
New South Wales Auditor-General's Report

Financial Audit

Volume Seven 2011

Focusing on Law, Order
and Emergency Services



The role of the Auditor-General

The roles and responsibilities of the Auditor-General, and hence the Audit Office, are set out in the *Public Finance and Audit Act 1983*.

Our major responsibility is to conduct financial or 'attest' audits of State public sector agencies' financial statements. We also audit the Total State Sector Accounts, a consolidation of all agencies' accounts.

Financial audits are designed to add credibility to financial statements, enhancing their value to end-users. Also, the existence of such audits provides a constant stimulus to agencies to ensure sound financial management.

Following a financial audit the Office issues a variety of reports to agencies and reports periodically to parliament. In combination these reports give opinions on the truth and fairness of financial statements, and comment on agency compliance with certain laws, regulations and Government directives. They may comment on financial prudence, probity and waste, and recommend operational improvements.

We also conduct performance audits. These examine whether an agency is carrying out its activities effectively and doing so economically and efficiently and in compliance with relevant laws. Audits may cover all or parts of an agency's operations, or consider particular issues across a number of agencies.

Performance audits are reported separately, with all other audits included in one of the regular volumes of the Auditor-General's Reports to Parliament – Financial Audits.

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The Legislative Council
Parliament House
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Pursuant to the *Public Finance and Audit Act 1983*,
I present Volume Seven of my 2011 report.

A handwritten signature in black ink that reads 'Peter Achterstraat'.

Peter Achterstraat

Auditor-General

23 November 2011

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This summary shows my more significant recommendations to agencies to address issues I identified during my audits.

Page

Emergency Services Overview

I again recommend emergency services agencies continue to develop and implement comprehensive volunteer workforce management plans to ensure they have the right volunteer resources. 11

Department of Attorney General and Justice

I again recommend the Department continue integrating policies, operations and systems between its divisions and appoints a Chief Financial Officer. 26

I again recommend the Department pursue further initiatives to address the backlog of victim's compensation claims, which now represents more than four years of claims and has more than tripled since 2006. 27

I again recommend Corrective Services NSW ensures appropriate systems and controls are in place to enable the efficient and effective management of assets. 28

The Department continue to monitor the rate of its correctional centres occupancy, and assess whether further rationalisation is required. 35

While completion of these projects adds to current overcapacity, the projects commenced when prisoner numbers were increasing. The Department will need to continue to monitor the prison population to ensure the available capacity is appropriate. 35

Corrective Services NSW should continue its efforts to reduce overtime and continuously reassess the effectiveness of its policies and management of overtime. 35

Last year, I recommended the Attorney General's Division create and maintain a single record of all contractors engaged by the Division. 35

Legal Aid Commission of New South Wales

The Commission should consider introducing a formal costing system requiring legal practitioners to charge their time to specific cases and other matters. This will enable preparation of individual case budgets against which management can compare actual costs, and measure/benchmark performance. 39

In 2009-10, I recommended the Commission develop mechanisms to centrally review flex time records to ensure excessive flex time is not being accrued and forfeited by employees. The Commission disagreed with this recommendation. 41

NSW Police Force

I again recommend the Force review the underlying causes for the increasing number of partial and permanent claims and urgently develop and implement strategies to address the unfavourable trend. 55

The Force should continue to closely monitor its liquidity to ensure it has sufficient funds to meet the increasing costs of the scheme. The lump sum payment structure should be reviewed and alternative forms of payment be considered. 55

The Force should provide appropriate rehabilitation to injured officers to help ensure their return to the workforce and to meet its continuing obligation to support them after partial and permanent disability payments have been made. 55

I again recommend the Force reviews processing of its workers compensation claims to minimise delays in recouping claims from the insurer. 57

Fire and Rescue New South Wales

I again recommend the Department implement its planned workplace reforms to continue addressing the challenges of managing its workforce. 61

New South Wales Crime Commission

The Commission should consider how it can improve reporting its performance to its stakeholders. When compared to performance reporting by other jurisdictions, I believe the Commission's reporting against Key Performance Indicators (KPIs) may be improved. 66


The Commission's internal audit section should consider increasing the proportion of time it spends on operational and performance audits as part of its annual internal audit program. 66

Section One

Overview

Emergency Services Overview

Law and Order Overview



Emergency Services Overview

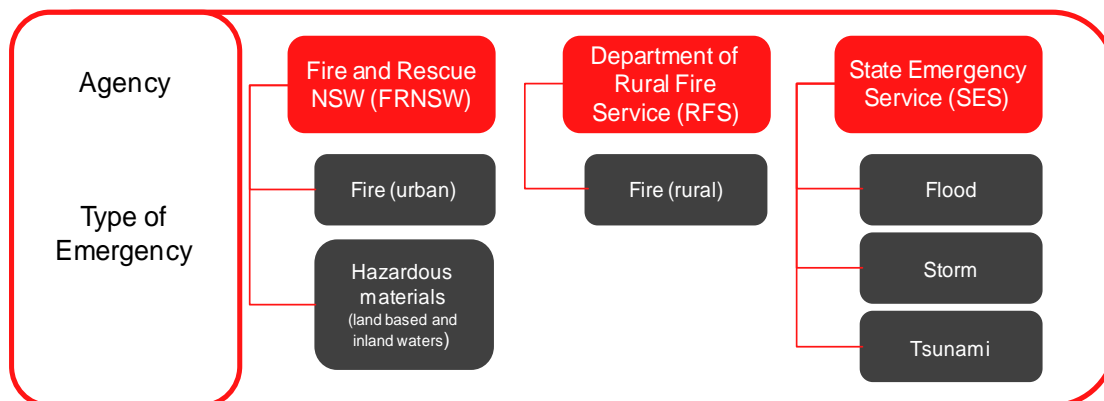
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Volume Seven 2011
EMERGENCY SERVICES
OVERVIEW

Emergency Services Agencies and Audit Opinions

The State Disaster Plan (Displan) describes an emergency as an actual or imminent event that poses a threat to the safety or health of persons or animals, or to property. Emergencies include naturally occurring and man-made events that require significant and coordinated responses.

Displan clearly identifies the New South Wales Government agencies with responsibilities for responding to emergencies. The following table outlines some key emergency service agencies and their responsibilities.



The audits of these agencies' financial statements for the year ended 30 June 2011 resulted in unmodified audit opinions within the Independent Auditor's Reports.

Other Information

Administrative Restructures

Emergency Management NSW was part of the NSW Rural Fire Service until 3 April 2011. The Public Sector Employment and Management (Department) Order 2011 dated 3 April 2011 transferred Emergency Management to the Ministry for Police and Emergency Services effective from 1 April 2011.

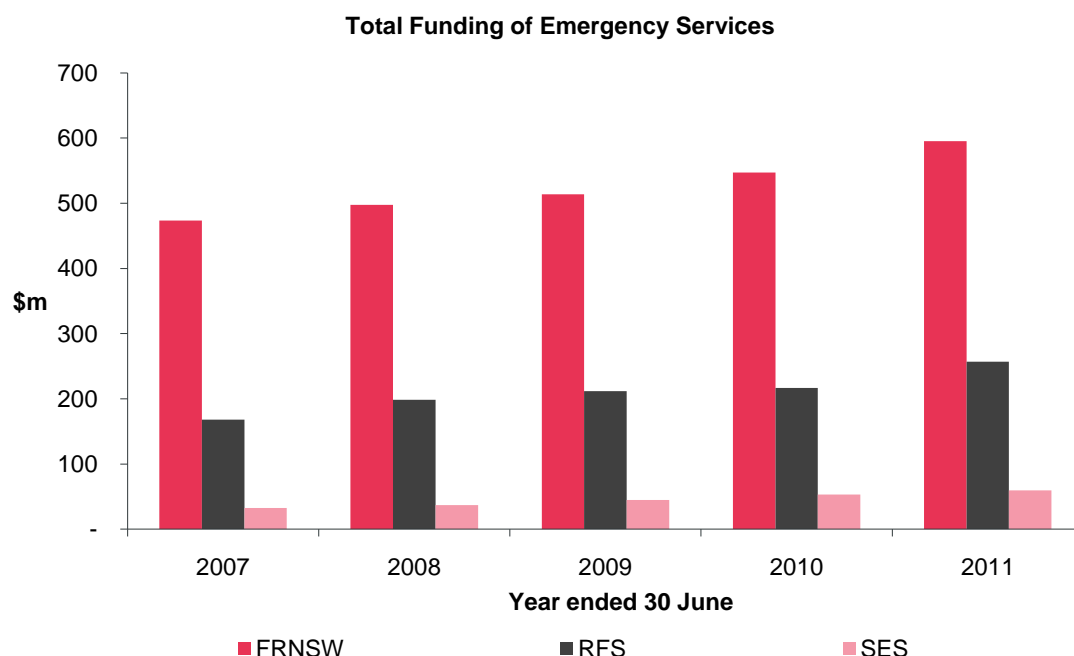
Funding Arrangements

The proportion and amount of funding provided by contributors in 2010–11 was:

Year ended 30 June	Proportion %	2011 \$m	2010 \$m	Movement %
Provider				
Insurance industry	73.7	672.0	602.1	11.6
Local government councils	11.7	106.7	95.6	11.6
State government	14.6	133.1	119.3	11.6
Total	100.0	911.8	817.0	11.6

Source: Ministry of Police and Emergency Services (unaudited).

The total contribution amount is determined by the Minister for Police and Emergency Services and is subject to the Treasurer's agreement. Total contributions are based on the agencies' estimated expenditure. A summary of contributions over the last five years appears in the graph below:



The \$61.3 million reduction in costs was primarily a result of a quieter fire season

Source: New South Wales Fire Brigades, NSW Rural Fire Service and State Emergency Service.

Funding excludes costs incurred by the agencies relating to natural disasters. These costs are reimbursed through relief arrangements between the State and the Australian Government.

In total, the emergency services agencies incurred costs of \$45.7 million in 2010–11 (\$107 million in 2009–10) on natural disasters. The \$61.3 million reduction was primarily a result of a quieter fire season.

Natural Disasters

The following natural disasters were declared:

Year ended 30 June	No. of Declarations		No. of Local Government Areas (LGA) affected	
	2011	2010	2011	2010
Bushfires	--	24	--	57
Flood and storm	2	--	45	--
Floods	5	13	83	55
Storms	1	5	9	9
Dust storm	--	1	--	1
Total	8	43	137	122

Source: Ministry of Police and Emergency Services (unaudited). Note if a LGA was declared twice during the year, the LGA was only reported once in the table above.

The 2010–11 bush fire season was one of the most dormant in many years

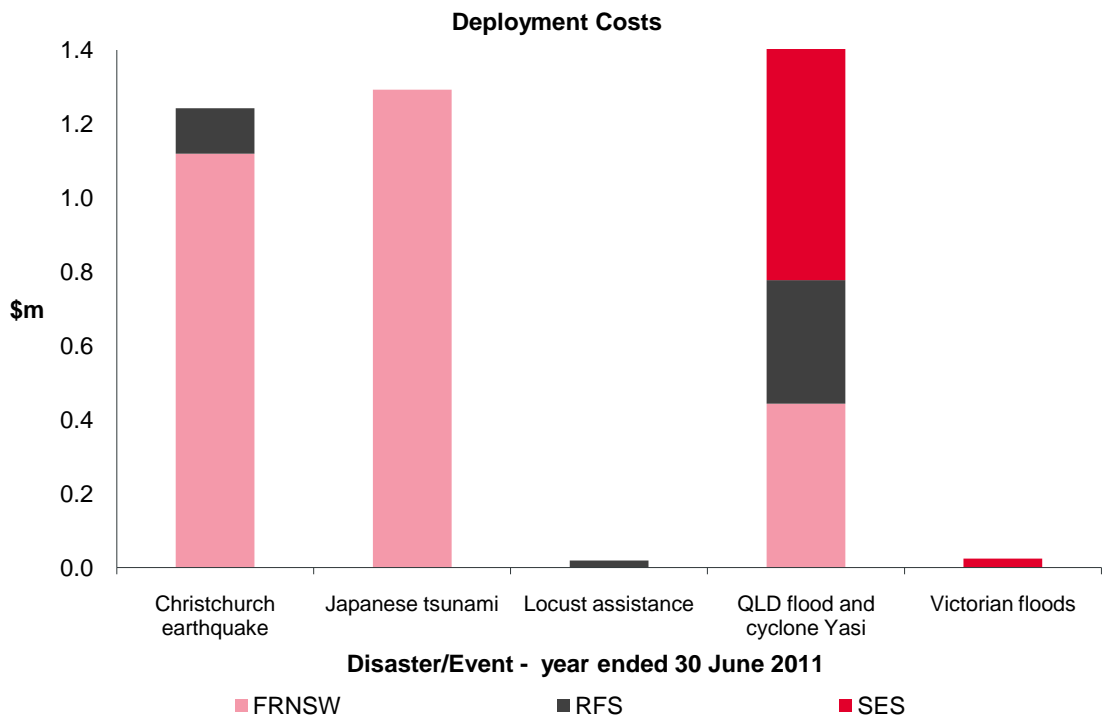
There were fewer individual flood events in 2010-11, but the impact of these affected more Local Government Areas (LGA). On two occasions ‘Flood and Storm’ disasters were declared, affecting 45 LGAs in NSW. Conversely, the 2010–11 bush fire season was one of the most dormant in many years with no bush fire emergency declarations made under the *Rural Fires Act 1997*.

Natural disasters are declared when damage to public assets and associated disaster recovery costs exceed \$240,000. The declaration of a localised ‘State of Emergency’, amongst other things, allows the emergency services agencies to recover costs incurred on the natural disaster from the Crown Entity. These costs are then recovered from the Australian Government.

International and Interstate Disaster Deployment

The 2010–11 year saw a range of devastating large scale natural disasters both nationally and internationally, that required deployment of all three emergency services’ staff and apparatus. Taskforces were deployed to the disaster ravaged areas shown in the graph below to provide relief, medical support, body recovery, hazmat, aerial and ground support and to carry out swift water and other rescues.

The following table summarises the deployment and relief costs incurred:



Staffing and Volunteering Arrangements (Repeat Issue)

Recommendation

I again recommend emergency services agencies continue to develop and implement comprehensive volunteer workforce management plans to ensure they have the right volunteer resources.

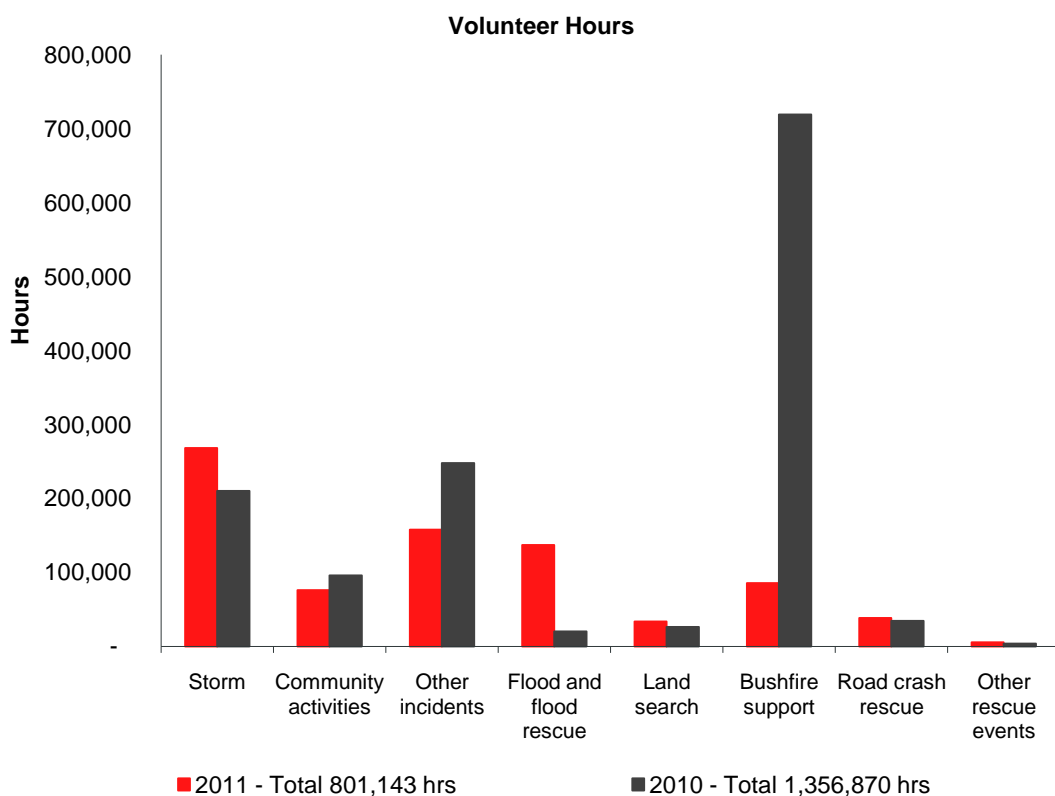
The agencies use a range of human resources to achieve their objectives.

Year ended 30 June	Full-time		Retained (part-time)		Volunteers	
	2011	2010	2011	2010	2011	2010
FRNSW	3,930	3,927	3,382	3,429	7,140	6,070
RFS	884	785	--	--	70,448	70,552
SES	251	204	--	--	10,828	10,000

Source: Fire and Rescue NSW, NSW Rural Fire Service and State Emergency Service (unaudited).

Volunteers are a key resource, but emergency services agencies do not currently have detailed volunteer workforce plans in place. Without effective plans to manage their volunteer bases, the agencies risk not having the appropriate resources to achieve their objectives.

The graph below shows volunteer hours in 2009–10 and 2010–11:



Overall volunteer hours decreased by 41 per cent since 2009–10, primarily due to the decline in natural disaster events declared in 2010–11. The services face challenges recruiting and maintaining volunteers because of the ageing population, changes in work patterns with increased shift work and people moving to larger centres, all of which deter people from volunteering.

The SES experienced a 35 per cent increase in volunteer hours since 2009–10 as a result of the increase in major flood and storm events in 2010–11, which saw 540 flood rescue responses taking over 3,526 volunteer hours to complete.

