training is available and undertaken by service providers in governance and accountability, or requiring them to undertake such training
- providing information or training for service providers and Community Services staff on acquittal procedures.

There are risks of fraudulent activity occurring within Community Services' service providers. In one instance, Community Services identified that a service provider had been falsifying its audited financial statements since 2002-03, using a letterhead of a previous auditor to signify that audits had been performed. Total funding provided to the service provider since 2002 was \$469,015 of which \$18,920 may not have been properly acquitted. The exact amount of any misappropriation will not be known until police enquiries have been finalised. Other instances of fraud have been identified by Community Services. Since 2005-06, there have been 31 alleged service provider frauds, of which seven have been substantiated, 23 not substantiated and one matter that is still under investigation.

The Department advised that in 2009-10, some \$974 million was paid out by Community Services to more than 3,200 separate funded initiatives, and to around 1,600 organisations.

At 30 June 2010 there was a backlog of some 42 acquittals relating to the 2008-09 financial year within Ageing, Disability and Home Care (ADHC). Of these, 15 acquittals have not been received by ADHC from service providers and 27 have been received but are still subject to regional reviews.

### Write off of the Electronic Records Data Management System

I recommend the Department of Human Services implement formal project governance structures and project management procedures for all Community Services' major IT projects. I also recommend the Department conduct benefit realisation reviews when major IT projects are implemented.

In June 2010, the Department wrote off \$5.2 million in relation to a Community Services IT project, the Electronic Records Data Management (ERDM) System. Whilst staged work on the project commenced in 2006, further work was suspended in July 2008 pending clarification of funding issues, establishment of a more robust project governance structure, and development of clearer aims and objectives between Community Services and the lead agency, NSW Businesslink Pty Ltd. Only minor benefits were realised from the project.

Management advised that it discontinued the project, and subsequently wrote off the expenditure against the project. This was in response to the Wood Commission recommendations, which amongst other things recommended Community Services move towards electronic client records. Its previous strategy focused on non-client records.

Management is of the view that it has appropriate governance structures in place for all projects.

### Repeat Management Letter Issues

I recommend the Department of Human Services address, as a priority, matters relating to Community Services and ADHC that I have been reporting for at least the past two years.

The slow response to my management letter recommendations could result in the Department being exposed to additional and unmitigated business risks. The outstanding matters relate to:

#### *Community Services*

- Restriction of user access to computer systems
- Review of computer vendor master file records
- Financial delegations.

Management advised that it continues to work with its service provider to resolve two of the three issues (master file records and financial delegations). Restriction of user access will be addressed as part of the KiDS Core Design upgrade.

#### *ADHC*

- Salary overpayments
- Property transfers from the former Department of Community Services
- Assets under construction
- Workforce management system disaster recovery plan.

## PERFORMANCE INFORMATION

### Services Provided by Community Services

Community Services' primary role is to promote and enhance the safety and wellbeing of children, young people and their families and to provide services that support and strengthen the community. In 2009-10, Community Services delivered its role under four service groups, namely: Community Services (\$195 million); Prevention and Early Intervention (\$314 million); Statutory Child Protection (\$402 million); and Out-of-Home Care (\$642 million).

#### Community Services

The Community Services program provides, amongst other things, general community support, including disaster welfare assistance and transitional support and accommodation services to children, young people and adults who are homeless or at risk of homelessness. Some services are provided by Community Services while others are provided in collaboration with NGOs and other government agencies.

The Supported Accommodation Assistance Program (SAAP) is a joint State/Commonwealth program that provides accommodation and support services to adults and unaccompanied children who are homeless or at risk of becoming homeless. In 2008-09, the number of clients including accompanying children assisted by SAAP services was 56,000, an increase of 83.6 per cent since 2004-05. Community Services advised this reflects enhanced reporting and a move towards prevention, early intervention and post crisis support.

#### Prevention and Early Intervention Services

This program provides funds towards the delivery of early childhood services, including licensing and monitoring of child care services.

#### Statutory Child Protection

Responsibilities under this program include:

- responding to reports of harm or risk to children
- assessing and investigating reports of child abuse
- developing case plans
- initiating and supporting court action
- working with other agencies to ensure that the safety, welfare and wellbeing of children are assured.

The table below provides some statistics relating to child protection.

Year ended 30 June	2010	2009*	2008*	2007*	2006*
Total child protection reports/child concern reports	256,088	309,676	303,121	286,033	241,003
Rate per 1,000 children and young people 0-17 years who were subject of a report referred for further assessment	55.4	71.1	65.7	65.1	54.8
Number of reports referred for further assessment	163,200	226,946	209,015	201,208	160,842
Number of JIRT** referrals accepted	3,877	3,436	3,180	3,023	3,338
Volume of Helpline calls entered	174,597	188,580	170,818	148,658	123,823
Volume of Helpline calls answered	151,303	166,228	152,037	132,433	109,340
Average waiting time (minutes)	2:58	2:51	2:56	2:59	3:49

Source: Department of Human Services (unaudited).

\* Responsibility of the former Department of Community Services.