Other Emergency Services Entities

A range of other entities are involved in ensuring coordinated and effective emergency services in New South Wales. High level information on these entities appears below. For further information, refer to www.emergency.nsw.gov.au.

Ministry for Police and Emergency Services

The Ministry brings together the functions of the former Security and Recovery Coordination Branch and Law Enforcement Policy Branch of the Department of Premier and Cabinet, the Disaster Welfare section, the Department of Human Services and Emergency Management NSW.

The Ministry's role is wide ranging, spanning policy development, ministerial support, operational coordination, crisis management, grants administration, delivery of training and control of several websites and public communications platforms.

Throughout 2010–11, the Ministry was responsible for the centralised billing and collection of funding contributions on behalf of the FRNSW, RFS and SES.

State Emergency Management Committee

The State Emergency Management Committee was established under the *State Emergency and Rescue Management Act 1989* to ensure that New South Wales has a system to cope with the range of emergencies which are experienced in New South Wales. Its functions include:

- continually reviewing the effectiveness of the State Disaster Plan and related plans
- advising the minister on changes to these plans
- creating and distributing educational material on managing emergencies planning for the emergency management aspects of terrorist threats and critical infrastructure.

State Rescue Board

The *State Emergency and Rescue Management Act 1989* provides for the establishment of the State Rescue Board of New South Wales with a structure and system for management of rescue at State, district and local levels.

The principal function of the Board is to ensure the maintenance of efficient and effective rescue services throughout New South Wales.

Bush Fire Co-ordinating Committee

The Committee provides a forum through which a broad cross-section of government and non-government organisations with an interest in the prevention, mitigation and suppression of bushfires can come together to develop and progress policies and procedures aimed at ensuring a coordinated, agreed approach to major issues.

The Committee has key responsibilities under the *Rural Fires Act 1997*, which encompass the following responsibilities:

- planning for bush fire prevention and coordinated bush fire fighting, and
- advising the Commissioner on bush fire prevention, mitigation and coordinated bush fire suppression.

Law and Order Overview

Law and Order Services

The following government agencies provide, facilitate and regulate the State's law and order services. The operations of these agencies are closely interrelated and initiatives in one agency can have significant flow on effects for the other agencies. For example, increased policing and investigative activities increase case loads in the court system, which in turn increase the number of offenders managed by the corrective system.

Agencies

- Department of Attorney General and Justice (including Corrective Services NSW and Juvenile Justice NSW divisions)
- New South Wales Crime Commission
- Independent Commission Against Corruption
- Judicial Commission of New South Wales
- Legal Aid Commission of New South Wales
- NSW Police Force
- Office of the Director of Public Prosecutions
- Police Integrity Commission.

From 1 April 2011, the functions of the former Juvenile Justice division (now called Juvenile Justice NSW) and the Guardianship Tribunal were transferred to the Department of Attorney General and Justice from the Department of Human Services, under the Public Sector Employment and Management (Departments) Order 184/2011. On 31 December 2011, the functions of Privacy NSW were transferred from the Department of Attorney General and Justice to the Information and Privacy Commission.

Audit Opinions

The audits of the above agencies' financial reports for the year ended 30 June 2011 resulted in unmodified audit opinions within the Independent Auditor's Reports.

Performance Information

NSW Police Force

Allocation of Police Officers

There is a shortfall between the actual full-time equivalent number of police officers and authorised positions in all regions.

Total all regions 30 June	Authorised FTE	Actual FTE	Difference between Authorised and Actual FTE	Total on Restricted Duties or Absent FTE
2011	12,378	12,181	(197)	1,680
2010	12,337	11,848	(489)	1,833

Source: NSW Police Force (unaudited)

* Includes police officers attached to Regions and Local Area Command and excludes officers who are part of Specialist Operations and Other Non Region Commands.

FTE Full-time equivalent.

Of the 12,181 FTE officers, 1,680 (1,833) were on restricted duties or absent, which means the shortfall is greater.

Further details are in my comment on the NSW Police Force within this volume.

Death and disability liabilities increased by 49 per cent in 2010-11

Actions taken to address the unfavourable trend in claims have had no impact to date

Death and Disability Scheme

The death and disability liability has grown significantly by \$169 million or 147 per cent since 2007–08 and by 49 per cent in 2010-11. The partial and permanent incapacity (PPI) claims paid, a component of the death and disability scheme, has increased by 47 per cent to 415 claims in 2010-11.

Year ended 30 June	2011	2010	2009	2008
Death and disability liability (\$'000)	284,000	190,200	147,300	115,000
Total partial and permanent incapacity claim payments (\$'000)	165,010	118,992	47,053	40,930
Number of partial and permanent incapacity claims paid	415	282	116	108
Average claim size (\$)	458,000	421,958	405,626	378,986

Source: Liability figures obtained from actuarial reports (audited). Remaining information obtained from NSW Police Force (unaudited).

The increase in the number of claims is undesirable, not only from a financial perspective, but also from the impacts on the NSW Police Force more generally.

On 3 November 2011, the Minister for Police announced that the current death and disability scheme will be replaced with a new commercial insurance arrangement.

In 2008, I conducted a performance audit on managing injured police. The Force advises it has implemented most of my recommendations. A full copy of this report can be found at:

www.audit.nsw.gov.au/publications/reports/performance/performance_reports.htm.

Rates of Crime

Data in the following sections on rates of crime, crime investigations and crime rejection came from the Australian Bureau of Statistics. The bureau acknowledges that not all crimes are reported to or recorded by the police in the various jurisdictions and this impacts comparability of recorded crime levels between states. For example, New South Wales may record some incidents as crimes that other jurisdictions may not.

The table below compares trends in crime rates against people in New South Wales to national totals.

Year ended 31 December	Trend	%* inc/(dec) since 2006	2010	2009	2008	2007	2006
Crime Numbers							
NSW							
Murder	↓	(27.5)	74	86	78	94	102
Attempted murder	↓	(40.8)	42	50	65	60	71
Manslaughter	↑	120.0	11	9	9	9	5
Assault	↓	(10.6)	73,969	75,928	79,847	84,850	82,771
Sexual assault	↓	(3.5)	6,436	7,210	7,140	6,787	6,667
Kidnapping/abduction***	↓	(27.1)	329	384	539	449	451
Robbery	↓	(29.9)	6,567	6,768	8,089	9,346	9,242
Unlawful entry with intent	↓	(21.6)	68,652	70,693	80,433	84,761	87,539
Motor vehicle theft	↓	(30.6)	19,409	22,400	25,654	26,481	27,959
Other theft	↓	(15.0)	133,682	144,931	144,458	151,374	157,360
National							
Murder	↓	(18.5)	229	263	260	253	281
Attempted murder	↓	(19.3)	197	237	231	245	244
Manslaughter	↓	(22.5)	31	30	30	29	40
Assault**							
Sexual assault	↓	(9.2)	17,757	18,807	19,992	19,954	19,555
Kidnapping/abduction***	↓	(17.5)	599	564	782	730	726
Robbery	↓	(16.1)	14,582	15,238	16,508	17,988	17,375
Unlawful entry with intent	↓	(17.0)	216,886	222,664	241,690	248,423	262,005
Motor vehicle theft	↓	(27.0)	54,736	59,649	68,270	70,650	75,377
Other theft	↓	(11.0)	461,169	478,807	496,697	492,222	518,734

Source: Australian Bureau of Statistics (unaudited).

* Percentage change between 2005–06 and 2009–10.

** Data on assaults not available for national.

*** Kidnapping/abduction statistics for New South Wales include 'deprivation of liberty' offences, which are not included for other jurisdictions. Management also advises that New South Wales encourages the reporting of all incidents, even if no investigation takes place. This information is used for intelligence purposes.

Key: ↑Trending up, ↓ Trending down, ~ No trend.

The New South Wales trend in all categories except manslaughter is consistent with the national trends. The downward percentage trend for New South Wales, except manslaughter and sexual assault, is better than the national figures.

Crime Investigations

Police effectiveness in this area is measured by the proportion of investigations finalised within 30 days of the offence becoming known. Analysis of the Force's performance in this area is illustrated in the following table.

Crime	% of investigations finalised in 30 days				% of investigations finalised in 30 days involving proceedings against offenders			
	NSW	National Average	NSW Ranking*	NSW Ranking*	NSW	National Average	NSW Ranking*	NSW Ranking*
Year ended 30 June	2010	2010	2010	2009	2010	2010	2010	2009
Homicide	68.3	76.3	4/6	6/6	100.0	98.5	1/6	**
Robbery	24.2	37.2	7/8	7/8	80.8	84.2	6/8	5/8
Unlawful entry with intent	7.4	12.3	7/8	7/8	60.5	83.8	8/8	7/8
Motor vehicle theft	7.6	15.7	7/8	7/8	58.0	77.9	8/8	8/8
Other theft	14.3	18.1	7/8	7/8	69.2	78.9	7/8	7/8

Source: Australian Bureau of Statistics (unaudited).

* Information not available for all States/Territories for all categories. The rankings range from one to eight (highest to lowest).

** In 2009, information not available for publication in relation to homicide cases where there were proceedings against offenders.

Overall clearance rates in New South Wales remain well below national averages. The Force advises the rankings are impacted by New South Wales being more likely to record incidents, even when there is no evidence available for investigation. It advises a project undertaken in cooperation with the Bureau of Statistics concluded a lack of recording standards was the primary cause for differences in apparent crime rates.

The Force also advises this benchmark does not factor delays experienced in sourcing forensic examination results, which are generally not known until well after the 30 day benchmark.

Crime Rejection

The Force records the status of incidents as either accepted or rejected. An incident may only be rejected when there is evidence it did not occur. The Force advises its local area commands actively monitor rejection rates for most categories of crime. The Force's Performance Improvement and Planning Division continually perform quarterly reviews where rejection rates exceed five per cent across the local area commands.

The table below shows the crime categories where rejection rates are equal to or greater than five per cent.

Year ended 30 June	2011			2010		
	Crimes Rejected	Total Crimes Reported	Percentage Rejected (%)	Crimes Rejected	Total Crimes Reported	Percentage Rejected (%)
Robbery	375	5,490	6.8	398	6,197	6.4
Sexual assault	314	4,714	6.7	255	4,739	5.4
Steal from dwelling	452	8,961	5.0	569	9,381	6.1
Stolen vehicle	1,087	21,870	5.0	1,026	23,901	4.3

Source: NSW Police Force (unaudited).

Court Processes

Court Clearance Rates

Clearance rates for the NSW Supreme Court's civil jurisdiction have improved, with a clearance rate of 122 per cent (105 per cent), which is the highest of all States and Territories. Similarly, the NSW District Criminal and Civil courts have cleared some of their backlog.

The backlog of cases is deteriorating for both civil and criminal matters in NSW local courts. The NSW local court clearance rate is the lowest for civil matters compared to all other States and Territories and one of the lowest for criminal matters.

A clearance rate above 100 per cent indicates a court is clearing its backlog of cases, whereas a percentage below 100 per cent indicates the backlog is increasing.

Year ended 30 June	2010 Clearance Rate							
	NSW %	Vic %	Qld %	WA	SA %	Tas %	ACT %	NT %
Criminal								
Local/Magistrates courts	97	110	102	104	112	96	103	97
District/County courts	101	93	98	109	101	na	na	na
Supreme/Federal courts	93	99	94	95	107	96	82	94
Civil								
Local/Magistrates courts	89	101	113	104	107	103	109	93
District/County courts	101	91	94	113	94	na	na	na
Supreme/Federal courts	122	113	95	97	107	118	116	108

Source: Productivity Commission's Report on Government Services 2011 (unaudited).

na not applicable as there are no district/county courts in these areas.

Case Completion Times

The backlog measures a court's pending case load against agreed time standards. An indicator of a backlog is the percentage of cases pending for more than twelve months.

The civil non-appeal backlog in the Supreme Court of New South Wales increased from 25 per cent to 29 per cent during the year. The case mix in New South Wales for criminal matters includes a greater proportion of complex and time consuming murder and manslaughter cases than other States.

The backlog of criminal matters for local and district courts have been significantly lower than most other States and Territories for the past few years.

The table below shows the percentage of non-appeal pending cases older than 12 months.

Year ended 30 June	2010 Backlog							
	NSW %	Vic %	Qld %	WA %	SA %	Tas %	ACT %	NT %
Criminal								
Local/Magistrates courts	2	8	14	8	12	15	7	30
District/County courts	6	26	16	6	24	na	na	na
Supreme/Federal courts	16	31	17	6	14	12	38	8
Civil								
Local/Magistrates courts	N/A	14	8	6	9	11	16	8
District/County courts	17	25	20	25	45	na	na	na
Supreme/Federal courts	29	27	24	28	31	38	51	49

Source: Productivity Commission's Report on Government Services 2011 (unaudited).

N/A not available.

na not applicable.

Average Cost per Case Finalised

The average net administration costs per matter for all courts in New South Wales were below the national average. The average net cost for District and Supreme Courts has increased, but by a lesser amount than the national average.

The table below shows the average net cost per finalisation (civil and criminal) in 2009-10 (latest available data).

Year ended 30 June	2010*		2009**	
	NSW \$	National Average \$	NSW \$	National Average \$
Court Costs per Finalisation (average net cost per case finalised)				
Local	366	484	368	338
District	4,253	5,444	4,034	4,981
Supreme	4,163	7,255	3,290	5,515

* Source: Department of Attorney General and Justice Annual Report 2011 (unaudited).

** Source: Productivity Commission's Report on Government Services 2010 (unaudited).

Adult Custody

Imprisonment Rates

Year ended 30 June	2010		2009		2008	
	NSW	National	NSW	National	NSW	National
Rate per 100,000 adult population						
Imprisonment	186	169	185	166	180	163
Rate for Indigenous per 100,000 adult indigenous population						
Imprisonment	2,455	2,325	2,391	2,212	2,351	2,157

Source: Productivity Commission's Report on Government Services 2011 (unaudited).

The table shows that in 2010 the proportion of the general adult population that were imprisoned remained relatively stable, while the proportion of the indigenous adult population that were imprisoned increased by 2.7 per cent.

Of the total prison population at 30 June 2010, 20.9 per cent of male and 26.3 per cent of female offenders were indigenous.

Rate of Return to Prison or Community Correction

The table below shows the percentage of prisoners returning to prison and corrective services within two years of release. The State's rate of return continues to be higher than that of most other Australian jurisdictions.

Year ended 30 June	2010		2009		2008	
	NSW %	National %	NSW %	National %	NSW %	National %
Per cent of individuals returning to:						
Prison	42	38	43	39	43	38
Corrective services*#	45	44	45	45	45	44

Source: Productivity Commission's Report on Government Services 2011 (unaudited).

* Includes prison sentence or a community based order.

Australian Capital Territory not provided.

Rate of return is a broader justice-wide outcome and is not only related to the activities of Corrective Services NSW, but also to police, court and community activities. Rate of return is counted as an individual's return to prison or community corrections following conviction by a court within two years of release from corrective services. It is a partial measure of the performance of the justice system in improving public safety by reducing the incidence of crime. The risk factors for returning to corrective services include criminal history, antisocial behaviour, family factors and social achievement.

Prisoner Costs

Year ended 30 June	2010		2009		2008	
	NSW \$	National \$	NSW \$	National \$	NSW \$	National \$
All prisons	198	207	206	210	211	207

Source: Productivity Commission's Report on Government Services 2011, 2010 and 2009 (unaudited).

The figures include ongoing expenditure in the delivery of correctives services such as salaries and other operating expenses. The costs are adjusted to eliminate jurisdictional differences.

* Information not available for the Northern Territory.

The cost per prisoner per day for all prisons reduced to \$198 in 2010. Corrective Services NSW advised this was because employee related costs have decreased and some custody resources moved to community programs.

Offenders in Custody Compared to Capacity of Correctional Centres

At 30 June	Offenders in custody	Capacity	Offenders in custody	Capacity
	2011*	2011*	2010**	2010**
Total correctional centres	9,916	11,269	10,258	11,011

Source: Corrective Services NSW (unaudited).

* at midnight 26 June 2011.

** at midnight 27 June 2010.

The occupancy rate at the end of June 2011 was 88.0 per cent (93.2 per cent).

Corrective Services NSW advise that the decrease is mainly due to a new Intensive Correction Order (ICO) which started in October 2010. An ICO is an order of imprisonment for not more than two years made by a court, which directs that the sentence is to be served by way of intensive correction in the community. An ICO is served in the community under the strict supervision of Corrective Services NSW rather than in full-time custody in a correctional centre.

In response to the overcapacity, Corrective Services NSW closed the Parramatta, Kirkconnell and Berrima Correctional Centres during October 2011. The inmates have been relocated, and staff offered voluntary redundancy or redeployment.

Juvenile Justice

Juvenile Justice deals with young offenders who have committed, or alleged to have committed, offences and are between the ages 10 and 18.

Statistics on the number of young people remanded in custody or sentenced to a control order, youth justice conferences facilitated and community based orders supervised by Juvenile Justice are shown in the table below.

Year ended 30 June	2011**	2010	2009*	2008*	2007*
Total number of youth justice conferences facilitated	1,637	1,698	1,449	1,160	1,118
Total number of community based supervision orders commenced	4,458	4,521	4,615	3,889	3,101
Total number of remand admissions in custody	4,768	4,439	4,000	4,527	3,785
Total number of control admissions in custody	575	634	712	667	601
Percentage of young people in contact with Juvenile Justice throughout the year who are indigenous:					
Attending a youth justice conference (%)	24	21.6	22.3	26.0	27.2
Remanded in custody (%)	38.5	38.8	36.4	39.6	37.9
Under community based supervision (%)	41.5	40.1	38.6	39.9	41.9
On control orders (%)	51.7	49.8	49.9	51.6	56.3

Source: Department of Attorney General and Justice (unaudited).

* Responsibility of the former Department of Juvenile Justice.

** Responsibility of the Department of Family and Community Services up to 31 March 2011, and the Department of Attorney General and Justice thereafter.

Young Indigenous people continue to be over-represented in the Juvenile Justice system. Last year I reported that Juvenile Justice has specific programs in place to assist young Indigenous people including an Aboriginal Strategic Plan to address the over-representation issue. Despite these initiatives, the percentage of indigenous people under community based supervision and on control orders increased when compared to 2009–10. Juvenile Justice advised that it is too soon to see the impact of these initiatives.

The rise in the percentage of Indigenous people attending a youth justice conference indicates a positive move to increase diversion of young people from the criminal system.

Backlog of victims compensation claims have tripled since 2006 to 21,464 claims

Costs

The table below shows the average daily cost for supervising and caring for young offenders over the past four years.

Year ended 30 June	2011 \$	2010 \$	2009 \$	2008 \$
Average daily cost per juvenile in custody	652	589	543	541

Source: Department of Attorney General and Justice (unaudited).

Juvenile Justice advised that the average daily cost per juvenile in custody increased by 10.7 per cent due to the increase in funding from opening two new units at the Acmena and Reiby Centres, coupled with a reduction in the average number of juveniles in custody over the year.

Capacity in Juvenile Justice Centres

At 30 June	Offenders in custody 2011	Capacity 2011	Offenders in custody 2010	Capacity 2010
Juvenile Justice Centres Total	391	501	428	476

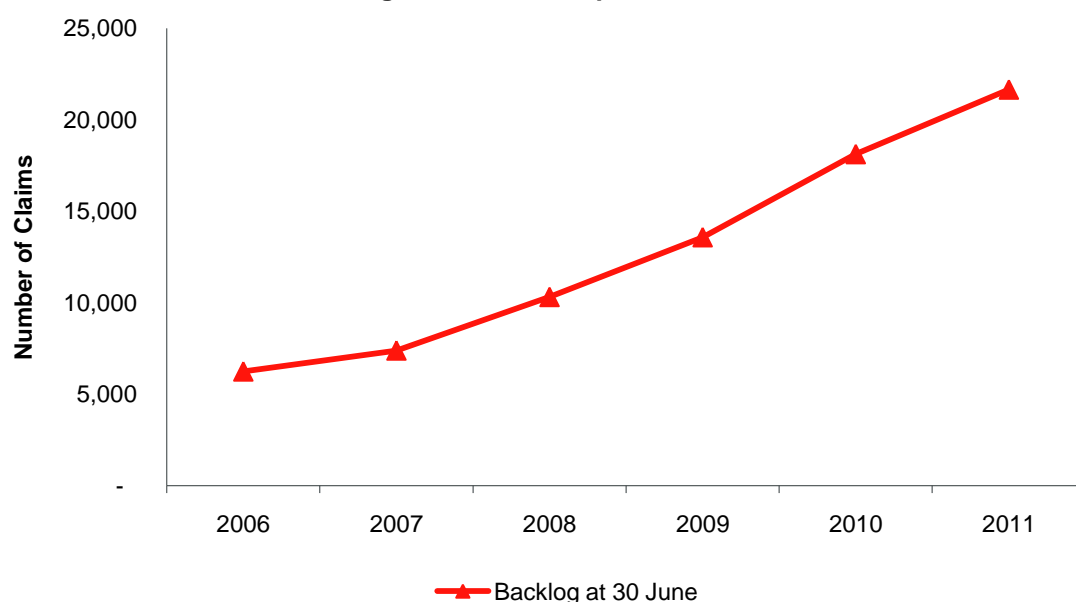
Source: Department of Attorney General and Justice (unaudited).

Whilst total capacity increased by 5.3 per cent, the total number of young offenders in custody decreased by 8.6 per cent.

Victims Compensation

The Department had 21,646 pending claims for victims' compensation at 30 June 2011 (18,118 in 2010), which it estimates will result in payments of \$239 million (\$222 million), or an average payment per claim of \$11,041 (\$12,300). Based on the number of claims determined during 2010-11, this backlog represents more than four years of claims and has more than tripled since 2006.

Backlog in Victims Compensation Claims



Source: The Department of Justice and Attorney General (unaudited).
Victims Compensation Tribunal NSW – Chairpersons Report 2009–10 (unaudited).

In the last two years, I have recommended the Department pursue further initiatives to address the backlog of victims compensation claims.

Further details on the victims compensation claims are in my comment on the Department of Attorney General and Justice within this volume.

State Plan

The New South Wales Government released its plan –‘NSW 2021: A plan to make NSW NUMBER ONE’ in September, 2011. It defines future strategies and priorities that law and order organisations will need to address. These include:

- prevent and reduce the level of crime
- key target areas are:
 - reduce domestic violence
 - reduce alcohol related assaults
 - reduce other personal crime by ten per cent by 2015–16
 - reduce property crime by 15 per cent by 2015–16
- increase confidence in police
- prevent and reduce the level of re-offending

Targets include:

 - reduce juvenile and adult re-offending by five per cent by 2016
 - increase completion rates for key treatment and intervention programs
- improve community confidence in the justice system

Priorities and strategies in this area include:

 - increasing community confidence through an efficient court system

Targets include:

 - in the Local Court: 90 per cent of pending criminal matters will be less than 6 months old
 - in the District Court: 75 per cent of pending civil matters will be less than 12 months old
 - increasing victims and community understanding of the justice system.

Other Information

Sentencing laws to be reviewed

On 23 September 2011, the NSW Attorney General requested the NSW Law Reform Commission to consult with the Sentencing Council to review the *Crimes (Sentencing Procedure) Act 1999*.

The review will examine:

- current sentencing principles including those contained in the common law
- the need to ensure sentencing courts are provided with adequate options and discretions
- opportunities to simplify the law, whilst providing a framework that ensures transparency and consistency
- the operation of the standard minimum non-parole scheme.

The NSW Attorney General wants to encourage the use of more non-custodial and community-based sentences as a viable alternative to full-time incarceration for less serious offences. One aim is to break the cycle in which more than 40 per cent of all New South Wales criminals reoffend after leaving prison.

The Commission's report is due in October 2012.

Review of Bail Laws

In the latest prison census, 2,504 people were in full time custody on remand awaiting trial or sentence as at 30 June 2010, an increase of 69 per cent over ten years.

Over the same period:

- the proportion of the prison population on remand increased from 20.4 per cent to 24.3 per cent
- 50 to 60 per cent of young people in detention centres are held on remand
- 85 per cent of admissions to detention centres are remand admissions
- 84 per cent of young people remanded in custody do not receive custodial sentences.

On 8 June 2011, the Attorney General asked the NSW Law Reform Commission to undertake a review of bail laws and develop a legislative framework to provide access to bail in appropriate cases having regard to questions such as:

- whether the *Bail Act 1978* should make a distinction between young offenders and adults and, if so, what special provision should apply to young offenders
- whether special provisions should apply to vulnerable people including:
 - Aboriginal people and Torres Strait Islanders
 - cognitively impaired people
 - those with a mental illness
- the available responses to a breach of bail
- what presumptions should apply to bail determinations and how they should apply.

The Attorney General has asked the Commission to report by 30 November 2011.


Section Two

Agencies with Individual Comments

Attorney General

Minister for Police and Emergency Services

Treasurer

A large, abstract graphic at the bottom of the page consisting of two overlapping circular shapes. The larger shape on the left is a vibrant red, and the smaller shape on the right is a dark grey, matching the page background. They overlap in the bottom right corner.

Department of Attorney General and Justice

26

NSW Auditor-General's Report
Volume Seven 2011

DEPARTMENT OF ATTORNEY
GENERAL AND JUSTICE

The Department
has not appointed
a Chief Financial
Officer

Progress on
integrating
policies,
operations and
systems since
Department was
restructured has
been limited

Audit Opinion

The audit of the Department of Attorney General and Justice's financial statements for the year ended 30 June 2011 resulted in an unmodified audit opinion within the Independent Auditor's Report.

Operational Snapshot

The Department delivers legal, court and supervision services to the people of New South Wales by:

- managing courts and justice services
- implementing programs to reduce crime and re-offending
- managing custodial and community-based correctional services
- supervising and caring for young offenders in the community and in detention centres
- advising on law reform and legal matters.

The net cost of the Department's services for the year was \$1.7 billion (\$1.5 billion in 2009-10).

Key Issues

Integration of Policies, Operations and Systems between the Divisions (Repeat Issue)

Recommendation

I again recommend the Department continue integrating policies, operations and systems between its divisions and appoints a Chief Financial Officer.

The Department was created on 1 July 2009 by merging the former Department of Corrective Services (DCS) and the former Attorney General's Department (AGD).

From 1 April 2011, the functions of the former Juvenile Justice division (now called Juvenile Justice NSW) and the Guardianship Tribunal were transferred to the Department under the Public Sector Employment and Management (Departments) Order 184/2011, from the Department of Human Services. On 31 December 2011, the functions of Privacy NSW were transferred from the Department to the Information and Privacy Commission.

As I reported last year, progress on integrating policies, operations and systems of all entities transferred into the Department was limited. The transfer-in of new divisions in 2010-11 has compounded the issue. For example, the finance functions of each division are maintained on separate systems, they apply different accounting policies, report separately and have separate audit and risk committees and internal audit functions.

The Department has still not appointed a Chief Financial Officer with responsibility for the financial operations of the whole Department. The Chief Financial Officers for the Attorney General, Corrective Services NSW and Juvenile Justice NSW divisions continue to be responsible for their respective divisions. They collaborated during the year to achieve overall Departmental financial control and reporting.

The Department cannot provide information on additional costs associated with the amalgamation, or cost savings it expects to achieve.

Victims Compensation (Repeat Issue)

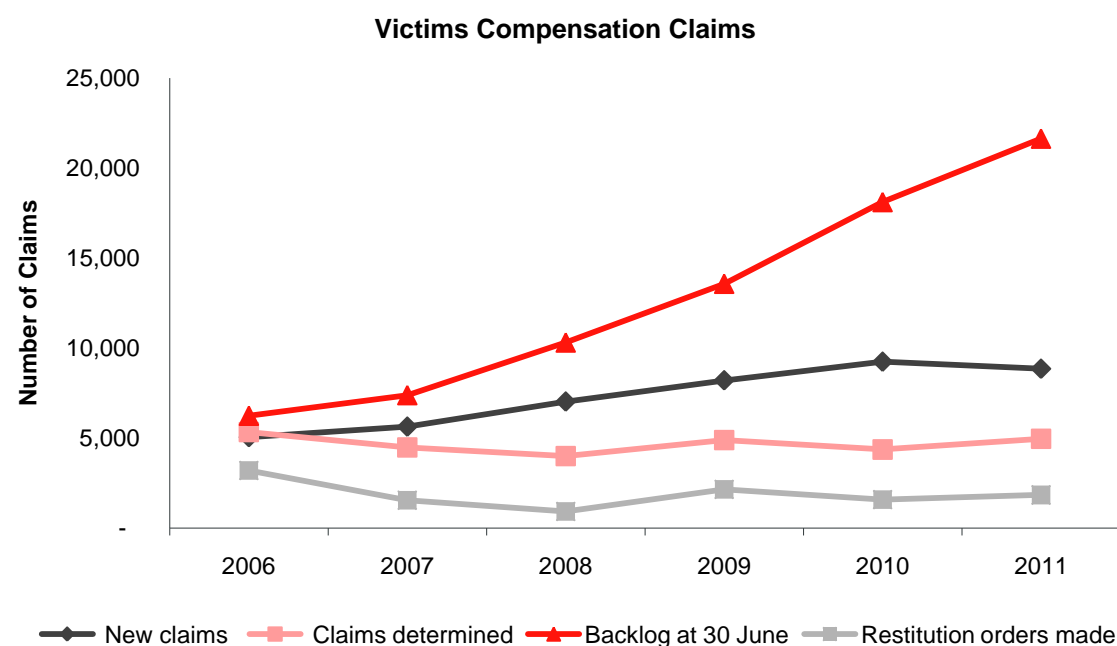
Backlog of victim's compensation claims now represents more than four years of claims and has more than tripled since 2006. Almost 60 per cent of all claims are more than one year old. Of \$289 million of restitution debts owing by offenders, only \$18.8 million is likely to be received.

Recommendation

I again recommend the Department pursue further initiatives to address the backlog of victim's compensation claims, which now represents more than four years of claims and has more than tripled since 2006.

For the last two years, I have recommended the Department seek additional funding from the Consolidated Fund to ensure the backlog of victims compensation claims is processed in a reasonable timeframe. Instead, the Department continues to pursue what it believes are more sustainable options to fund the scheme. These include restructuring the scheme to significantly reduce its operating costs and increase the proportion of funds directly payable to victims of crime.

The Department had 21,646 pending claims for victims' compensation at 30 June 2011 (18,118), which it estimates will result in payments of \$239 million (\$222 million), or an average payment per claim of \$11,041 (\$12,300). Based on the number of claims determined during 2010–11, this backlog represents more than four years of claims and has more than tripled since 2006 as shown in the graph below:



Source: The Department of Justice and Attorney General (unaudited).
Victims Compensation Tribunal NSW – Chairpersons Report 2009-10 (unaudited).

The number of new claims in 2010–11 decreased for the first time since 2006, but remains higher than the number of claims finalised during the year, thus adding to the backlog. The number of claims determined and paid remained at similar levels over the same period. Claims are determined each year to the extent of the budget allocation, and claims in excess of the allocation increase the projected future liability. The budget for 2011–12 is \$69.3 million compared to \$68.1 million in 2010–11. This is unlikely to meet the liability for new claims, much less reduce the backlog.

The Department advises that the average length of time to process a claim is 25 months. This is because claims cannot be processed until all information has been received from relevant parties or before other matters, such as workers compensation proceedings or clients seeking adjournment, have been resolved.

Backlog of victims compensation claims have tripled since 2006 to 21,646 claims

The Department
has implemented
initiatives to
increase the
scheme's
revenue

The Department
only expects to
recover
\$18.8 million of
the \$289 million
payable by
offenders

The management
of Corrective
Service's assets
requires
improvement

Of all outstanding claims, 40.1 per cent are less than 1 year old and 2.3 per cent are more than five years old. The oldest outstanding claim is from July 1997.

Victims of violent crime are entitled to receive compensation for injuries, even if the offender is unknown or not convicted. Where offenders are convicted, restitution orders can be raised against offenders to recover the compensation paid to victims.

Levies are collected from people convicted of crimes and paid into the scheme. Offenders not convicted of an offence that carries a jail term are now also required to pay the levy. The Department is currently developing proposals with the State Debt Recovery Office (SDRO) to improve collection of restitution debt. The proposals include transferring the management and enforcement of restitution debts to the SDRO.

Last year, the government announced further changes to the scheme. These included expanding support for victims of violent crime who are not eligible for compensation because their injuries do not reach the threshold for compensation. The number of support calls increased from 48,021 to 63,201 in 2010–11.

During 2010–11, the Department awarded \$63.4 million (\$62.6 million) in compensation to victims and only received \$4.3 million (\$4.3 million) in restitution from offenders. At 30 June 2011, \$289 million (\$289 million) was recorded as restitution debt, but only \$18.8 million (\$18.7 million) of this is likely to be received.

The collection of restitution debts is complex as convicted offenders may have multiple debts and may be co-offenders. The development of an electronic information system to help manage, monitor and report on offenders' debts has been challenging. Continuing enhancements to the Victims Services CARES workflow database system and its interface with the Department's financial system are providing ongoing improvements to the financial information necessary to determine a debtor's compliance. Default letters are regularly sent to debtors who have not complied with arrangements with the Director, Victim Services or orders made by the Tribunal.

Property, Plant and Equipment (Repeat Issue) (Corrective Services)

Recommendation

I again recommend Corrective Services NSW ensures appropriate systems and controls are in place to enable the efficient and effective management of assets.

Since 2008, I have reported that the level of detail in asset records did not facilitate efficient and effective management of Corrective Services NSW assets. This situation remains unchanged from the prior year. While acknowledging that ancillary procedures exist, some of these procedures are not operating as intended. For example, I noted the following during my audit:

- the 2010–11 stocktake was incomplete with a number of stock take returns outstanding. The differences identified in the stock take were not investigated or reflected in asset records
- the land and buildings revaluation was not completed early enough to enable Corrective Services NSW to update their asset records for the result of the revaluation, or to fully investigate differences between the valuation results and their asset records
- four instances where correctional centre buildings were included in Corrective Services NSW asset records, without the underlying land being included
- a number of completed projects that were incorrectly included within work in progress.

Corrective Services NSW advise that the most recent financial year end coincided with the ongoing amalgamation of the former Attorney General's and Corrective Services Departments, as well as the transfer of the functions of the former Juvenile Justice division and the Guardianship Tribunal. The revaluation of land and property assets across the entire Department was also completed within a very short timeframe.

Corrective Service NSW further advise that the introduction of an enterprise assets management policy, and the remediation of the Business Integrated Management System due for completion in 2012, will ensure all these concerns are resolved by 30 June 2013.

Performance Information

Attorney General's Division

Corrective Services NSW

Last year, I commented on Corrective Services NSW's working capital ratio. This has increased from 15.7 per cent to 31.8 per cent, improving its ability to pay its creditors on time. The improvement reflects additional funding it received towards the end of the financial year.

Offender and Imprisonment Rates

The number of people and the length of offender sentences managed by Corrective Services NSW result from the activities of the NSW Police Force and sentencing authorities. Therefore, they are not performance measures of Corrective Services NSW, but drive some of its performance measures.

Year ended 30 June	2010		2009		2008	
	NSW	National	NSW	National	NSW	National
Rate per 100,000 adult population						
Imprisonment	186	169	185	166	180	163
Community corrections	318	336	335	342	339	338
Rate for Indigenous per 100,000 adult indigenous population						
Imprisonment	2,455	2,325	2,391	2,212	2,351	2,157
Community corrections	3,358	3,345	3,532	3,350	3,761	3,288

Source: Productivity Commission's Report on Government Services 2011 (unaudited).

The table shows the proportion of the general adult population imprisoned in 2010 remained relatively stable, while the proportion of the indigenous adult population imprisoned increased by 2.7 per cent.