\*\* refers to joint investigation response team referrals of child abuse which might be of a criminal nature.

Management advised the significant decreases in the first three items reflected changes in legislation effective from 24 January 2010. The changes included raising the reporting threshold from 'risk of harm' to the new 'risk of significant harm'.

Over the last five years, the volume of Helpline calls answered increased by 38.4 per cent. In 2009-10, the average waiting time per call was two minutes and 58 seconds. This was below the average time the Helpline is required to answer calls (three minutes), but seven seconds more than in 2009.

#### **Real Recurrent Expenditure on Child Protection Services**

The 'Productivity Commission Report on Government Services 2010' shows expenditure varies greatly between the States and Territories on child protection services 'per notification', 'per investigation', and 'per substantiation'.

New South Wales expenditure on child protection services per notification decreased from \$1,516 in 2007-08 to \$1,219 in 2008-09. Queensland had the highest expenditure (\$9,477) per notification in 2008-09, while the lowest was \$1,132 for the Australian Capital Territory.

Expenditure per investigation continues to decline in New South Wales and the Northern Territory. Since 2004-05, expenditure per investigation in New South Wales has decreased by 54.8 per cent. In 2008-09, New South Wales' expenditure of \$1,722 was by far the lowest of all states. The highest expenditure, \$12,255 was in Western Australia.

For the past four years expenditure per substantiation has been highest in Western Australia (\$33,491 in 2008-09) and lowest in New South Wales (7,642).

The Department advised that the data needs to be interpreted with care. This data is based on total expenditure on child protection activities, and does not represent and cannot be interpreted as unit costs for notifications, investigations or substantiations. The data cannot be reliably compared across jurisdictions because no two jurisdictions use the same expenditure criteria.

The Department also advised that New South Wales, of all jurisdictions, had the widest definition of the term 'notification' throughout the reporting period.

## Children Aged 0-16 Years in Protection Notifications, Finalised Investigations and Substantiations

Indigenous children continue to be over represented in the child protection system.

Year ended 30 June	NSW 2009*	National Average 2009*	NSW 2008**	National Average 2008**	NSW 2007***	National Average 2007***
<b>Children Aged 0-16 years in notifications (rates per 1,000 children)</b>						
Indigenous (i)	260.9	152.2	256.2	143.8	221.0	124.8
Non-indigenous	63.7	37.8	59.1	36.5	58.4	36.3
All children	72.2	43.1	67.0	41.3	64.9	40.2
<b>Children Aged 0-16 Years in finalised investigations as a proportion of children in notifications (ii)</b>						
Indigenous %	71.1	61.8	70.0	61.8	63.3	56.3
Non-indigenous %	53.5	46.9	52.1	45.7	44.2	39.0
All children %	56.3	49.3	54.9	48.2	46.9	41.4
<b>Children Aged 0-16 Years in substantiations as a proportion of children in finalised investigations</b>						
Indigenous %	30.7	39.2	29.6	39.7	38.2	42.7
Non-indigenous %	20.5	30.4	21.9	33.0	27.7	36.1
All children %	22.5	32.2	23.5	34.3	29.6	37.4

Source: \* Productivity Commission Report on Government Services 2010.

\*\* Productivity Commission Report on Government Services 2009.

\*\*\* Productivity Commission Report on Government Services 2008.

- (i) Data on the number of notifications by Indigenous status should be interpreted with care. These data are collected very early in the child protection process and often before the agency has full knowledge of the child's family circumstances. As a result of this lack of full knowledge and the other inherent difficulties in identifying Indigenous status, these data are not considered to have a high level of reliability.
- (ii) In 2006-07, national data on finalised investigations for indigenous, non-indigenous and all children does not include Queensland.

In 2008-09, the number of indigenous children in notifications per 1,000 children aged 0-16 in New South Wales was 108.7 higher than the national average. This is an increase from 96.2 in 2006-07. For the three years 2007 to 2009, New South Wales' rate of notifications per 1,000 children aged 0-16 was significantly higher than the national average for both indigenous and non-indigenous children.

In 2008-09, 62,095 New South Wales' children aged 0-16 years were the subject of finalised investigations, an increase of 25.6 per cent since 2006-07. Of these investigations, 22.5 per cent were substantiated. If an investigation results in substantiation, intervention by Community Services may be needed to protect the child.

### Out-of-Home Care (OOHC)

This program seeks to provide children and young people with a safe, stable, culturally appropriate environment in which they can develop optimally when they cannot live at home. It provides a range of OOHC options, including:

- foster care and kinship care for children separated from their parents
- monitoring and reviewing of placements
- recruiting and supporting carers
- supporting young people who have exited care.

The table below provides some statistics relating to OOHC.

Year ended 30 June	2010	2009*	2008*	2007*	2006*
Annual actual OOHC expenditure (\$'000)	641,519	552,449	463,890	364,688	295,938
Number of children and young people in OOHC	17,400	16,524	14,667	12,712	10,623
Cost per child (\$)	36,869	33,433	31,628	28,688	27,858

Source: Department of Human Services (unaudited).