In the case of community corrections, the proportion of the general adult population subject to community correction orders decreased by 5.1 per cent, and 4.9 per cent for the indigenous adult population.

Of the total prison population at 30 June 2010, 20.9 per cent of male and 26.3 per cent of female offenders were indigenous. Corrective Services NSW continues to implement programs to reduce the high rate of indigenous offenses and imprisonment. These include:

- the Rekindling the Spirit program (Lismore and Tabulam)
- the Walking Together Project (Newtown/Redfern)
- the Balund - a community based program at Tabulam
- the Yindyama La Family Violence Project (Dubbo).

In May 2011, I conducted a performance audit on the 'Two Ways Together – NSW Aboriginal Affairs Plan' (the Plan) to consider how well the Plan has worked to improve outcomes for Aboriginal people in NSW. The overall objectives of the Plan were to:

- develop committed partnerships between Aboriginal people and the NSW Government, and
- improve the social, economic, cultural and emotional wellbeing of Aboriginal people in New South Wales.

The report concluded that to date the Plan has not delivered the intended overall outcomes for Aboriginal people, although stronger partnerships between the government and Aboriginal people are now beginning to emerge.

The full report is available on the Audit Office's website at

www.audit.nsw.gov.au/ArticleDocuments/143/213_Two_Way_Together_Aboriginal_Affairs.pdf.aspx?Embed=Y.

Safety and Containment

The table below shows that from 2009 to 2010 prisoner on prisoner assaults increased by five per cent, serious assaults by prisoners on prisoners decreased by 42 per cent, assaults by prisoners on prison staff remained relatively stable and there were no serious assaults by prisoners on prison staff. Prisoner escapes reduced by 81 per cent between 2009 and 2010.

Year ended 30 June Rate per 100 offenders	2010		2009		2008	
	NSW	National	NSW	National	NSW	National
Type of Assault						
Prisoner on prisoner*						
Serious assault	0.15	0.53	0.26	0.68	0.31	0.48
Assault	13.43	9.14	12.83	8.66	13.07	8.52
Prisoner on officer*						
Serious assault	--	0.03	--	0.03	--	0.02
Assault	0.56	0.64	0.59	0.53	0.92	0.63
Apparent Unnatural Death	0.06	0.05	0.04	0.04	0.04	0.03
Escapes/Absconds Rates						
Open perimeter	0.06	0.3	0.31	0.57	0.16	0.51
Secure perimeter**	0.01	0.02	0.06	0.02	0.02	0.09

Source: Productivity Commission's Report on Government Services 2011 (unaudited).

* The Productivity Commission acknowledges that data on assaults are not directly comparable across all States. 'Serious assaults' refer to acts of physical violence resulting in actual bodily harm involving hospitalisation, including sexual assault. Assaults refer to violence resulting in physical injury but not involving hospitalisation.

** Information not available for every jurisdiction.

Prisoner Costs

Year ended 30 June Cost per prisoner per day	2010		2009		2008	
	NSW \$	National \$	NSW \$	National \$	NSW \$	National \$
Open prisons* (including periodic detention)	175	187	187	191	188	189
Secure prisons*	211	214	217	218	225	214
All prisons	198	207	206	210	211	207

Source: Productivity Commission's Report on Government Services 2011, 2010 and 2009 (unaudited).

The figures include ongoing expenditure in the delivery of correctives services such as salaries and other operating expenses. The costs are adjusted to eliminate jurisdictional differences.

* Information not available for the Northern Territory.

The cost per prisoner per day for all prisons reduced to \$198 in 2010. Corrective Services NSW advises this was because employee related costs have decreased and some custody resources moved to community programs.

Offenders in custody compared to capacity of correctional centres

The average daily number of offenders in custody decreased from 10,258 in 2009–10 to 9,916 in 2010–11, or 3.3 per cent. At the same time, the capacity of correctional centres increased from 11,011 to 11,269 beds, or 2.3 per cent. Corrective Services NSW advises the new Intensive Correction Order (ICO) which started in October 2010 has contributed to this decrease. An ICO is an order of imprisonment for not more than two years made by a court, which directs the sentence to be served by way of intensive correction in the community. An ICO is served in the community under the strict supervision of Corrective Services NSW, rather than in full-time custody in a correctional centre.

The occupancy rate at the end of June 2011 was 88 per cent (93.2 per cent). The table below shows the number of offenders at each level of security facilities.

At 30 June	Offenders in custody		Capacity	
	2011*	2011*	2010**	2010**
Correctional Centre				
Maximum security facilities	3,799	4,380	3,673	4,001
Medium security facilities	2,548	2,818	2,919	3,088
Minimum security facilities	3,569	4,071	3,666	3,922
Total	9,916	11,269	10,258	11,011

Source: Corrective Services NSW (unaudited).

* at midnight 26 June 2011.

** at midnight 27 June 2010.

Overcapacity continued to increase after year end, with the inmate population decreasing by a further 69 inmates to 9,847 at 28 August 2011. In response to the overcapacity, on 6 September 2011, Corrective Services NSW announced that the Parramatta, Kirkconnell and Berrima Correctional Centres would close. These centres have a combined capacity of 905 inmates, and held 430 inmates at the date of the announcement. All three correctional centres closed during October 2011.

The inmates have been relocated, and staff offered voluntary redundancy or redeployment. Corrective Services NSW estimates this will result in savings of \$26 million per annum.

Juvenile Justice

The Juvenile Justice division of the Department deals with young offenders who have committed, or alleged to have committed offences and are between the ages 10 and 18. It delivers its services under three service groups (programs), namely Youth Justice Conferencing, Community Based Services and Custodial Services.

Costs

The table below shows the average daily cost for supervising and caring for young offenders over the past four years.

Year ended 30 June	2011** \$	2010 \$	2009* \$	2008* \$
Average daily cost per juvenile in custody	652	589	543	541
Average daily cost per juvenile in community based services	17	13	15	16
Average daily cost per juvenile in Youth Justice Conferencing	7	6	7	10

Source: Department of Attorney General and Justice (unaudited).

* Responsibility of the former Department of Juvenile Justice.

** Responsibility of the Department of Family and Community Services up to 31 March 2011, and the Department of Attorney General and Justice thereafter.

Juvenile Justice advises:

- the average daily cost per juvenile in custody increased by 10.7 per cent due to the costs of opening two new units at the Acmena and Reiby Centres, coupled with a reduction in the average number of juveniles in custody over the year
- the increase in the average daily cost per juvenile in community-based services was due to the additional costs of introducing Graffiti Orders, whilst the average number of young people serviced by Juvenile Justice reduced.

Capacity in Juvenile Justice Centres

The following table shows the number of offenders in custody and the number of available beds at each Juvenile Justice centre. Whilst total capacity increased by 5.3 per cent, the total number of young offenders in custody decreased by 8.6 per cent.

At 30 June Juvenile Justice Centre	Offenders in custody 2011*	Capacity 2011*	Offenders in custody 2010*	Capacity 2010*
Acmena	34	45	27	30
Frank Baxter	106	120	119	120
Broken Hill Shelter	--	8	--	8
Cobham	62	85	70	85
Emu Plains	31	40	36	40
Juniperina	29	46	31	46
Orana	37	45	41	45
Reiby	52	67	49	57
Riverina	36	45	46	45
Bronte Adolescent Mental Health Unit**	4	Na	9	na
Total	391	501	428	476

Source: Department of Attorney General and Justice (unaudited).

* Responsibility of the Department of Family and Community Services up to 31 March 2011, and the Department of Attorney General and Justice thereafter.

** 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.

In October 2010, a new 15 bed unit opened at the Acmena Centre and an additional 10 beds were added at the Reiby Centre. Upgrades to the Riverina Juvenile Justice Centre will result in a new 15 bed unit being built in 2013.

Other Information

Major Projects

JusticeLink project costs and implementation

JusticeLink has been a long term information technology project that has suffered delays and required increases in its budget. All components of the project were implemented during 2009–10.

The Department advises the major works to the JusticeLink project were completed during 2009-10 at a total cost of \$48.2 million. Enhancements to the original project continued to be made during 2010-11 at a total cost to date of \$11.8 million. These included changes in business processes, client services and best practice.

The table below shows a summary of the projected completion dates and costs of the project. I have combined the costs and budgets of the Courtlink project from 2001 and the JusticeLink project from 2006 as they are related projects.

Year ended 30 June	JusticeLink major works budget forecasts							
	2001	2005	2006	2007	2008	2009	2010	2011
Expected Completion	2006	2007	2007	2008	2009	2010	2010	Completed
Capital cost of project to date (\$m)	ns	29	34	ns	44	46	48	48
Total Expected Cost (\$m)	30	42	45	48	48	48	48	48

Source: 2005 to 2010 Auditor-General's Reports to Parliament and information provided by the Department for 2011 (unaudited).
ns not stated.

Year ended 30 June	Enhancements (from minor works appropriation)			
	2008	2009	2010	2011
Cost of original project to date (\$m)	3	6	9	12

Source: Information provided by the Department for 2011 (unaudited).

Last year, I reported on the inability of JusticeLink to automatically refer debts to the State Debt Recovery Office due to unresolved interface issues. The outstanding debts of \$31.4 million at that time have reduced to \$10.7 million as at 30 June 2011, mainly due to enhancements to the JusticeLink system.

Last year, I also reported the Department's bank reconciliations were affected by changed procedures for JusticeLink. A significant number of ledger and bank entries could not be matched in a timely manner. The Department has made several changes to JusticeLink and to business processes to resolve all outstanding issues during 2010-11.

The Department, along with key stakeholders, is auditing the data received from the higher courts. These audits are performed to ensure the statistics for offences compiled from the JusticeLink system are accurate. Errors noted by the audit can be seen in the table below.

Year	2009-10		2008-09	
	Number of errors noted	Number of cases checked	Number of errors noted	Number of cases checked
Critical	839	31,857	1,525	29,124
Non Critical	1,411	31,147	1,605	28,871
Total	2,250	63,005	3,130	57,995

Source: Information provided by the Department (unaudited).

There is a notable decrease in the number of both critical and non-critical errors noted during the reviews conducted in 2009–10 compared to the previous year. This was as a result of the Department implementing quality control mechanisms to improve the data quality in the JusticeLink system.

Other IT Projects

LifeLink

The LifeLink project commenced in 2002–03 to replace the Registry of Births, Deaths and Marriage's paper-based LifeData system. In November 2009, the Department terminated the contract with the project provider due to a substantial breach of contract, and a new contract was entered into with another provider in September 2010. A total of \$3.5 million was written off during 2010–11, as the work performed up to the date of termination could not be used by the new provider.

In 2010–11, the Department successfully sued the terminated contractor and obtained a judgement of \$2.7 million. Payment was received on 15 July 2011.

An audit of the status of the project was completed in September 2011. The project is now expected to be completed by August 2012.

The table below provides details of the expected costs of the project. The Department has assessed that the benefits from this project will significantly exceed the costs.

Year	Phase 2 of the project			Ongoing maintenance		
	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16
Total Cost (\$m)	7.8	3.7	0.5	0.5	0.5	0.5

Source: Registry of Births Deaths and Marriages LifeLink Program August 2010 Business Case (unaudited).

Joined Up Justice

This project will enable New South Wales courts to expand and improve the electronic exchange of information with other Justice agencies. The Department advised the total expected cost of the project remains at \$9.9 million with \$2.9 million (\$3.0 million) spent during 2010–11. The project is expected to be completed in August 2012 and it is tracking on target without any delays. It is expected that \$300,000 will be rolled over to 2012–13 to cover the costs of the final stage of the project.

Legal eServices

This two year project will reduce waiting times in courts and provide secure internet access to information only available in courts. The Department advises the total expected cost of the project remains at \$10.0 million. The Department has spent \$5.1 million (\$3.1 million) in 2010–11. The major implementation is expected to occur in June 2012, with \$150,000 to be rolled over to 2012-13 to cover the final cost of the project. The first online process from the project was launched in April 2011.

Major Capital Projects and Correctional Centre Occupancy Rates

Recommendation

The Department continue to monitor the rate of its correctional centres occupancy, and assess whether further rationalisation is required.

In 2010–11, Corrective Services NSW:

- continued work on the 250-bed expansion of Cessnock Correctional Centre. This project commenced in June 2005 and completion is expected in 2012. The budgeted cost is \$98.6 million and at 30 June 2011 the actual cost was \$66.7 million
- commissioned the new 600-bed multi-classification facility on the South Coast in December 2010. The project commenced in June 2005 with a budgeted cost of \$155 million. The actual cost at 30 June 2011 was \$147.4 million.

Recommendation

While completion of these projects adds to current overcapacity, the projects commenced when prisoner numbers were increasing. The Department will need to continue to monitor the prison population to ensure the available capacity is appropriate.

Human Resources

Excessive Annual Leave

Last year, I recommended the Department review the effectiveness of its policies for managing excessive annual leave balances.

Corrective Services had 1,796 employees (2,326 employees) with more than 40 days of accrued annual leave at 30 June 2011. The highest employee leave balance at 30 June 2011 was 153 days.

While the situation improved in 2010–11, managing excessive annual leave remains a challenge for the Department.

Overtime

Recommendation

Corrective Services NSW should continue its efforts to reduce overtime and continuously reassess the effectiveness of its policies and management of overtime.

Corrective Services NSW incurred overtime in 2010–11 of \$18.8 million (\$32.8 million), representing 2.6 per cent (4.6 per cent) of total employee related expenses. Some initiatives implemented under the 'Way Forward' program, such as the use of casual officers instead of offering overtime, have contributed to the decrease.

While there has been an overall reduction in overtime, 3,712 (4,221) employees received overtime payments, with 26 (114) of these receiving overtime payments equal to or exceeding 50 per cent of their base pay.

Employment of Contractors

Recommendation

Last year, I recommended the Attorney General's Division create and maintain a single record of all contractors engaged by the Division.

The Division still does not maintain a central registry for all contractors but agrees with the recommendation above. It has commenced this process through the completion of an initial register. The issue of fully installing and maintaining a contractor register is currently under review by the Department centrally, with a view to leveraging upon established best practices and processes across different divisions of the Department.

Corrective Services NSW advises it maintained a central registry for contractors engaged during the year and it is reviewed regularly.

While the use of contractors has its benefits, particularly on projects, extensive reliance on this employment source may result in higher employment costs and less ownership and commitment to organisational goals and objectives.

Financial Information

Abridged Statement of Comprehensive Income

Year ended 30 June	2011 \$'000	2010 \$'000
Employee related expenses	1,260,478	1,188,426
Compensation to victims of crime	63,385	62,650
Other expenses	660,882	577,070
Operating Expenses	1,984,745	1,828,146
Operating Revenue	315,240	295,375
Other losses	11,950	6,301
Net Cost of Services	1,681,455	1,539,072
Government contributions	1,751,627	1,542,348
Surplus	70,172	3,276
Other Comprehensive Income		
Increase in revaluation reserve	362,408	48,399
Decrease in net assets through equity transfer	(5,745)	--
Superannuation actuarial loss	(165)	(10,030)
Total Other Comprehensive Income	356,498	38,369
Total Comprehensive Income	426,670	41,645

Employee related expenses increased due to pay increases and the transfer of Juvenile Justice from 1 April 2011 to the Department. Refer to the Law and Order Overview for Administrative Restructure comment.

Contributing to the increase in other expenses was an additional \$22.8 million given to Law Courts Limited for significant upgrades and maintenance of the Supreme Courts, and additional grants of \$11.2 million to Juvenile Justice and NSW Trustee and Guardian.

Operating revenue increased due to a rise in victims compensation levies of \$3.7 million, other grants and contributions of \$9.5 million, and filing fees of \$7.5 million.

Land and buildings and other assets were revalued at 30 June 2011, resulting in the increase in asset values.

Abridged Statement of Financial Position

At 30 June	2011 \$'000	2010 \$'000
Current assets	175,305	149,278
Non-current assets	3,849,757	3,175,092
Total Assets	4,025,062	3,324,370
Current liabilities	323,384	343,951
Non-current liabilities	149,090	151,318
Total Liabilities	472,474	495,269
Net Assets	3,552,588	2,829,101

Current Assets increased primarily because of an increase in cash due to better collection processes and increased activities during the year.

Non-current assets increased due to the transfer of \$289 million of assets to the Department through the Administrative Restructure; increases in asset values of \$362 million; and \$158 million of construction works for new correctional centres.

Abridged Service Group Information

The net cost of services on a service group basis is detailed below:

Year end 30 June	Net Cost of Services			Net Assets	
	2011 Budget \$'000	2011 Actual \$'000	2010 Actual \$'000	2011 Actual \$'000	2010 Actual \$'000
Legal, Policy and Regulatory Services	40,313	37,099	31,651	9,600	19,815
Court Services	309,847	317,147	284,020	1,289,612	1,059,745
Court Support Services	85,778	86,219	85,154	84,652	52,653
Crime Prevention and Community Services	104,432	103,192	91,968	9,067	14,055
Registry of Births, Deaths and Marriages	(9,652)	(10,070)	(5,745)	17,118	6,804
Crown Solicitors Office	34,578	46,861	42,212	15,292	12,206
Business and Personnel Services	--	(1,394)	(6,185)	--	(117)
Custody Management	685,835	761,148	733,496	1,616,502	1,593,957
Supervision of Offenders in the Community	126,575	154,871	144,701	151,269	45,033
Offenders Program	123,935	135,328	137,800	67,546	2,896
Non-Custodial Services*	17,151	20,193	--	(1,326)	--
Custodial Services*	28,638	33,109	--	282,822	--
Not Attributable	--	(2,248)	--	10,434	22,054
Total	1,547,430	1,681,455	1,539,072	3,552,588	2,829,101

* Service Groups from Juvenile Justice transferred to the Department on 1 April 2011.

The overall increase in net cost of services across all service groups is primarily attributed to a four per cent increase in salary costs.

Court Service's net cost of services increased by \$33.1 million over the prior year primarily due to a \$22.8 million contribution to a major refurbishment of the Supreme Courts NSW.

Custody Management's net cost of services increased by \$27.6 million due to an increase in correctional centre management costs of \$11.7 million. The Department hired an additional 110 staff as a result of the new South Coast Correctional Centre which opened in November 2010.