\* Responsibility of the former Department of Community Services.

Note: The figures are not adjusted for inflation to real dollars.

Community Services advised the increases in the 2009-10 figures reflect a revised methodology applied to New South Wales Government expenditure on protection and support services. This has resulted in more accurate alignment of expenditure, which focuses on key measures of service delivery performance. As a result, data for 2009-10 are not directly comparable to data for previous years.

### Services Provided by ADHC

ADHC's primary role is to assist older people, and people with a disability and their carers to participate in community life. It is both a purchaser and provider of services, and shares responsibility for clients with a number of other Government agencies that deliver services in areas such as health care, transport, family and children's services and housing. It delivers its services under three service groups (programs), namely Supported Accommodation, Ongoing Community Support and Short Term Interventions.

#### Supported Accommodation

This program provides accommodation to people with a disability to assist them to live in suitable accommodation and to participate in the community. Accommodation includes large residences, group homes and hostels. Services are provided directly by ADHC or through NGOs it funds.

The table below provides statistics for the past five years relating to clients in supported accommodation places.

Year ended 30 June	2010	2009*	2008*	2007*	2006*
Number of supported accommodation places	9,283	8,766	7,560	7,496	7,579
Number of supported accommodation places provided by ADHC	2,666	2,711	2,642	2,671	2,621
Number of supported accommodation places provided by NGOs	6,617	6,055	4,918	4,825	4,958
Total expenditure incurred on supported accommodation (\$'000)	1,105,600	1,006,356	938,096	921,182	751,064

Source: Department of Human Services (unaudited).

\* Responsibility of the former Department of Ageing, Disability and Home Care.

The total number of supported accommodation places increased by 517 in 2009-10, mainly due to an increase of 562 places provided by NGOs. There was a slight decrease in the number of places provided by ADHC.

## Bed Block in Respite Care Facilities

A client is considered to be blocking a bed when their stay in a respite facility extends beyond the period of planned respite without an extension being granted. This means that allocated respite care beds may need to be rescheduled with high priority clients accommodated in the first instance.

The table below provides some statistics on bed block in ADHC operated respite care facilities.

Year Ended 30 June	2010	2009*
Annual average number of clients blocking a bed	7.3	20.4
Annual average number of beds blocked**	7.5	23.7
Average number of available beds	235	233

Source: Department of Human Services (unaudited).

\* Responsibility of the former Department of Ageing, Disability and Home Care.

\*\* ADHC advised that the actual number of unavailable beds may be higher than the number of clients blocking a bed. That is because the needs of some individuals are complex, resulting in a greater reduction in capacity than the one bed the person occupies.

In 2009-10, there was a significant reduction in the number of clients blocking a bed, as well as the number of beds that were blocked in ADHC operated respite care facilities.

ADHC advised it does not collect data on high priority clients who cannot get a bed in sufficient time. ADHC centre based respite is allocated to prioritised clients who request centre based respite during a given quarter. If respite beds become unavailable due to crises or unexpected breakdowns in support arrangements, ADHC works with families to find alternative support arrangements.

## Ongoing Community Support

This program provides a range of services to older people and people with a disability including community services, respite, skills development and day programs, and a wide range of personal assistance services.

The following table shows information for the past three years relating to Ongoing Community Support services.

Year ended 30 June	2010	2009*	2008*
Number of Home and Community Care (HACC) services	1,818	1,767	1,785
Number of disability services	4,552	4,295	**
Number of people accessing disability and HACC services	290,000	280,000	265,000
Number of people receiving respite services	57,000	51,100	48,600
Number of people receiving personal assistance	207,000	191,000	183,000
Total expenses incurred on Ongoing Community Support (\$'000)**	872,400	817,052	709,346

Source: Department of Human Services (unaudited).

\* Responsibility of the former Department of Ageing, Disability and Home Care.

\*\* No comparative data available.

Between 2008 and 2010, the number of people receiving respite services has increased by 17.3 per cent and the number of people receiving personal assistance rose by 13.1 per cent.

ADHC advised that under the National Health and Hospitals Network Agreement there will be a split of responsibilities for aged care and disability programs at age 65 (age 50 for Indigenous Australians), with the Australian Government to assume full responsibility for aged care services under the HACC Program from 1 July 2012.

### Short Term Interventions

Services provided under this program include family support programs in home settings, therapy services, case management and other assistance to older people and people with a disability to develop skills and abilities to live in the community with minimal support.

The table below shows some statistics relating to the level of service provided under this program.

Year ended 30 June	2010	2009*	2008*	2007*	2006*
Number of families and children receiving support	9,000	8,600	7,500	6,570	6,220
Number of people receiving therapy and interventions	78,000	75,000	67,400	63,330	59,680

Source: Department of Human Services (unaudited).

\* Responsibility of the former Department of Ageing, Disability and Home Care.

The number of families and children receiving short term support as well as the number of people receiving therapy and intervention services continued to rise. In 2009-10, total expenditure incurred on short term intervention was \$300 million, some \$23.2 million less than in 2008-09.

### Juvenile Justice

The Juvenile Justice division of the Department deals with young offenders who have been charged with, or found guilty of an offence committed between the ages 10 and 17. It delivers its services under three service groups (programs), namely Youth Justice Conferencing, Community Based Services and Custodial Services.

The following table shows the number of youth justice conferences facilitated, admissions of young people remanded in custody and community based orders supervised by Juvenile Justice.

Year ended 30 June	2010#	2009*	2008*	2007*	2006*
Total number of youth justice conferences facilitated	1,698	1,449	1,160	1,118	1,032
Total number of community based supervision orders commenced	4,521	4,615	3,889	3,101	2,824
Total number of remand admissions in custody	4,439	4,000	4,527	3,785	3,203
Total number of control admissions in custody	634	712	667	601	521
Percentage of young people in contact with Juvenile Justice throughout the year who are indigenous:					
Attending a youth justice conference (%)	21.6	22.3	26.0	27.2	27.4
Remanded in custody (%)	38.8	36.4	39.6	37.9	37.3
Under community based supervision (%)	40.1	38.6	39.9	41.9	38.7
On control orders (%)	49.8	49.9	51.6	56.3	50.8

Source: Department of Human Services (unaudited)

# Juvenile Justice introduced a new corporate information reporting system during 2009-10. The system provides a more sophisticated analysis of data. As the system differs from that used in previous years, some changes to trend data have occurred.

\* Responsibility of the former Department of Juvenile Justice.

The table suggests that young indigenous people are over-represented in the juvenile justice system. Juvenile Justice advised it has specific programs in place to assist young indigenous people. These include the Intensive Supervision Program, Dthina Yuwali (a drug and alcohol program) and the Our Journey to Respect program, which is designed to reduce the incidence of intergenerational violence among indigenous young males. Juvenile Justice also has an Aboriginal Strategic Plan and it works closely with other government agencies to address the over-representation of young indigenous people.

### Costs

The following table shows the average daily cost for supervising and caring for young offenders. Juvenile Justice advised the increase in the average daily cost per juvenile in custody was due to higher number of offenders remanded in custody. Offenders remanded in custody increased by 11 per cent to 4,439 in 2009-10.

Year ended 30 June	2010	2009*	2008*
	\$	\$	\$
Average daily cost per juvenile in custody	589	543	541
Average daily cost per juvenile in community based services	13	15	16
Average daily cost per juvenile in Youth Justice Conferencing	6	7	10

Source: Department of Human Services (unaudited).

\* Responsibility of the former Department of Juvenile Justice.

Despite the number of community based services increasing by 23.0 per cent from last year, Juvenile Justice was able to reduce the average cost of this service to \$13.33 (\$15.40). Juvenile Justice advised that it achieved this by containing employee related costs.

### Crowding in Juvenile Justice Centres

The average daily number of young offenders in custody increased from 390 in 2007-08 to 434 in 2009-10. This increase is affecting Juvenile Justice's ability to accommodate young offenders in its centres, though the increase of 27 beds in 2009-10 eased the pressure. Juvenile Justice advised that its occupancy rate for 2009-10 was 90 per cent, which whilst high, is within its optimal operating level. The table below shows the number of offenders at each centre at 30 June.

At 30 June Juvenile Justice Centre	Offenders in custody 2010	Capacity 2010*	Offenders in custody 2009*	Capacity 2009*
Acmena	27	30	34	30
Frank Baxter	119	120	124	120
Broken Hill Shelter	--	8	5	8
Cobham	70	85	69	80
Emu Plains	36	40	41	45
Juniperina	31	46	27	46
Orana	41	45	32	30
Reiby	49	57	59	57
Riverina	46	45	36	33
Bronte Adolescent Mental Health Unit**	9	na	--	na
<b>Total</b>	<b>428</b>	<b>476</b>	<b>427</b>	<b>449</b>

Source: Department of Human Services (unaudited).

\* Responsibility of the former Department of Juvenile Justice.

\*\* The Bronte Adolescent Mental Health Unit facility is administered by Justice Health. The facility's capacity is not administered by Juvenile Justice and is therefore not applicable (na).

Only one centre (Riverina) had more offenders in custody than available beds at 30 June 2010. This compares favourably against the prior year when five of nine centres had more detainees than available beds.

To meet the increased demand for beds, Juvenile Justice has installed bunk beds in two centres (which has resulted in offenders sharing rooms) and it has built and opened a new 15 bed unit at Orana Juvenile Justice Centre. A new 15 bed unit at Acmena Juvenile Justice Centre also opened in late October 2010 and planning has started on an upgrade to the Riverina Juvenile Justice Centre. This upgrade will result in a new 15 bed unit being built in 2013.

## **OTHER INFORMATION**

### **Review of the Juvenile Justice System**

In July 2009, the Minister for Juvenile Justice commissioned an independent strategic review of Juvenile Justice policy and practice in New South Wales. This review was completed in January 2010 resulting in 77 recommendations to the Government to reduce crime, reduce re-offending and provide cost savings. The review concluded that the reforms from the last independent review in 1993 had resulted in positive improvements, but in recent years some of the improvements had eroded and the outlook was poor.