The Crown Solicitor's Office incurred additional costs in employee related expenses and legal disbursements due to an increase in the core legal work in the current year, including increased work in highly complex and sensitive children's matters and increased number of matters referred to the office from the Coroners Court. The office received a one-off supplementation of \$14.8 million to meet the increase in core expenditure.

Supervision of Offenders in the Community's net cost of services exceeded budget by \$28.3 million. This was mainly due to increased activity in community compliance and the community offender support programs. These programs were introduced in October 2010.

Department Activities

The Department of Attorney General and Justice delivers legal, court and custodial and community supervision services to the people of New South Wales.

The Department divisions are the Attorney General's Division, Corrective Services NSW and Juvenile Justice NSW.

The Attorney General's Division manages and supports the State's court registries and legal jurisdictions, implements crime prevention programs and supports victims of crime. It also provides research data and legal and policy advice to the New South Wales Government and the community.

Corrective Services NSW provides custodial and community based correctional services, conducts programs and services that reduce the risk of re-offending, prepares offender reports to assist sentencing and releasing authorities, and supplies prisoner security services at a number of courts.

Juvenile Justice NSW supervises and cares for young offenders in the community and in detention centres. It provides youth justice conferences for young offenders referred by police or the courts.

Department services also include those provided by the Registry of Births, Deaths and Marriages, the Guardianship Tribunal and the Crown Solicitor's Office.

The Department supports the Attorney General as the Crown's First Law Officer.

For further information on the Department of Attorney General and Justice, refer to www.lawlink.nsw.gov.au.

Legal Aid Commission of New South Wales

Audit Opinion

The audit of the Commission's financial statements for the year ended 30 June 2011 resulted in an unmodified audit opinion within the Independent Auditor's Report.

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

Operational Snapshot

Legal Aid NSW is a State-wide organisation providing legal services to socially and economically disadvantaged people across NSW. The legal services provided include most areas of criminal, family and civil law and are delivered in partnership with the private legal profession.

In 2010–11, the net cost of operating the Commission was \$168 million (\$156 million). The Commission is a not-for-profit entity, funded mainly by government contributions.

Key Issues

Time Costing System

Recommendation

The Commission should consider introducing a formal costing system requiring legal practitioners to charge their time to specific cases and other matters. This will enable preparation of individual case budgets against which management can compare actual costs, and measure/benchmark performance.

Unlike most other professional services entities, such as law firms and accounting practices, the Commission does not have a system to record time spent by legal practitioners and other costs incurred on individual cases. This makes it difficult for the Commission to:

- determine the average cost or duration of cases, and to compare against budgets
- benchmark performance against other jurisdictions or similar entities
- assess the performance of external practitioners compared to internal practitioners
- assess how efficient and economical it is in conducting cases.

Section 12 of the *Legal Aid Commission Act 1979* requires the Commission to 'ensure that legal aid is provided in the most effective, efficient and economical manner'. In the absence of a formal costing system to help measure its performance, I am unsure how the Commission is able to clearly demonstrate it is complying with its legislative obligation.

The Commission is unable to measure its performance in conducting individual legal cases

Performance Information

Applications for Legal Aid

The table below shows applications for legal aid that were refused, as a percentage of the total decisions made.

Year ended 30 June	Percentage of Applications Refused*				
	2011	2010	2009	2008	2007
Criminal law program	11.4	11.3	8.5	6.2	6.6
Family law program	26.5	24.2	27.3	22.7	21.5
Civil law program	39.7	42.4	41.6	35.1	36.4

* The introduction of new grant and case management systems during 2008–09 improved the Commission's recording and reporting capabilities. Consequently comparisons from 2008-09 onwards with previous years may not be valid.

Source: Legal Aid Commission of New South Wales (unaudited).

The Commission advises it changed its method of classifying case applications from 1 July 2009, resulting in fewer applications meeting the criteria for legal aid case grants. This does not, however, reflect movements in actual workloads or decision patterns. In 2010-11, the 2.7 per cent decrease in applications refused for the civil law program was partially offset by a 2.3 per cent increase in family law case refusals, as a percentage of decisions made.

Client Services

The Commission provides services such as case grants, duty appearances, legal advice, information services and community legal education. It works in partnership with private practitioners who receive funding from the Commission to represent legally aided clients. The percentage of total case and duty services provided by private solicitors in 2010-11 was 43.7 per cent (44.3 per cent). The table below shows total client services by law type over the past five years.

Year ended 30 June	Year ended 30 June				
	2011	2010	2009	2008	2007
Criminal law program	425,444	408,500	375,399	296,217	265,660
Family law program	180,828	181,974	185,858	160,865	163,329
Civil law program	211,978	210,882	216,571	184,802	162,736
Total	818,250	801,356	777,828	641,884	591,725

Source: Legal Aid Commission of New South Wales (unaudited).

The increase in overall services delivered during 2010-11 was primarily due to greater demand for criminal law duty and information services. As information is the least resource intensive service provided by the Commission, it is subject to the most volatility. The actual net cost of services for the criminal law program was \$73.8 million (\$67.5 million). The increase in civil law service volumes was largely due to higher demand for information, minor assistance and advice services.

The decline in family law service volumes was largely due to less demand for grants and information services, partly offset by an increase in duty, advice and minor assistance services.

Other Information

I identified opportunities for the Commission to improve its accounting and internal control procedures and have reported them to management.

Human Resources

Workforce Ageing

Last year, I reported the Commission was facing challenges from the potential loss of a large number of retiring employees. At 30 June 2011, 33 per cent (32.5 per cent) of its employees were 50 years of age or older.

The Commission advises that specific strategies to manage the risks associated with an ageing workforce will be developed in 2012. This will include a People and Organisational Development strategic plan covering succession planning and managing an ageing workforce.

Flex Time Balances

The Commission does not know the extent of flex time being accrued and forfeited by employees, as it does not record this information centrally. Records are decentralised and manually maintained by each branch.

In 2009-10, I recommended the Commission develop mechanisms to centrally review flex time records to ensure excessive flex time is not being accrued and forfeited by employees. The Commission disagreed with this recommendation.

Financial Information

Abridged Service Group Information

The Commission's net cost of services and net assets on a service group basis are detailed below.

Year ended 30 June	Net Cost of Services			Net Assets	
	2011 Budget \$'000	2011 Actual \$'000	2010 Actual \$'000	2011 Actual \$'000	2010 Actual \$'000
Family law	70,976	62,186	61,333	17,742	19,714
Criminal law	69,282	73,799	67,464	15,689	14,653
Civil law	14,454	17,668	12,966	2608	1,271
Community partnerships	13,387	14,298	13,785	(257)	362
Total All Service Groups	168,099	167,951	155,548	35,782	36,000

The actual total net cost of services exceeded budget because of increased costs in criminal law, civil law and community partnerships. Civil law cases increased by 36.3 (31.6 per cent), while criminal law services increased by 9.4 per cent compared to 2009-10.

Commission Activities

The Commission is primarily responsible for providing legal aid and other legal services in accordance with the *Legal Aid Commission Act 1979*. Legal aid services are provided by the Commission's officers or by private legal practitioners. A means test applies to most applications for assistance while some are also subject to a legal merit test. A legally assisted person may be required to make an initial contribution towards the Commission's costs and, if successful in a civil action, to meet the balance of any costs from moneys recovered.

For further information on the Commission, refer to www.legalaid.nsw.gov.au.

Controlled Entities

The controlled entities have not been reported on separately as they are not considered material by their size or the nature of their operations to the consolidated entity.

Entity Name	Website
Legal Aid Commission Temporary Staff Division	*
Office of the Legal Aid Commission	*

* This entity does not have a website.

Audit Opinion

The audit of the NSW Trustee and Guardian's financial statements for the year ended 30 June 2011 resulted in an unmodified audit opinion within the Independent Auditor's Report.

Operational Snapshot

The NSW Trustee and Guardian provides:

- trustee services to the people of New South Wales,
- financial management services to people with impaired decision-making abilities, and
- lifestyle decision-making services through the Public Guardian to people with impaired decision-making abilities.

All moneys held are kept in the trust fund (Common Funds) and are invested. The combined value of funds held in trust on behalf of clients was \$2.5 billion.

References in this comment to Trustee Services relate to activities of the former Public Trustee New South Wales, while references to Financial Management relate to activities of the former Office of the Protective Commissioner. The merger of these entities to form the NSW Trustee and Guardian is detailed below.

Key Issues

Internal Audit Recommendations

The NSW Trustee and Guardian has an active internal audit function, which reviews aspects of its business. Internal audit made 67 recommendations to improve processes and controls in 2010-11. It reported 94 recommendations from the previous and current years as currently being actioned at September 2011, 61 per cent of which had been partially implemented. While some recommendations date back to December 2008, only five have not been implemented within agreed timeframes. Recommendations currently being actioned include 20 intended to address high risk internal control shortcomings. Examples of these shortcomings are:

- no formal risk assessment being performed to assess a managed person's capacity to manage their own estate. Section 71 of the *NSW Trustee Guardian Act 2009* allows NSW Trustee and Guardian to authorise a client to manage part of their estate, but there is a risk that section 71 authorisations will be made inappropriately in the absence of a formal risk assessment
- an annual stocktake is not performed of client personal property and inadequate segregation of duties exists in the receipting, storage and disposal of client personal property, increasing the risk of fraud and theft
- client personal property procedures do not require the value of all personal property to be recorded in client information systems, and the associated valuation reports to be stored in the document management system. The absence of formal procedures increases the risk of inconsistent and incorrect processing.

The number and significance of internal audit findings show NSW Trustee and Guardian's internal control environment needs to improve

NSW Trustee and Guardian has a high volume of non-standard transactions, which increases the risk of fraud. Non-standard transactions include:

- payments from client trust accounts to third parties, including overseas third parties
- reimbursements to third parties, such as client family members
- direct cash payments to clients.

The variable nature of these transactions means they require more manual handling compared to standard, regular payments, and makes establishing a strong control environment more difficult to achieve, but more important.

The number and significance of internal audit findings suggests NSW Trustee and Guardian's internal control environment requires further improvement. Management advises that some recommendations will be addressed with the introduction of a new information technology management system.

Internal audit findings are reported regularly to the Audit and Risk Committee, which actively monitors and follows up outstanding recommendations.

Merger of the Public Trustee NSW and the Office of the Protective Commissioner

The NSW Trustee and Guardian was established on 1 July 2009 under the *NSW Trustee and Guardian Act 2009* (the Act). The Act abolished the Public Trustee New South Wales and the Office of Protective Commissioner, merged their assets and liabilities and formed the NSW Trustee and Guardian.

Last year I recommended the NSW Trustee and Guardian develop performance indicators and targets to:

- measure the benefits of the merger
- monitor the progress, cost and timeliness of implementing the new information technology system to replace the existing Trust Estate and Asset Management System (TEAMS) and the Client Information System (CIS).

Management advises it cannot measure the benefits of the merger, because TEAMS and CIS are not capable of costing individual matters. Consequently, a comparison of the cost of processing matters before and after the merger is not possible. The NSW Trustee and Guardian advises that the financial systems and some information technology infrastructure are being merged, and a new service model is currently being rolled out.

Implementing an information technology system to replace TEAMS and CIS is still at an early stage. A request for a quotation for a project partner has been completed, but a decision has been deferred pending the outcome of a business process review, which is being scoped with internal audit.

Use of Interest Suspense Account

Last year, I recommended the NSW Trustee and Guardian finalise the distribution of its Interest Suspense Account before 30 June 2011. Under the Act, the NSW Trustee and Guardian was required to determine by that date the allocation to:

- the Reserve Fund for the purposes of that Fund
- the existing common funds
- the NSW Trustee and Guardian for current and future costs incurred by it in exercising its functions under the Act.

The NSW Trustee and Guardian engaged an actuary to determine the appropriate allocation of the \$59.9 million in the Interest Suspense Account at 30 June 2011. The funds were allocated as follows:

- \$16.0 million to the Reserve Fund
- \$9.9 million to the existing common funds
- \$34.0 million to the current and future costs of NSW Trustee and Guardian.

The actuary developed several scenarios ranging from a budget scenario (least conservative) to an adverse scenario (most conservative) to determine the funds required for the current and future operating costs of NSW Trustee and Guardian. The actuary recommended, and NSW Trustee and Guardian adopted the most conservative estimate.

The NSW Trustee and Guardian received \$7.6 million during the year from the Interest Suspense Account for the purpose of funding operating costs.

Performance Information

Client Satisfaction

The NSW Trustee and Guardian uses the following indicators to help improve its performance:

Year ended 30 June	Actual				
	2011	2010	2009	2008	2007
Customer satisfaction index – Trustee Services	84	84	87	80	73
Process improvement satisfaction index – Trustee Services	80	80	84	76	66
Customer satisfaction index – Financial Management	66	na	na	na	na
Complaints received	377	287	na	na	na

Source: NSW Trustee and Guardian (unaudited).

na not applicable.

The Trustee Services customer satisfaction and process improvement indices have remained consistent despite the ongoing challenges resulting from the merger. For the first time customer satisfaction was measured for Financial Management clients in 2010–11.

The NSW Trustee and Guardian advised the difference in satisfaction ratings between Trustee Services and Financial Management is mainly due to Financial Management clients being required by an order of a court or tribunal to use the NSW Trustee and Guardian. Trustee Services clients voluntarily choose the NSW Trustee and Guardian. Financial Management clients may be unhappy and/or do not understand the need for the order. The NSW Trustee and Guardian advised that strategies are being implemented to deal with Financial Management customer satisfaction, including developing a new service delivery model.

There was a 31.4 per cent increase in complaints made to NSW Trustee and Guardian during 2010–11. Over half the complaints related to delays in responses and decisions, and provision of information. A significant proportion of the complaints (262) came from NSW Trustee and Guardian's Financial Management activities.

Trustee Services Performance

Last year, I recommended the NSW Trustee and Guardian continue liaising with other States to establish national benchmarking of performance across Public Trustees. Management advises its attempts over the past three years to implement national benchmarking across Public Trustees in other States has been unsuccessful as each State has different ways of charging clients and different applicable legislation, service standards and types.

The NSW Trustee and Guardian provided the following information on its performance for the volume and value of new business obtained during the year:

Year ended 30 June	Volume (No.)			Value (\$m)		
	Target	Actual		Target	Actual	
	2011	2011	2010	2011	2011	2010
Estates administration	1,800	1,624	1,759	500	582	523
Trusts duties	775	875	993	50	50	50
Powers of attorney services	175	83	135	48	36	45
Will making	11,000	9,672	10,639	na	na	na

Source: NSW Trustee and Guardian (unaudited).

na not applicable.

The actual number of new matters decreased during the year for all categories and was below target for all categories, except for new trusts which exceeded target by 13 per cent. The value of new estates administration obtained was above target by 16 per cent while the value of power of attorney services was below target by 25 per cent.

Financial Management Performance

Funds Managed

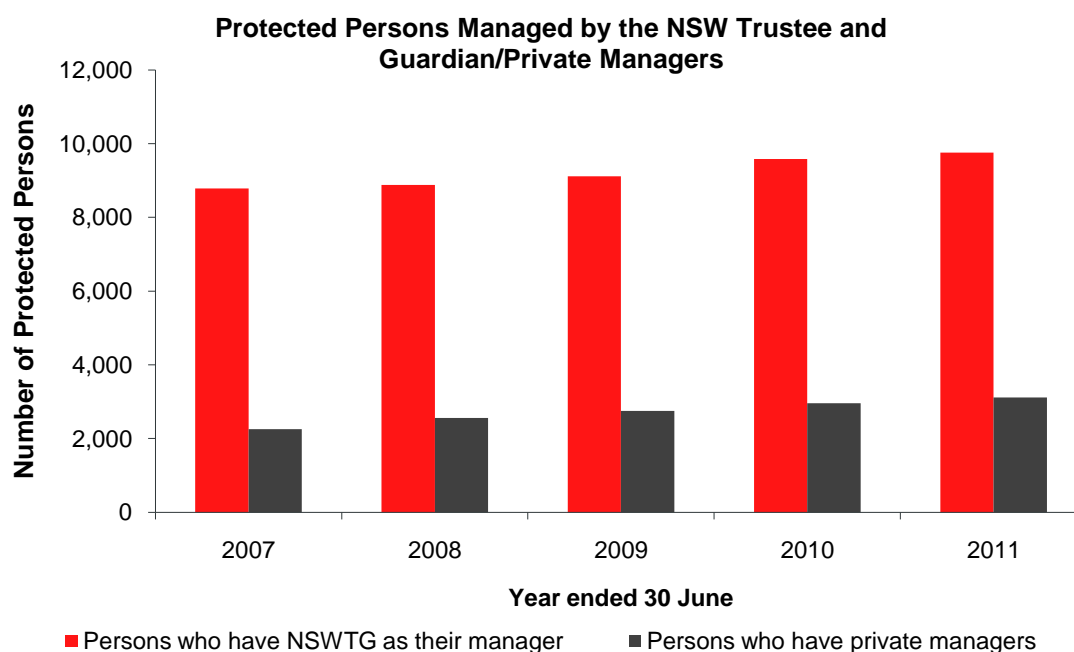
The NSW Trustee and Guardian provides financial management services to people with impaired decision-making abilities, who are unable to manage their own affairs. The Act outlines how the funds are managed. All moneys are kept in the trust fund (Common Fund) and are invested. The NSW Trustee and Guardian also manages other property (client assets external to the Common Fund) such as real estate, shares and term deposits. Funds managed were:

Year ended 30 June	2011 \$'000	2010 \$'000
Common Fund investments	1,111,697	1,196,851
Real property	703,641	664,429
Other assets	390,657	347,964
Total Funds Managed	2,205,995	2,209,244

Source: NSW Trustee and Guardian (unaudited).

Number of Clients

The NSW Trustee and Guardian manages the financial affairs of protected persons or authorises and directs the activities of private managers. Private financial managers can be appointed by the Supreme Court or Guardianship Tribunal.



Source: NSW Trustee and Guardian (unaudited).