The review concluded that if all the recommendations were not implemented Juvenile Justice would need to significantly increase its juvenile justice centres' capacity. It estimated the number of detainees would peak at 733 in 2015-16. This is 54 per cent higher than the capacity of 476 at 30 June 2010. The review estimated a capital investment exceeding \$170 million would be needed to create this additional capacity, which would result in additional recurrent costs of \$57.7 million each year.

The Government has accepted all but four of the 77 recommendations. Juvenile Justice is the lead agency for 10 recommendations and advised it has commenced work on all 10 recommendations. The lead agencies for the other recommendations include the Department of Premier and Cabinet, NSW Police Force and the Department of Justice and Attorney General. The Department of Premier and Cabinet is responsible for coordinating and monitoring implementation progress.

### **Assessment of Care Needs for Children in OOHC**

The Department advised that Community Services' assessments of the care needs of all children and young people in OOHC vary depending on their identified needs. Work is proceeding on a needs assessment of all children and young people entering OOHC (including health, mental health and educational assessments). This work is not yet at a stage where reporting against the number or percentage of children and young people in OOHC is available.

Since 1 July 2010, NSW Health and Community Services have agreed to a staged implementation of the OOHC Health Screening and Assessment Pathway. The Pathway describes the process for health screening and assessment, intervention and review for all children and young people entering statutory OOHC. A Health Management Plan is developed for these children, which links with the child or young person's Community Services caseplan. It is anticipated that the Pathway will be rolled out to all children and young people already in statutory care by 2011-12. A draft Memorandum of Understanding (MOU) is in the final consultation stage between both agencies.

Community Services and the Department of Education and Training are currently negotiating an OOHC Education Plan Pathway for children and young people in OOHC. The Pathway will describe the process for the assessment, development, implementation and review of Education Plans for children and young people in OOHC. An Education Plan will be developed, which will link with the child or young person's Community Services caseplan. The pathway is expected to be trialed in term four 2010, with state wide implementation from term one 2011. Both parties have agreed to an in-principle MOU, with formal endorsement expected by the end of 2010.

## Aboriginal Communities Development Program

In May 1998, the Minister for Aboriginal Affairs announced the seven year, \$200 million, Aboriginal Communities Development Program (ACDP). The ACDP has now developed into a 12 year \$240 million housing and infrastructure program aimed at improving the health and living conditions of Aboriginal people throughout New South Wales and, in particular, in 22 Priority Communities.

The ACDP program was due for completion in June 2010 and most planned works were finalised. Total program expenditure to June 2010 was \$236 million (\$226 million). Achievements to June 2010 include: the completion of refurbishments and urgent works to over 1,000 dwellings; construction of 185 new dwellings; replacement of 80 existing dwellings with new dwellings; the purchase of 95 existing dwellings; and the roll-out of 79 water and sewerage schemes in 44 locations. In addition, 1,015 dwellings in 32 communities had works undertaken as part of the ACDP 'Housing for Health' program component.

A crucial component of the ACDP has been the creation of employment and training opportunities to over 230 participants, with over 130 participants receiving TAFE Certificate II and Certificate III level qualifications in building (carpentry, painting, plumbing) and non-building (horticulture, rural skills, local government works) trades.

The main focus of ACDP in 2010-11 will be on rolling out the final stages of the program works in Menindee, Dareton, Brewarrina, Tabulam, Tingha and Wallaga Lake. The Department of Services, Technology and Administration, as program manager, engages and monitors the performance of project managers.

## Human Resources

This year I reviewed the following areas relating to the Department's human resources:

- employee age profile to identify the number of employees nearing retirement age and actions taken to address any risks arising
- extent of overtime
- management of annual leave balances in excess of threshold policies
- management of forfeited flex balances
- extent of contract staff
- vacant permanent staff positions.

Issues identified from my review will be reported in a management letter to the Department. A summary of the results of my review follows.

### *Employee Age Profile*

The age distribution of the Department is skewed towards employees younger than 50. As a result the Department does not appear to be facing the same challenges as many other public sector entities of the potential loss of large numbers of retiring staff and skills in the near future.

To help ensure the Department has sufficient appropriately skilled staff into the future, it needs to actively monitor its workforce age profile and have strategies in place to develop, attract and retain staff whose skills are aligned to the strategic direction of the Department.