There were 12,870 protected persons at 30 June 2011, an increase of 2.6 per cent compared to the previous year. The number of directly managed clients increased by 1.9 per cent and the number of privately managed clients increased by 5.1 per cent between 2010 and 2011.

Other Information

Common Fund Reports

The Trustee Common Fund and the Financial Management Common Fund consist of funds managed by the NSW Trustee and Guardian on behalf of its clients. My audits of the Financial Management Common Fund for the years ended 30 June 2009 and 2010 have not been finalised. I recently completed the audit of the Trustee Common Fund's financial statements for the year ended 30 June 2009, and the audit of the financial statements for 2010 is still in progress.

I found the Financial Management Common Fund had internal control deficiencies in systems governing the payment of client expenses. As a result, I have performed extensive detailed testing of client payments since 2006–07. The increased testing, combined with difficulties in obtaining appropriate audit evidence to support the validity of the payments significantly increased the time and cost of completing our audits. The detailed testing performed subsequent to 2006–07 supported the issue of unmodified audit opinions.

As noted under Key Issues above, the NSW Trustee and Guardian continues to perform internal audit reviews and implement recommendations to address the control deficiencies. NSW Trustee and Guardian has advised that the control deficiencies identified in previous years with the payment of client expenses have now been addressed.

Ombudsman's Review

Prior to the end of the 2010–11 financial year, the Ombudsman advised he would investigate issues relating to the administration of financial estates by NSW Trustee and Guardian. The investigation was not complete at the date of this report.

Estate Beneficiary Identification Process

Last year, I recommended the NSW Trustee and Guardian implement appropriate measures and processes to facilitate identification of next of kin for intestate estates within reasonable periods of time. This recommendation followed the New South Wales Supreme Court's ruling on a protracted court case, which lasted over 40 years. The NSW Trustee and Guardian has advised that appropriate procedures have been implemented to prevent similar matters arising in future.

Service Delivery and Lease Agreements with the Department of Attorney General and Justice (DAGJ)

Last year, I recommended the finalisation of documented agreements relating to service delivery and occupation of the Justice Precinct Office to avoid disagreements and disputes over charges. A draft service level agreement has been developed for information technology services, but a formal lease agreement has not been developed for occupation of the Justice Precinct Office.

In 2010–11, the NSW Trustee and Guardian paid DAGJ \$2.1 million (\$2.0 million in 2009–10) to rent this accommodation and advises that rental charges are allocated between agencies within the Justice Precinct Office based on the floor space occupied. This reduces the risk of incorrect rental charges being paid.

Financial Information

Abridged Statement of Comprehensive Income

Year ended 30 June	2011 \$'000	2010 \$'000
NSW Government contributions	11,706	7,344
Commissions and fees	63,392	62,271
Investment and other revenue	8,799	8,109
Revenues	83,897	77,724
Personnel services expenses	52,609	56,748
Lease expense, depreciation and amortisation	6,948	7,251
Other expenses	12,858	10,898
Expenses	72,415	74,897
Loss on disposal of non-current assets	(18)	(21)
Surplus	11,464	2,806
Other Comprehensive Income		
Net increase in revaluation reserve	831	427
Total Comprehensive Income	12,295	3,233

Government contributions in 2010–11 included \$3.7 million of donated assets from DAGJ.

The reduction in personnel services expenses is due to a \$5.3 million decrease in defined benefit superannuation expense, as advised by Pillar Administration based on an actuarial assessment.

Other expenses increased by \$2.0 million due to additional consultancy fees and IT upgrade fees for the planned merger of the two existing Client Management Systems, and a 2.5 per cent increase in service level agreement costs between NSW Trustee and Guardian and DAGJ.

Abridged Statement of Financial Position

At 30 June	2011 \$'000	2010 \$'000
Current assets	53,780	46,397
Non-current assets	63,535	57,779
Total Assets	117,315	104,176
Current liabilities	21,969	21,810
Non-current liabilities	38,360	37,675
Total Liabilities	60,329	59,485
Net Assets	56,986	44,691

Current assets increased mainly due to an increase in cash and cash equivalents resulting from:

- the receipt of \$7.6 million from the Interest Suspense Account
- no payments for income tax and dividends in 2010–11 compared to \$3.0 million in 2009–10 (as a for profit entity, the former Public Trustee was liable to pay dividend and income tax equivalents to Treasury).

Non-current assets increased due to a \$2.6 million increase in financial assets and a \$3.6 million increase in the carrying value of property plant and equipment.

Trustee Services Activities

The NSW Trustee and Guardian may act as a trustee; as an executor or administrator; as collector of estates under an order to collect; as an agent or attorney; as guardian or receiver of the estate of a minor; and as receiver of any other property.

The Trustee services of the NSW Trustee and Guardian include:

- will making
- executor services
- administration of deceased estates
- trustee of trusts created by wills, deeds, court orders and legislation
- power of attorney services
- management/sale of assets seized or confiscated under the *Confiscation of Proceeds of Crime Act 1989* and the *Criminal Assets Recovery Act 1990*.

The Chief Executive Officer of the NSW Trustee and Guardian is also the Commissioner of Dormant Funds under the *Dormant Funds Act 1942*. This involves investigating and recommending proposals for dealing with funds acquired by trustees for charitable or other public purposes, which have become dormant.

Financial Management Activities

The NSW Trustee and Guardian provides the following services:

- manages the affairs of those persons who are not able to manage their own affairs and whose affairs have been formally committed to management by order under the Act
- authorises and directs the performance and duties of private managers appointed by the Supreme Court or the Guardianship Tribunal.

The Chief Executive Officer of the NSW Trustee and Guardian reports administratively to the Attorney General via the Director General of DAGJ.

Public Guardian

The Public Guardian makes personal lifestyle decisions on behalf of adults who have a decision-making disability. Decisions are made in such areas as accommodation, services and consenting to medical and dental treatment. The Public Guardian also provides support to private guardians. The total number of clients managed for 2010–11 financial year was 2,560.

For further information, refer to www.tag.nsw.gov.au (NSW Trustee and Guardian) and www.lawlink.nsw.gov.au/opg (Office of the Public Guardian).

Office of the Director of Public Prosecutions

Audit Opinion

The audit of the Office of the Director of Public Prosecution's financial statements for the year ended 30 June 2011 resulted in an unmodified audit opinion within the Independent Auditor's Report.

Operational Snapshot

The Office works to provide an independent and just prosecution service to the people of New South Wales. It conducts all indictable and some summary prosecutions referred to it by the NSW Police Force. Its net cost of providing these services was \$103 million in 2010–11 (\$95.8 million in 2009–10).

Key Issues

Motor Vehicle Benefit

In 2009–10, I reviewed the salary entitlements of a selected range of employees. As a result of that review, the Office has recovered an overpayment of a motor vehicle benefit to a former employee totalling \$202,071. The overpayment and recovery are disputed by the former employee.

Performance Information

The Office provided the following information regarding its performance.

Number of trials registered and completed at 30 June	2011	2010	2009	2008	2007
Supreme Court					
Matters registered	87	71	86	89	93
Matters completed	74	87	82	88	78
District Court					
Trials registered	1,712	1,706	1,798	1,744	1,755
Trials completed	1,701	1,818	1,699	1,692	1,637
Local Court					
Committals registered	5,877	6,073	6,147	6,066	5,541
Committals completed	5,793	5,965	6,375	5,899	5,758

\$202,071
overpayment of
motor vehicle
benefit recovered
from former
employee

Number of matters not finalised at 30 June	2011	2010	2009	2008	2007
Supreme Court					
Trials	101	82	96	94	112
Sentences	9	12	5	3	8
Court of Criminal Appeal appeals	177	160	129	164	152
District Court					
Trials	1,461	1,543	1,672	1,645	1,741
Sentences	987	894	999	860	798
All grounds appeals	538	529	506	475	513
Severity appeals	993	852	954	881	980
Leniency appeals	5	10	9	14	11
Local Court					
Committals	3,257	3,152	3,043	2,971	2,707
Advising	104*	105	101	90	67

Source: Office of the Director of Public Prosecutions (unaudited).

* Figure estimated based on early November 2010 figures as statistics not available.

Completion of matters in all courts declined over the prior year, due in part to an increase in the average length of time from committal to completion. On average, the matters were completed in 365 days across the Supreme and District courts compared to 349 days in the prior year.

Generally, the time taken to complete cases depends on several variables, including the mix and complexity of cases registered and the time the case is listed. In addition, agreement may be reached for a longer period for completion of the advice to ensure quality advice is provided.

Other Information

Workforce Ageing

Last year, I recommended the Office develop strategies to manage its ageing workforce. The Office faces challenges from the potential loss of a large number of retiring legal professionals. At 30 June 2011, 22.8 per cent (20.3 per cent) of the Office's employees were 55 years of age or older and 36.0 per cent (34.5 per cent) were 50 years of age or older. The potential loss of knowledge and skills arising from retirements is a significant risk for the Office.

The Office advises it will incorporate this risk into its planning processes with a view to finding effective solutions.

Annual Leave Balances

The Office has actively managed employees with excessive annual leave balances in recent years. The number of employees with more than 40 days annual leave decreased to 8.9 per cent (12.3 per cent) of total employees at 30 June 2011.

The Office advises it has initiatives in place to address the issue of excessive annual leave balances, such as monthly monitoring by the Office's management committee.

Flex Leave Balances

Managing excessive flex leave balances continues to be an issue for the Office. The total accumulated flex leave balance has increased from 13,104 hours at 30 June 2010 to 14,124 hours at 30 June 2011. On average, this represents 21.2 hours per employee at 30 June 2011. The number of employees with flex leave balances in excess of 50 hours at 30 June 2011 was 97 (125).

The large flex leave balances indicate employees are working long hours and do not have the opportunity to take sufficient flex leave during the year. The Office reviews outstanding flex leave at each management committee meeting and develops leave plans with the employees to try and reduce excessive balances.

Financial Information

Abridged Statement of Comprehensive Income

Year ended 30 June	2011 \$'000	2010 \$'000
Employee related	83,686	80,092
Other expenses	22,449	19,957
Operating Expenses	106,135	100,049
Operating Revenue	3,148	4,216
Gain on disposal of non-current assets	8	43
Net Cost of Services	102,979	95,790
Government contributions	99,265	100,124
Surplus/(Deficit)	(3,714)	4,334

The increase in operating expenses is primarily due to an increase in employee related expenses, resulting from the four per cent pay rise during the year. In addition, there has been an increase in rental expenses and expenses for private barristers because of the number of employees on long service leave and long term sick leave during the year.

Abridged Statement of Financial Position

At 30 June	2011 \$'000	2010 \$'000
Current assets	6,333	5,596
Non-current assets	14,231	17,099
Total Assets	20,564	22,695
Current liabilities	13,135	11,457
Non-current liabilities	2,305	2,044
Total Liabilities	15,440	13,501
Net Assets	5,124	9,194

The decrease in non-current assets is primarily due to the depreciation charge for the current year.

Abridged Service Group Information

The Office's net cost of services on a service group basis is detailed below:

Year ended 30 June	Net Cost of Services			Net Assets	
	2011 Budget \$'000	2011 Actual \$'000	2010 Actual \$'000	2011 Actual \$'000	2010 Actual \$'000
Prosecutions	94,769	99,382	92,070	5,274	9,047
Victim and witness Assessment	4,597	3,597	3,720	(150)	147
Total All Service Groups	99,366	102,979	95,790	5,124	9,194

The overall net cost of services has increased by \$7.2 million, which is also \$3.6 million above budget. This is primarily due to the increase in employee related expenses and other expenses as mentioned above.

Office Activities

The Office was constituted under the *Director of Public Prosecutions Act 1986*. The principal functions and responsibilities of the Director of Public Prosecutions are to institute and conduct, on behalf of the State, prosecutions for indictable offences in the District and Supreme Courts and to appear as appellant or respondent in criminal appeals.

For further information on the Office, refer to www.odpp.nsw.gov.au.

Audit Opinion

The audit of the NSW Police Force's financial statements for the year ended 30 June 2011 resulted in an unmodified audit opinion within the Independent Auditor's Report.

Operational Snapshot

The Force incurred net costs of \$2.87 billion in 2010–11 to provide its services, which include:

- community support – responding to incidents, emergencies and public events and reducing incentives and opportunities to commit crime, net cost \$1.5 billion
- criminal investigation – crime detection, investigation, provision of forensic services and arresting, net cost \$831 million
- traffic and commuter services – patrolling roads, highways and public transport corridors, investigating major vehicle crashes, detecting traffic and transport offences and supervising peak traffic flows, net cost \$330 million
- judicial support – judicial and custodial services, prosecuting offenders, presenting evidence at court, support to victims and witnesses and providing transport and custodies for person under police supervision, net cost \$200 million.

Key Issues

Death and Disability Scheme (Repeat Issue)

Recommendation

I again recommend the Force review the underlying causes for the increasing number of partial and permanent claims and urgently develop and implement strategies to address the unfavourable trend.

The Force should continue to closely monitor its liquidity to ensure it has sufficient funds to meet the increasing costs of the scheme. The lump sum payment structure should be reviewed and alternative forms of payment be considered.

The Force should provide appropriate rehabilitation to injured officers to help ensure their return to the workforce and to meet its continuing obligation to support them after partial and permanent disability payments have been made.

The Force's liability for the death and disability scheme is based on an independent actuarial assessment. The death and disability liability has grown significantly by \$169 million or 147 per cent since 2007–08 and by 49 per cent in 2010–11. The partial and permanent incapacity (PPI) claims paid, a component of the death and disability scheme, has increased by 47 per cent to 415 claims in 2010–11. Of the total PPI claims paid in 2010–11, 79 per cent related to psychological claims and 95 per cent had a psychological component to the injury.

Partial and permanent disability liabilities and payments continued to trend upwards

Death and disability liabilities increased by 49 per cent in 2010–11

Actions taken to address the unfavourable trend in claims have had no impact to date

Shortfall between actual police officers and authorised positions has improved

The increase in the number of claims is undesirable, not only from a financial perspective, but also from the impacts on the Force more generally.

Year Ended 30 June	2011	2010	2009	2008
Death and disability liability (\$'000)	284,000	190,200	147,300	115,000
Total partial and permanent incapacity claim payments (\$'000)	165,010	118,992	47,053	40,930
Number of partial and permanent incapacity claims paid	415	282	116	108
Average claim size (\$)	458,000	421,958	405,626	378,986

Source: Liability figures obtained from actuarial reports (audited). Remaining information obtained from NSW Police Force (unaudited).

The Force introduced an independent medical expert panel (the panel) in February 2010 to manage this unfavourable trend. The panel:

- conducts independent assessments of an officer's capacity to work (subject to Work Cover Guidelines)
- conducts independent assessments of diagnosis and treatment (subject to Work Cover Guidelines)
- helps develop and endorse return to work plans
- develops strategies for upgrading injured officers to some form of capacity to work.

Since the panel was introduced, 187 referrals have been assessed and of that number only one officer had their top-up payment terminated and on subsequent appeal this decision was overturned. Evidence suggests the independent panel doctors rely heavily on the opinion of the injured officer and their treating doctor. To date, the panel has had no impact on the unfavourable increase in claims.

On 3 November 2011, the Minister for Police announced that the current death and disability scheme will be replaced with a new commercial insurance arrangement.

I will continue to monitor the overall liability of the scheme and the outcomes of the intended actions.

In 2008, I conducted a performance audit on managing injured police. The Force advises it has implemented most of my recommendations. A full copy of this report can be found at:

www.audit.nsw.gov.au/publications/reports/performance/performance_reports.htm.

Allocation of Police Officers

There is a shortfall between actual full time equivalent (FTE) police officers and authorised positions in all regions. At 30 June 2011, the Force had 12,181 FTE police officers compared with 12,378 authorised positions, a shortfall of 197. This is an improvement on last year's shortfall of 489. Of the 12,181 FTE officers, 1,680 (1,833) were on restricted duties or absent, which means the actual shortfall is greater. A restricted officer is still available for operational work, but their work tasks are restricted to meet their individual circumstances.

The Force advises that it continues to monitor the number of available police officers on a weekly basis and builds this information into its assessment of the number of officers it should recruit.

30 June 2011 Region*	Authorised FTE	Actual FTE	Difference between authorised and actual FTE	Total on restricted duties or absent FTE
Central Metropolitan	2,681	2,581	(100)	261
North West Metropolitan	2,375	2,349	(26)	291
Northern	2,163	2,158	(5)	404
South West Metropolitan	2,351	2,302	(49)	284
Southern	1,616	1,613	(3)	252
Western	1,192	1,178	(14)	188
Total	12,378	12,181	(197)	1,680
Total 30 June 2010	12,337	11,848	(489)	1,833

Source: NSW Police Force (unaudited)

* Includes police officers attached to Regions and Local Area Command and excludes officers who are part of Specialist Operations and Other Non Region Commands.

FTE Full-time Equivalent

Performance Information

Statistics on rates of crime, crime investigations and crime rejection have been included in the Law and Order Overview, located earlier in this volume.

Other Information

Recoupment of Workers Compensation Claims (Repeat Issue)

Recommendation

I again recommend the Force reviews processing of its workers compensation claims to minimise delays in recouping claims from the insurer.

The Force continues to experience delays in settling workers compensation claims with its insurer. At 30 June 2011, the Force was owed \$4.0 million (\$4.3 million) for claims lodged before 31 December 2010. The Force advises the main reasons for delays are data matching issues and staff shortages.

In 2011, the Force created a specialised employee compensation claims unit and redrafted standard operating procedures to help eliminate the delays being experienced. I will continue to monitor the intended benefits of these changes.

Death and Disability Payments

The Crown Employees (Police Officers Death and Disability) Award 2005 (the award) states an employee may receive only one benefit, either a partial and permanent disability (PPD) benefit or a total and permanent disablement (TPD) benefit. Some employees received a PPD payment, but subsequently became eligible for a TPD payment. These employees are required to return the PPD benefit to the Force, and I noted some instances where the Force had difficulties recovering these amounts in a timely manner.

In 2010-11, 36 officers were overpaid a total of \$15.2 million of which \$13.3 million was recovered. At 30 June 2011, terminated employees owed the Force \$2.7 million, of which \$2.1 million was determined to be difficult to recover and was impaired.

To reduce duplicate payments, the award has been amended so employees are only entitled to receive the difference between the PPD and TPD amount. This, however, requires the authority of all parties, limiting its applicability to officers who:

- have previously signed the authority, or
- are willing to sign the deed and authority for First State Super to deduct the PPD amount owing to the Force from the TPD payment.

The Force advises it is in the process of sending each officer who has received a PPD payment a letter asking them to sign and return an authority to deduct form. Officers who have applied for a PPD claim are now required to complete a deed and authority form before a PPD claim will be paid by the Force.

Property Management

Management of the Force's property has been outsourced to a private sector entity as a result of a government directive. The State Property Authority (SPA) acts as the contract administrator and is responsible for compliance and the delivery of services. SPA's duties include formally directing the company providing the services, certifying work performed and recommending payment.

An internal audit review in 2009–10 confirmed existing controls and processes could be improved. The review also found:

- the strategic direction in property maintenance was lacking
- maintenance was reactionary
- key performance indicators (KPIs), as set out in the contract, were not measured appropriately.

Last year, I recommended the Force allocate appropriate resources to implement internal audit recommendations to minimise the potential for fraud/ misappropriation of funds and to maximise the effectiveness of its maintenance spend. Management advises the recommendations were implemented in February 2011 and reviews are being conducted quarterly. The Force is assessing the effectiveness of the agreed actions and is holding ongoing discussions with SPA, the Police Property Group, the service provider and internal audit. I will continue to monitor progress of the agreed actions.

I also recommended the Force amend deficiencies in the contract, which did not allow it to audit or inspect the service provider's transactions. The Force advises the contract was extended in July 2011 and it now requires the service provider to report against 11 KPIs designed to allow it to effectively manage performance issues. The first quarterly KPI report has been submitted and the Force is planning a formal review.

Human Resources

I reviewed the actions taken by the Force to address recommendations I made last year relating to human resource issues.

Annual Leave (Repeat Issue)

Managing excessive annual leave balances remains a challenge for the Force. While it is actively managing this issue, a high number of officers still have excessive leave balances at 30 June 2011. Over four thousand sworn officers had accrued more than 342 hours of annual leave and over four hundred unsworn officers had accrued more than 280 hours of annual leave.

Year ended 30 June	2010–11	2009–10	2008–09
Sworn officers with accumulated leave >342 hrs	4,183	4,149	4,861
Unsworn officers with accumulated leave >280 hrs	429	484	576
Total	4,612	4,633	5,437

Excess leave balances can adversely affect an organisation. The associated financial liability generally increases over time as salaries increase and staff may be adversely affected through possible workplace health and safety issues.

Flex Time Balances

Last year, I reported the Force did not know the extent of flex time being accrued and forfeited by employees, as it did not record this information centrally. Records were decentralised and manually maintained by each branch. I recommended the Force develop mechanisms to centrally review flex time records to ensure excessive flex time was not being accrued and forfeited by employees.

In response, the Force advises that, in its view, its existing policy of employees forfeiting excess hours is sufficient and central monitoring is not required.

Employment of Contract Employees

Last year, I reported the Force did not maintain a central register of contractors engaged during the year, increasing the risk of noncompliance with taxation and other employment laws and regulations.

The Force does not believe a central register is necessary. It also believes its existing controls are sufficient. These include:

- Expenditure Review Committee approval for engagement and renewal of contractors
- human resources division monitoring continuation of contractors
- business units completing performance assessments of contractors.

Financial Information

Abridged Statement of Comprehensive Income

Year ended 30 June	2011 \$'000	2010 \$'000
Employee related	2,396,729	2,156,851
Grants and subsidies	3,880	3,795
Other expenses	558,643	547,116
Operating Expenses	2,959,252	2,707,762
Operating Revenue	92,975	80,188
Loss on disposal of non-current assets	1,647	9,976
Net Cost of Services	2,867,924	2,637,550
Government contributions	2,836,582	2,561,839
Deficit	(31,342)	(75,711)
Other Comprehensive (Expense)/Income		
Net (decrease)/increase in revaluation reserve	(26,272)	51,466
Total Other Comprehensive (Expense)/Income	(26,272)	51,466
Total Comprehensive Expense	(57,614)	(24,245)

The increase in employee related expenses was largely due to increases in the death and disability scheme liability of \$91.2 million and workers compensation insurance costs of \$67.3 million. Other contributing factors were award increases and higher contributions to superannuation schemes.

Operating revenue increased largely due to a rise in grants funding of \$5.0 million. There was also an increase in sales of goods and services of \$3.5 million.

Government contributions rose largely due an increase in the recurrent appropriation to meet the operational needs of the Force.

Abridged Statement of Financial Position

At 30 June	2011 \$'000	2010 \$'000
Current assets	80,219	60,922
Non-current assets	1,559,001	1,604,682
Total Assets	1,679,220	1,665,604
Current liabilities	555,232	539,760
Non-current liabilities	350,891	295,165
Total Liabilities	906,123	834,925
Net Assets	773,097	830,679

The increase in total liabilities reflects a higher level of provisions required for employee entitlements and associated costs, plus the rising liability for the death and disability self-insurance scheme.

Abridged Service Group Information

The Force's net cost of services on a service group basis is detailed below:

Year ended 30 June	Net Cost of Services			Net Assets	
	2011 Budget \$'000	2011 Actual \$'000	2010 Actual \$'000	2011 Actual \$'000	2010 Actual \$'000
Community support	1,489,764	1,505,217	1,390,782	525,098	481,040
Criminal investigation	689,986	831,798	756,328	139,910	236,757
Traffic and commuter services	230,006	330,637	301,292	53,434	83,285
Judicial support	203,387	200,272	189,148	33,319	37,951
Not attributable	--	--	--	21,336	(8,354)
Total All Service Groups	2,613,143	2,867,924	2,637,550	773,097	830,679

The primary reasons for actual net cost of services exceeding budget relate to the continued increases in the death and disability self-insurance liability, workers compensation insurance costs and employee related expenses and entitlements.

Entity Activities

The primary objective of the NSW Police Force is to work with the community to establish a safer environment by reducing violence, crime and fear.

In terms of the *Police Act 1990*, the Commissioner is given responsibility for the effective, efficient and economical management of the NSW Police Force. In exercising these functions, the Commissioner is subject to the direction of the Minister for Police.

For further information on the NSW Police Force, refer to www.police.nsw.gov.au.

Fire and Rescue New South Wales

Audit Opinion

The audit of Fire and Rescue New South Wales' (the Department) financial statements for the year ended 30 June 2011 resulted in an unmodified audit opinion within the Independent Auditor's Report.

Operational Snapshot

Effective from 1 January 2011, the former New South Wales Fire Brigades was renamed Fire and Rescue New South Wales.

During 2010–11, the Department generated total revenue of \$556 million at a cost of \$614 million. The Department attended over 130,979 fires, explosions and other emergency incidents in the current year (135,170 in 2009–10).

Key Issues

Workforce Management (Repeat Issue)

Recommendation

I again recommend the Department implement its planned workplace reforms to continue addressing the challenges of managing its workforce.

These challenges impact the Department's ability to carry out its work. Some of the issues are:

Issue	Details
Sick leave taken	Permanent firefighters took on average more than 113 hours sick leave during 2010–11 (100 hours in 2009–10).
Fitness for work requirements	With the exception of the physical aptitude test, undertaken as part of the recruitment process, firefighters are not required to undertake regular compulsory fitness testing to confirm they remain fit for work. This is despite their job being physically demanding.
Exits on medical grounds	8.3 per cent of employees left the Department for medical reasons (14 per cent in 2009–10). The average age for medical retirees is 51 years (53 years in 2009–10).
Injury management	Permanent firefighters are entitled to indefinite workers compensation on full pay. Other public sector employees have their entitlement reduced after six months.
Annual leave balances	The maximum annual leave balance permitted under the Department's annual leave policy is 40 days. At 30 June 2011, 2,329 (2,538 in 2009–10), employees representing 32 per cent of the Department's workforce (35 per cent in 2009–10) had balances in excess of this limit. Retained firefighters continue to have the highest proportion (95 per cent) of excessive annual leave balances. A leave management plan has been developed for retained firefighters.
Cost increases	Workers compensation costs have increased from \$28.0 million in 2009–10 to \$29.5 million for the 2010–11 financial year.

The Department acknowledges the difficulties it faces with workplace issues. In response, it is implementing a major program of workplace reform. This includes organisational restructuring, establishing a workplace conduct and governance steering committee, establishing a workplace standards unit, and improving budget allocation and monitoring methods. Details of the reform are included in the Department's 2010–11 Annual Report.

The Department reported a net cost of services of \$57.6 million

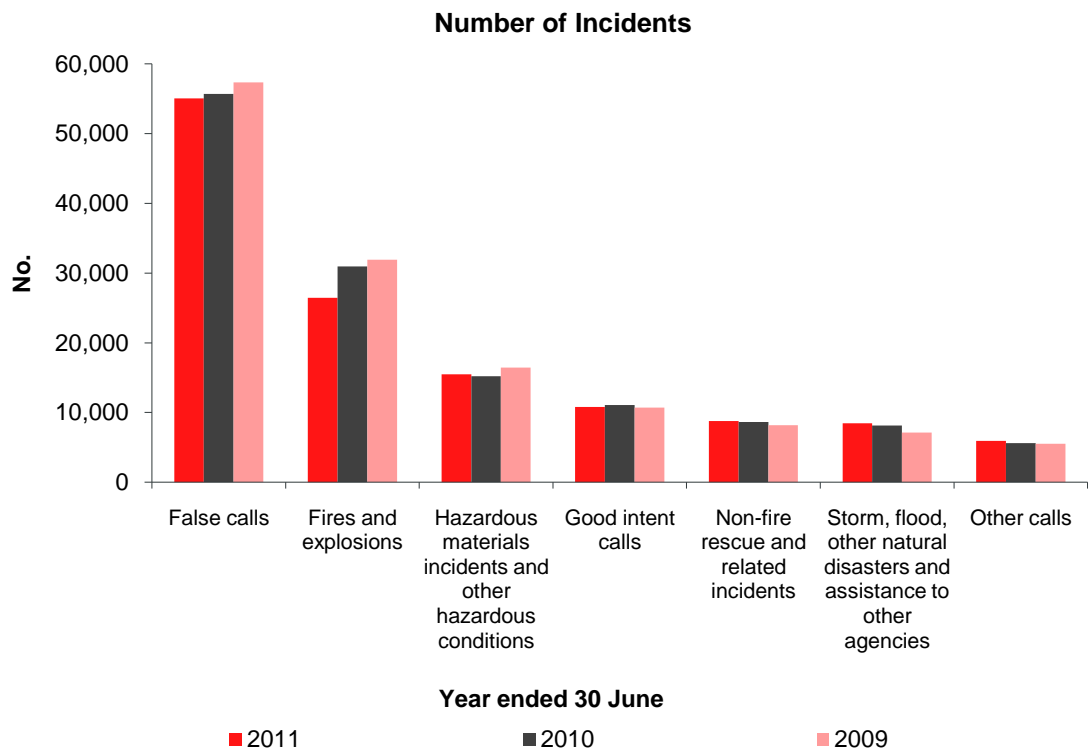
The Department is implementing a major program of workplace reform

94 per cent of
 New South Wales
 homes are fitted
 with smoke
 alarms

Performance Information

Incidents

Fire and Rescue New South Wales responded to the following incidents:



Source: Fire and Rescue New South Wales (unaudited).

The number of incidents measures community demand for the Department's response services. Overall demand is relatively stable, however, there has been increased demand for non-fire rescue services over the last three years.

Following are some of the indicators used by the Department to monitor effectiveness:

	2011	2010	2009	2008	2007
Median loss for structural fires (\$) (at 30 June)	2,000	2,000	2,000	2,000	2,000
Structural fires confined to the object and room of origin (%) (at 30 June)	83	81	69	71	69
New South Wales homes fitted with smoke alarms (at 31 December) (%)	94	94	94	93	87

Source: Fire and Rescue New South Wales (unaudited).

The value of loss and extent of fire damage, measures the effectiveness of the fire fighting response. The percentage of smoke alarms fitted to homes indicates the effectiveness of the Department's education activities.

Response Times for all Structural Fires

The Department's figures show that in 2010–11, 50 per cent of the first responding fire resources arrived at the scene of an incident in 7 minutes 42 seconds (7 minutes 45 seconds in 2009–10), and 90 per cent arrived in 11 minutes 49 seconds (11 minutes 52 seconds in 2009–10). Response times reflect the Department's ability to respond to incidents and reduce the adverse effects of fire on the community.

Rescue

The Department deployed officers to the Queensland floods in December 2010, the Christchurch earthquake in February 2011 and Japan's Tsunami in March 2011.

The Department responded to 8,769 non-fire rescue calls throughout the State, including rescuing people caught in transport, domestic and industrial incidents.

The Department responded to 8,769 non-fire rescue calls throughout New South Wales

The following table exhibits the details of non-fire rescue calls:

For the year ended 30 June	2011	2010	2009	2008	2007
Motor vehicle accidents involving the extrication of victims	4,958	5,104	4,905	4,683	4,887
Other non-fire rescues including industrial and home rescues	2,781	2,623	2,509	1,821	1,818
Medical assistance	1,030	925	796	577	504

Source: Fire and Rescue New South Wales (unaudited).

Resources

The Department's effectiveness depends on the personnel, rescue and fire fighting equipment available. The Department provided the following information about available resources:

Total Numbers as at 30 June	2011	2010	2009	2008	2007
Personnel					
Permanent firefighters	3,516	3,509	3,517	3,463	3,420
Retained firefighters	3,383	3,429	3,387	3,212	3,237
Full time support and coordinating staff	414	418	376	393	328
Community fire units	577	482	418	374	337
Fleet (all vehicles)	916	881	883	891	928
New fleet units brought into operational service (during the financial year)	64	48	33	19	41

Source: Fire and Rescue New South Wales (unaudited).

At 30 June 2011, the fleet included 551 (522 in 2009–10) operational fire appliances, which are usually located at fire stations and used to respond to incidents.

The following table summarises the weighted average age of the Departments' fleet:

Year ended 30 June	Target	Actual			
	2011	2011	2010	2009	2008
Operational fleet					
Pumpers	7.5	6.4	7.2	7.2	7.2
Aerials	10.0	8.4	8.0	7.2	6.6
Special appliances	7.5	6.9	6.4	6.2	6.0
Service Exchange/Other Fleet	15.0	12.2	12.7	14.6	18.6

Source: Fire and Rescue New South Wales (unaudited).

'Pumpers' are fire trucks designed to transport firefighters and their equipment, and to pump water. 'Aerials' are appliances with a vertical reach designed for high level rescue or fire fighting. 'Special appliances' include heavy hazmat support vehicles, heavy rescue support vehicles, and various other appliances used for logistic support, training, and heavy vehicle transport.

'Service exchange/other fleet' are back-up fire appliances strategically located around the State to replace 'operational' fire appliances taken out of active duty (e.g. for maintenance) or for use in major incidents. At 30 June 2011, there were 135 (119 in 2010) 'service exchange/other fleet' fire appliances.

Financial Information

Abridged Statement of Comprehensive Income

Year ended 30 June	2011 \$'000	2010 \$'000
Employee related	502,351	474,352
Depreciation and amortisation	35,929	33,956
Other expenses	75,724	69,928
Total Expenses	614,004	578,236
Contributions from insurers and local government	508,302	431,930
Other revenue	48,145	44,192
Total Revenue	556,447	476,122
Net Cost of Services	57,557	102,114
Government contributions	88,196	79,905
Surplus/(Deficit)	30,639	(22,209)
Other Comprehensive Income		
Superannuation actuarial gains/(losses)	4,092	(6,748)
Increase/(decrease) in asset Revaluation Reserve	11,986	(7,904)
Total Other Comprehensive Income/(Expense)	16,078	(14,652)
Total Comprehensive Income/(Expense)	46,717	(36,861)

The increase in revenue is primarily attributable to an increase in contributions received from Insurers and Local Councils. Additional funding was also approved in 2010–11 to fund firefighter positions and the creation of a Workplace Conduct Unit, the costs of which are reflected in the increased employee related expenses.

The increase in revaluation of fire appliances and actuarial gains on superannuation also contributed to the increase in other comprehensive income.

Abridged Statement of Financial Position

At 30 June	2011 \$'000	2010 \$'000
Current assets	143,563	118,172
Non-current assets	544,362	507,036
Total Assets	687,925	625,208
Current liabilities	101,992	90,989
Non-current liabilities	41,461	36,464
Total Liabilities	143,453	127,453
Net Assets	544,472	497,755

The increase in current assets was primarily due to an increase in cash and accounts receivable.

Overall, liabilities increased as a result of the increased creditor's balances and the increase in the provision relating to the death and disability benefits.

Abridged Service Group Information

The Department's net cost of services on a service group basis is detailed below:

Year ended 30 June	Net Cost of Services			Net Assets	
	2011 Budget \$'000	2011 Actual \$'000	2010 Actual \$'000	2011 Actual \$'000	2010 Actual \$'000
Community Safety	3,388	20,888	5,764	46,497	45,770
Emergency Management	36,873	312,214	66,716	222,344	203,236
Operational Preparedness	22,111	202,679	51,695	98,342	97,912
Not Attributable	--	(478,224)	(22,061)	177,289	150,837
Total All Service Groups	62,372	57,557	102,114	544,472	497,755

Variations to budget are not readily ascertainable due to the FRNSW not attributing the value of contributions across service groups for 2010–11. The Department has confirmed it will examine proportioning models in the 2011–12 financial year to allow contributions to be reliably attributed across the service groups.

Department Activities

Fire and Rescue New South Wales are responsible for managing fire emergencies in the major cities, metropolitan areas and towns across rural and regional New South Wales. The Department also respond to hazardous material and non-fire rescue incidents. The Department was established under the *Fire Brigades Act 1989*.