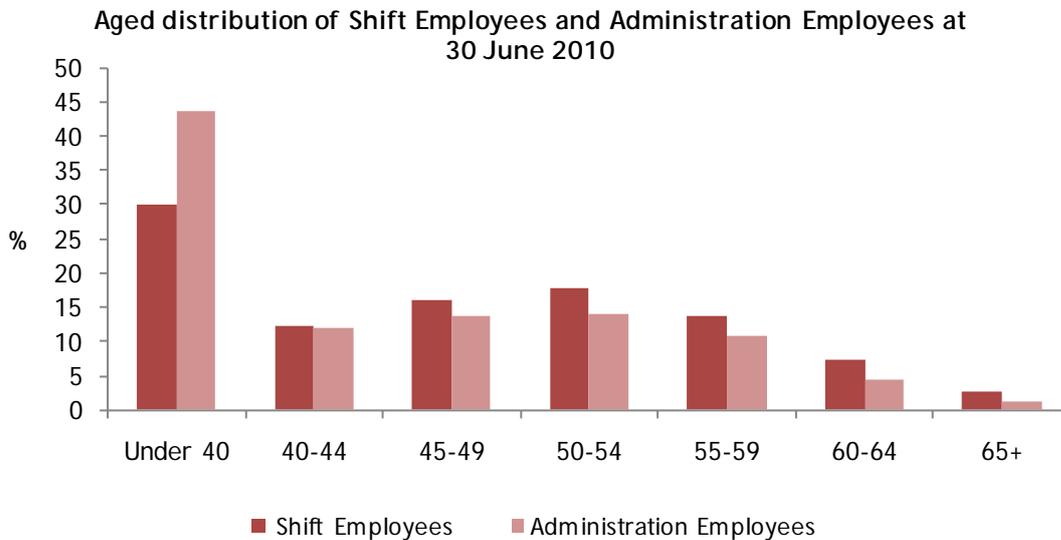
At 30 June Age Group	2010			
	No. of Shift Workers#	%	No. of Administration Staff#	%
Up to 39	1,751	30.1	3,169	43.5
40 - 44	711	12.2	878	12.0
45 - 49	941	16.2	1,004	13.8
50 - 54	1,041	17.9	1,029	14.1
55 - 59	791	13.6	796	10.9
60 - 64	434	7.4	319	4.4
65+	150	2.6	91	1.3
<b>Total</b>	<b>5,819</b>	<b>100.0</b>	<b>7,285</b>	<b>100.0</b>

Source: Department of Human Services (unaudited).

# Excludes Aboriginal Affairs and Aboriginal Housing Office employees; information was not available at the time of audit.

Note: The number of shift employees and administration employees are full time equivalent numbers.

The age profile of the Department's employees, split between shift employees and administration employees is shown below:



Source: Department of Human Services (unaudited).

Excludes Aboriginal Affairs employees, and Aboriginal Housing Office employees; information was not available at the time of audit.

For shift employees, 41.5 per cent of staff are over 50 years of age, and 23.6 per cent are over 55.

### Overtime

As shown below, 57.8 per cent of shift workers and 23.0 per cent of administrative staff worked overtime in 2009-10.

Year Ended 30 June	Shift Workers#		Administrative Staff#	
	2010	2009*	2010	2009*
Total overtime expenses (\$'000)	16,897	19,440	4,751	5,251
Total number of employees who worked overtime during the year	4,481	4,849	1,794	1,951
Total number of employees	8,370	8,478	7,798	7,469
Proportion of total employees receiving overtime (%)	57.8	57.2	23.0	26.1

Source: Department of Human Services (unaudited).

# Excludes Aboriginal Affairs and Aboriginal Housing Office employees; information was not available at the time of audit.

\* Responsibility of the former Departments.

In 2009-10, there were 19 employees (18 employees) who worked more than 400 hours overtime. The highest overtime worked by an employee was 1,358 hours (1,305 hours). This level of overtime raises questions about how efficiently and effectively overtime is being managed. High levels of overtime may also have adverse occupational health and safety implications. I recommend management review overtime to minimise the potential downsides of staff working excessive overtime hours.

### Excessive Annual Leave Balances

I recommend the Department of Human Services review the effectiveness of its policies in managing excessive annual leave balances.

The following table shows the number of staff with leave in excess of 40 days.

Annual Leave Entitlement (Days)	Shift Workers#		Administrative Staff#	
	2010	2009*	2010	2009*
41-60	738	900	510	523
61-90	200	317	68	122
91-120	32	86	8	15
120 +	11	28	7	10
<b>Total</b>	<b>981</b>	<b>1,331</b>	<b>593</b>	<b>670</b>

Source: Department of Human Services (unaudited).

# Excludes Aboriginal Affairs and Aboriginal Housing Office employees; information was not available at the time of audit.

\* Responsibility of the former Departments.

There has been some improvement in managing excessive leave, with 1,574 staff having leave balances in excess of 40 days at 30 June 2010 compared to 2,001 in 2009. The highest annual leave balance was 211 days, with the next highest being 191 days.

Excess leave balances can adversely affect an organisation. The associated financial liability generally increases over time as salaries increase which can impact an organisation's cash flows. Excessive leave balances may also adversely affect staff through possible workplace health and safety issues.

The Department advised it has active procedures in place for managing excess annual leave including:

- messages to staff and managers outlining the requirements to reduce leave balances
- configuration of the human resources system to issue notices to managers to implement a reduction strategy for staff with excess leave balances
- monthly monitoring and reporting to the Executive
- periodically contacting staff with annual leave balances over 30 days and asking them to make appropriate arrangements to take leave, and advising those with more than 40 days leave to put leave plans in place to reduce their balances.

### *Flex Time Balances*

I recommend the Department of Human Services develop mechanisms to centrally review flex time records to help ensure excessive flex time is not being accrued and forfeited by staff.

The Department does not know the extent to which flex time is being forfeited by staff, as it does not keep central records of flex time. Records are decentralised and manually maintained by each business unit. If not effectively managed, employees may be accruing and/or forfeiting excessive flex time.

The Department advised for Community Services division staff, flex time agreements do not allow for the accumulation of more than 14 hours credit from one flex period to the next, so there is no risk of excessive flex balances being accumulated. Staff have also been advised that they are not expected to work excessive hours, and where sufficient hours have been worked, flex days should be taken.

The Department advised for ADHC division staff a recent review of flex sheets did not reveal any systemic issues in relation to accumulation of flex days by employees. Also, provision exists for the staff member and supervisor to meet should there be potential for flex time to be forfeited. Management does not consider this to be a high risk issue.

### Employment of Contract Employees

I recommend the Department of Human Services periodically review the roles and responsibilities of all contract employees to help ensure:

- reliance on contractors is not excessive
- use of contract employees instead of permanent employees is appropriate
- contractors do not become de facto employees by virtue of being with the Department for an extended period of time
- use of contract employees continues to represent value for money.

The Department's practices for managing contractors are not consistent across its divisions. The costs and benefits of the extended use of contractors should be compared to those of hiring permanent staff, including the risk of losing critical business knowledge when contractors leave the organisation. The total cost incurred on contractors in 2009-10 was \$11.9 million (\$18.9 million). Management advised that a review of contractors is performed on a case by case basis to ensure value for money and appropriateness of staff mix. These reviews are often performed at the time of contract renewal.

There were 107 (356) contractors engaged by Community Services at 30 June 2010, of whom approximately 65 have been engaged for more than two years and 42 for more than three years. Management advised that the majority of contractors are employed in corporate services roles which are subject to a recruitment freeze on permanent positions.

A register of hired contractors for the ADHC division was not maintained. The division was unable to provide information on the number of contractors at 30 June 2010, or the duration of their employment. Management advised it was impractical to maintain a central register because the tenure of contractors may be extremely limited due to the nature of the work. Management also advised that the appropriateness of the use of contractors is monitored through the level of expenditure on contractors by business areas, data that is centrally available. In addition, contractors in non-frontline areas are subject to the restrictions associated with the recruitment freeze. The recruitment of contractors in these roles, or the extension of their contracts, requires a business case approved by the Chief Executive.

The Department's Juvenile Justice division engaged 42 (91) contractors at 30 June 2010, of whom one had been engaged for more than two years.

### Vacant Shift Worker Positions

The Department has a range of differing personnel employee requirements. Within the ADHC division there are two main categories of shift workers, namely nurses who care for clients with complex health care needs, and residential support workers who provide clients with personal development and community integration. They both also assist with the development and implementation of individual support plans.

Improvements have been made in filling vacancies in shift worker positions.

As at 30 June	2010		2009*		2008*	
	Nurses	Residential Support Workers	Nurses	Residential Support Workers	Nurses	Residential Support Workers
Number of Full Time Equivalent (FTE) shift worker positions available**	1,420	2,355	1,365	2,373	1,395	2,388
Number of FTE shift worker positions vacant	225	306	286	394	301	418
Proportion of FTE positions vacant to FTE positions available (%)	15.8	13.0	21.0	16.6	21.6	17.5

Source: Department of Human Services (unaudited).

\* Responsibility of the former Department of Ageing, Disability and Home Care.

\*\* ADHC advised that the use of 'available' positions to determine vacancies for residential support workers includes positions maintained to allow for workforce flexibility, not all of which will be filled. The precise mix of permanent, casual and agency staff used to deliver services at any one time will vary according to operational need, as well as vacancies and staff absences. They also advised this applies to group homes (see below under 'Vacant Permanent Staff Positions').

Since 2008, the number of vacant shift worker positions decreased by 25.2 per cent for nurses and 26.8 per cent for residential support workers. At 30 June 2010, 14.1 per cent (18.2 per cent) of FTE positions available remain vacant. Where staff are not available to fill rosters, ADHC uses agency staff. In 2009-10, \$15.9 million was spent on agency staff, a reduction of \$3.9 million on 2008-09.

Management advised that actions taken in 2009-10 to fill vacancies included:

- maintaining an active presence in the employment market
- obtaining an exemption from the Department of Premier and Cabinet to allow for the advertisement of nursing vacancies in local print media
- funding National Disability Services to develop and deliver a recruitment and advertising campaign for the disability and community care sector. The focus of the campaign was to change attitudes towards working in the sector and to direct people to the CareCareers website, which hosts employment opportunities from employers across the sector and provides information on the sector to potential candidates
- commencement of the Aboriginal Trainee Residential Support Worker program, resulting in the recruitment of 74 aboriginal trainees in 2009-10.

### Vacant Permanent Staff Positions

In 2010, within the ADHC division, there was a significant improvement in the number of unfilled positions within Community Support teams (CSTs) and group homes.

As at 30 June	2010		2009*		2008*	
	Community Support Teams	Group Homes	Community Support Teams	Group Homes	Community Support Teams	Group Homes
Number of FTE positions available	853	2,305	825	2,311	729	2,232
Number of FTE positions vacant	16	259	77	362	103	340
Proportion of vacant FTE positions to FTE positions available (%)	1.9	11.2	9.3	15.7	14.1	15.2

Source: Department of Human Services (unaudited).

\* Responsibility of the former Departments.

**FINANCIAL INFORMATION**

**Abridged Consolidated Statement of Comprehensive Income**

Year ended 30 June	Consolidated	Parent
	2010 \$'000	2010 \$'000
Employee related	1,609,415	1,450,740
Grants and subsidies	2,258,577	2,437,846
Other expenses	482,177	432,675
<b>OPERATING EXPENSES</b>	<b>4,350,169</b>	<b>4,321,261</b>
<b>OPERATING REVENUE</b>	<b>426,476</b>	<b>378,155</b>
Other losses	60,849	58,114
<b>NET COST OF SERVICES</b>	<b>3,984,542</b>	<b>4,001,220</b>
Government contributions	4,096,133	4,096,133
<b>SURPLUS</b>	<b>111,591</b>	<b>94,913</b>
<b>OTHER COMPREHENSIVE EXPENSE</b>		
Superannuation actuarial losses	(32,571)	(29,323)
<b>TOTAL OTHER COMPREHENSIVE EXPENSE</b>	<b>(32,571)</b>	<b>(29,323)</b>
<b>TOTAL COMPREHENSIVE INCOME</b>	<b>79,020</b>	<b>65,590</b>

This is the Department's first financial reporting year and there are no comparative financial results to report.

## Abridged Consolidated Statement of Financial Position

Year ended 30 June	Consolidated		Parent	
	2010 \$'000	2010 \$'000	2010 \$'000	2010 \$'000
Current assets	368,989		305,546	
Non-current assets	1,099,943		1,072,579	
<b>TOTAL ASSETS</b>	<b>1,468,932</b>		<b>1,378,125</b>	
Current liabilities	349,707		315,803	
Non-current liabilities	61,425		49,485	
<b>TOTAL LIABILITIES</b>	<b>411,132</b>		<b>365,288</b>	
<b>NET ASSETS</b>	<b>1,057,800</b>		<b>1,012,837</b>	

An independent valuation of ADHC's land and buildings in 2009-10 resulted in a decrease in value of \$57.0 million. Total land and buildings at 30 June 2010 for ADHC totalled \$654 million. The decrease was largely due to a reassessment of the method used in valuing some Large Residential Centre properties which are specialised properties.

## Abridged Service Group Information

The Department's consolidated net cost of services by service group is detailed below.

Year ended 30 June 2010	Net Cost of Services		Net Assets
	2010 Budget** \$'000	2010 Actual \$'000	2010 Actual \$'000
<b>ADHC</b>			
Supported accommodation	996,286	1,096,339	554,810
Ongoing community support	923,721	866,556	148,567
Short-Term interventions	289,711	298,556	25,993
<b>Community Services</b>			
Out-of-home care	626,009	641,362	2,533
Statutory Child protection	414,176	401,202	22,441
Other	514,220	504,981	34,764
<b>Juvenile Justice</b>			
Custodial services	105,554	118,064	217,356
Other	63,166	55,342	26,781
Home Care Services of NSW	****	(17,046)	36,726
Other*	***	19,128	(12,171)
<b>Total all service groups</b>	<b>***</b>	<b>3,984,542</b>	<b>1,057,800</b>

\* Amounts that could not be reliably allocated to a 'service group'.

\*\* Per the New South Wales 2008-09 Budget Papers.

\*\*\* Budget paper not prepared for all components of the Department.

\*\*\*\* Home Care Services of NSW is a statutory body and does not prepare financial statements comparing results to budget.

## DEPARTMENT ACTIVITIES

The Department provides human and social services directly and in partnership with non-government organisations in order to improve the outcomes for vulnerable client groups in New South Wales. The Department also provides employee related support services to a number of other government agencies including the Aboriginal Housing Office, NSW Businesslink Pty Ltd, and the NSW Land and Housing Corporation.

The Department's responsibilities and services include providing specialist accommodation and home-based services for people with a disability, providing social housing, promoting and enhancing child safety and wellbeing, supporting Aboriginal communities, providing crisis support and disaster recovery services, and managing young offenders.

For further information on Human Services, refer to [www.humanservices.nsw.gov.au](http://www.humanservices.nsw.gov.au).

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## CONTROLLED ENTITIES

### Home Care Service of New South Wales

Separate comment on Home Care Service of New South Wales and its controlled entity Home Care Service Division are included elsewhere in this Report.

The following controlled entity has not been reported on separately as it is not considered material by its size or the nature of its operations to the consolidated entity.

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Entity Name	Website
John Williams Memorial Charitable Trust	*

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\* This entity does not have a website.