For further information on the Department, refer to www.fire.nsw.gov.au.

Audit Opinion

The audits of the New South Wales Crime Commission and its controlled entities' financial statements for the year ended 30 June 2011 resulted in unmodified audit opinions within the Independent Auditor's Reports.

Operational Snapshot

The Commission's primary responsibility is to reduce the incidence of illegal drug trafficking through criminal investigation using special powers, and through confiscation of the proceeds of crime. The secondary object is to reduce the incidence of organised and other crime.

The Commission's net cost of services was \$19.2 million in 2010–11 (\$19.3 million in 2009–10).

Key Issues

Performance Reporting

Recommendation

The Commission should consider how it can improve reporting its performance to its stakeholders. When compared to performance reporting by other jurisdictions, I believe the Commission's reporting against Key Performance Indicators (KPIs) may be improved.

Although the Commission includes useful performance information in its Annual Report, I believe this can be improved. I reviewed other jurisdictions' Annual Reports and found that the better examples clearly show the KPIs the entity uses to measure its performance and the entity's actual performance against the KPI targets. I believe the Commission and its stakeholders may benefit from including similar information in the Commission's Annual Report. Examples of reporting performance against targets by other jurisdictions include:

- timely lodgement of applications for confiscation in relation to declared drug trafficker matters and timely resolution of confiscations
- various ratios, e.g. ratio of cost to return for confiscation of assets
- number of criminal proceeds and confiscation matters finalised
- number of applications for various types of orders that succeeded.

These examples may not all apply to the Commission because of different legislative requirements. The Commission's KPIs need to measure its performance against its own key service delivery areas and be reported accordingly.

I note the Commission's 2010–11 Annual Report discloses that the Commission's Internal Audit and Risk Committee (IARC) 'reviewed recommendations made by the PIC (Police Integrity Commission) and responded to these through the chair to the Commission's management committee'. I have not yet obtained a copy of the Chair's response.

Internal Audit Function

Recommendation

The Commission's internal audit section should consider increasing the proportion of time it spends on operational and performance audits as part of its annual internal audit program.

I reviewed the internal audit program for 2010–11 and found more of the proposed internal audits and reviews related to financial management rather than operations or performance. Generally, internal audit programs in the public sector focus the internal audit effort across the financial, operational and performance aspects of the entity's activities. The focus varies from year to year based on the entity's analysis of its financial, operational and performance risks. This helps those charged with governance, including the Audit and Risk Committee, obtain sufficient assurance that the entity's control environment is appropriate and operating effectively in higher risk areas of the 'business', including compliance with relevant legislative provisions, such as the *Criminal Assets Recovery Act 1990* in the case of the Commission.

The Commission advises it is currently in the process of reviewing both the content of its future annual reports and its internal audit function.

During 2010–11, the Commission engaged Internal Audit Bureau Services (IAB Services) to provide a comprehensive organisation-wide risk assessment. The Commission advises the project built on work already completed by it and its internal auditor. As part of this project, IAB Services developed a risk based, three-year Internal Audit Plan, which I understand will be implemented by the Commission. The Commission's Internal Audit and Risk Committee has endorsed this project. The Commission also advises it is considering whether to outsource some or all of the internal audit function that, to date, has been conducted in house.

Inquiries into the Commission

An inquiry is currently underway by the PIC into matters relating to the Commission's practices and procedures in its conduct of proceedings under the provisions of the *Criminal Assets Recovery Act 1990*.

A second inquiry, headed by retired judge David Patten, is looking into the adequacy of the Commission's proper oversight, accountability and reporting requirements for its operations.

In February 2011, the PIC wrote to me enquiring about the Commission's asset confiscation functions and the audit work I perform in this area. I advised the PIC that the primary purpose of my annual audit of the Commission is so I can form an opinion on the truth and fairness of its financial statements. I also advised that I have not performed specific audits on the confiscation function of the Commission as the function does not have a material impact on the financial statements. Confiscated assets are not assets of the Commission and therefore are not recorded in its financial statements.

However, as part of my financial audit for the year ended 30 June 2010–11, I obtained an understanding of the processes and procedures around the confiscation of assets from Commission officers, but I did not audit them. I will reassess my approach to the audit of confiscated assets once the abovementioned inquiries have concluded and reported their findings.

Review Committee

I note that in Queensland, a committee is formed by members of parliament to conduct a review of the Queensland Crime and Misconduct Commission every three years and report its findings to the Legislative Assembly. This is a statutory review of the Commission's activities designed to help the parliament determine whether changes are needed to the Act governing the Commission or to the functions, powers and operations of the Commission. A similar committee does not exist in New South Wales.

Commission's Activities

The New South Wales Crime Commission is a statutory corporation established by section 5(1) of the *New South Wales Crime Commission Act 1985* (the Act). The Act was assented to (as the *State Drug Crime Commission Act 1985*) on 1 November 1985.

The Minister for Police has responsibility for the Act. The principal functions of the Commission are:

- to investigate matters relating to a relevant criminal activity referred to the Commission by the Management Committee for investigation
- to assemble evidence that would be admissible in the prosecution of a person for a relevant offence arising out of any such matters and to furnish any such evidence to the Director of Public Prosecutions
- to review a police inquiry into matters relating to any criminal activity (being an inquiry referred for review to the Commission by the Management Committee) and to furnish its findings to the Committee together with any recommendations as to action the Commission considers should be taken in relation to those findings
- to furnish in accordance with the *New South Wales Crime Commission Act 1985* reports relating to illegal drug trafficking and organised and other crime, which include, where appropriate, recommendations for changes in the laws of the State
- to disseminate investigatory, technological and analytical expertise to such persons or bodies as the Commission thinks fit.

For further information on the Commission, refer to www.crimecommission.nsw.gov.au.

Controlled Entities

The following controlled entities have not been reported on separately as they are not material by the size or nature of their operations to the consolidated entity.

Entity Name	Website
Office of the New South Wales Crime Commission	*
New South Wales Crime Commission Division	*

* This entity does not have a website.

Audit Opinion

The audit of the Service's financial statements for the year ended 30 June 2011 resulted in an unmodified audit opinion within the Independent Auditor's Report.

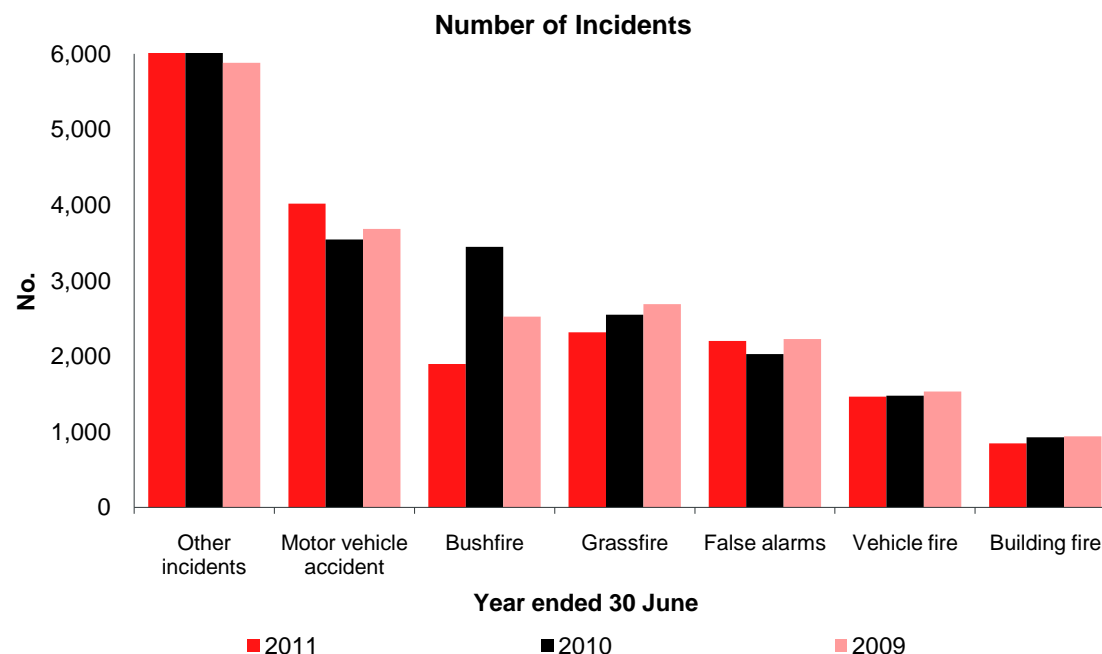
Operational Snapshot

The Service provides a community-based fire and emergency service to reduce risks to people, property and the environment resulting from fire and other emergencies. The Service is a volunteer based organisation whose net cost of services was \$64.0 million in the 2010–11 financial year.

Performance information

Incidents

The following fire and related incidents were responded to by the Service:



Source: NSW Rural Fire Service (unaudited).

The number of incidents responded to by the Service has remained fairly stable over the past three years. Bushfire incidents significantly decreased in 2010–11 due to a quieter than normal bushfire season. In 2010–11, there were no emergency declarations related to bushfires (50 in 2009–10) under Section 44 of the *Rural Fires Act 1997*.

Hazard reduction

In 2010–11, approximately 117,634 (175,000) hectares were subject to hazard reduction. Almost 50 per cent of the hazard reduction occurred within National Parks. 2010–11 was characterised by significant periods of wet weather, reducing the number of opportunities to conduct hazard reduction burning. In 2010–11, New South Wales had a 46 per cent increase in the amount of rainfall across the State, relative to the five year average, resulting in a reduction of 11.5 per cent in available days for burning.

Hazard reduction activities are designed to minimise the threat of damage to life, property and the environment by reducing or removing bushfire fuel. Hazard reduction will not completely stop bushfires, but can assist the Service with containment strategies and property protection. Burning is the most common form of hazard reduction used in New South Wales.

Bushfire incidents significantly decreased in 2010–11 due to a quieter than normal bushfire season

Wet weather, reduced the number of opportunities to conduct hazard reduction burning

Hazard reduction is the responsibility of land owners and managers. This includes private owners and government land management agencies, such as the National Parks and Wildlife Service and Forestry Commission of New South Wales.

The Service offers advice and assistance on hazard reduction, and is responsible for ensuring hazard reduction activities are carried out effectively. The Service can order land owners and managers to conduct essential hazard reduction activities. During the year, hazard reduction activities were carried out on 7,398 hectares of privately owned land.

Managing Bush Fire Prone Land

New building development in bush fire prone land is subject to development and planning controls. New developments must comply with the requirements within the Service's 'Planning for Bush Fire Protection 2006' (PBP). The Service advises that it assessed 7,368 (8,200) development applications across the State in 2010–11.

The requirements for building in bush fire prone areas do not apply to existing buildings. This leaves existing assets within the community at risk from bush fires. To address this risk, the Bush Fire Coordinating Committee (BFCC) establishes a Bush Fire Management Committee for each area in New South Wales at risk of bush fires. Each of these committees must prepare a five year Bush Fire Risk Management Plan (BFRMP) in accordance with BFCC policy.

Committees are updating BFRMPs in accordance with policies issued by the BFCC in 2008. The Service advises that the BFCC has approved 61 out of 68 (40 out of 68). BFRMPs are used to determine such things as, where mechanical clearing or hazard reduction burns are conducted, which areas require specialised fire protection, and which areas need to be targeted for community education.

Land is identified as bush fire prone where it can support a bush fire or is likely to be subject to bush fire attack.

Resources

The effectiveness and efficiency of the Service depends on the number of trained firefighters and the quantity and types of firefighting equipment available. The Service provided the following information about available resources:

Year ended 30 June	2011	2010	2009	2008	2007
Personnel					
Unpaid volunteers (number)	70,448	70,552	70,701	70,159	71,441
Full time equivalent support and coordinating staff* (number is inclusive of mitigation crew members)	884	785	715	710	685
Active firefighters competent to bush firefighter status or higher (%)	85	86	79	78	85
Trainers accredited in the year (number)	339	257	282	261	47
Community based bush fire brigades (number)	2,039	2,051	2,065	2,058	2,077
Tankers supplied or refurbished in the year (number)	216	205	209	259	258

Source: NSW Rural Fire Service (unaudited).

* Excludes Ministry for Police and Emergency Services staff.

In response to the Victorian Royal Commission, the Service enhanced its State Mitigation Support Services by employing a further 80 mitigation crew members who assist volunteer brigades and vulnerable community members.

Other Information

Administrative Restructures

Emergency Management New South Wales was part of the NSW Rural Fire Service until 3 April 2011. The Public Sector Employment and Management (Department) Order 2011 of 3 April 2011 transferred Emergency Management to the Ministry for Police and Emergency Services effective from 1 April 2011.

Litigation Arising from 2003 Australian Capital Territory Bush Fires

The Service is being sued by a number of parties for its involvement in the 2003 Australian Capital Territory bush fires. The plaintiffs argue that the Service was negligent in its management of fires that started in New South Wales.

The Australian Capital Territory Supreme Court is expected to consider:

- whether the Service owed a legal duty of care to individuals
- whether the Service is liable for action taken in the course of fighting fires.

The outcome of the proceedings could have financial implications for the New South Wales Government and for the way government agencies respond to bush fires and similar threats. The proceedings, which commenced in March 2010, are currently adjourned and are scheduled to resume for verbal submissions on 14 November 2011.

Royal Commission into the Victorian 'Black Saturday' Bush Fires

In November 2010, the New South Wales response to the Royal Commission was announced with a Bush Fire Protection Package of \$106.9 million to be shared across the Service, National Parks and Wildlife Service and the Forestry Commission of New South Wales. The Service continued to build on the findings of the 2009 Commission throughout 2010–11.

Financial Information

Abridged Statement of Comprehensive Income

Year ended 30 June	2011 \$'000	2010 \$'000
Employee related expenses	93,327	80,876
Disaster relief expenses	17,676	85,668
Grants and subsidies	24,736	17,333
Local government firefighting and equipment costs	128,703	100,369
Depreciation and amortisation	4,815	4,469
Other expenses	38,213	27,365
Total Expenses	307,470	316,080
Contributions from insurers and local government	219,498	170,168
Disaster relief grants	5,937	74,390
Other revenue	18,011	10,060
Total Revenue	243,446	254,618
Net Cost Of Services	64,024	61,462
Government contributions	77,739	46,375
Surplus/(Deficit)	13,715	(15,087)
Other Comprehensive Income		
Superannuation actuarial gains/(losses)	576	(2,566)
Total Comprehensive Income	14,291	(17,653)

The Service's firefighting equipment is owned by local government councils. The Service funds the costs of firefighting equipment purchased by local government and provides other support to local government for bush firefighting. The increase in expenditure in 2010–11 is mainly attributable to the delivery of defibrillators to all fire fighting vehicles in 2010–11 at a cost of \$12.2 million and an increase in the new and refurbished tankers paid for during 2010–11 of \$8.2 million.

The significant decrease in disaster relief expenses and revenue is due to there being no fire related natural disaster events during 2010–11. Disaster relief expenditure is reimbursed by the Crown Entity.

Increases in insurance company and local government contributions were primarily attributable to a \$36.0 million increase in the contributions to meet increase wage expenses for normal operations, and to respond to the Victorian Royal Commission recommendations.

Abridged Statement of Financial Position

At 30 June	2011 \$'000	2010 \$'000
Current assets	44,922	34,167
Non-current assets	17,089	16,043
Total Assets	62,011	50,210
Current liabilities	36,916	26,697
Non-current liabilities	9,919	10,896
Total Liabilities	46,835	37,593
Net Assets	15,176	12,617

The increase in current assets is primary due to an increase in cash of \$8.6 million. This is primarily due to under expenditure of \$7.5 million in supplementation funding received in response to the Victoria Royal Commission Recommendations.

Current liabilities increased by \$10.2 million primarily due to an increase in payables and accruals of \$9.1 million around year end. This is mainly attributable to timing differences.

Abridged Service Group Information

The Service's net cost of services on a service group basis is detailed below:

Year ended 30 June	Net Cost of Services			Net Assets	
	2011 Budget \$'000	2011 Actual \$'000	2010 Actual \$'000	2011 Actual \$'000	2010 Actual \$'000
Community safety	20,788	6,184	4,992	114	(100)
Operations	177,160	227,356	179,805	5,580	3,891
Operational and administrative support	(164,516)	(180,645)	(135,431)	(30,213)	(22,055)
Emergency Management NSW	31,728	11,129	12,096	--	(152)
Not attributable	--	--	--	39,695	31,033
Total All Service Groups	65,160	64,024	61,462	15,176	12,617

The Service received additional funding of \$36 million in response to the 2009 Victorian Fires Royal Commission recommendations. This amount is not included in the budgeted figures.

The 2010–11 Budget included the provision of \$32.2 million for the supply of new and refurbished tankers, \$17 million in maintenance grants and \$16 million for the funding of brigade stations and the installation of water tanks. An additional \$13.1 million for the Natural Disaster Resilience Program administered by Ministry for Police and Emergency Services was also provided.

Service Activities

The Service is the leading agency for coordinated bush fire fighting and is responsible for fire fighting in rural fire districts with 49 district offices and more than 2,000 brigades. The Service also assists other emergency services organisations in emergency situations such as transport accidents, flood and storm and search and rescue operations. The Service was established by the *Rural Fires Act 1997*.

For further information on the Service, refer to www.rfs.nsw.gov.au.

State Emergency Service

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STATE EMERGENCY SERVICE

Audit Opinion

The audit of the State Emergency Service's financial statements for the year ended 30 June 2011 resulted in an unmodified audit opinion within the Independent Auditor's Report.

Operational Snapshot

The Service incurred a net cost of \$12.1 million in 2010–11 (\$15.0 million in 2009–10) to provide its services. It has the following service groups:

Recruitment and Training

Volunteer training to national standards
Volunteer awareness in flood and storms.
Volunteers equipped with modern and properly maintained rescue equipment

Net Cost: \$1.1 million

Operational Readiness

Responding quickly to requests for assistance from the community.

Responding quickly to requests for assistance from other emergency services.

Ensuring efficient flood, storm and tsunami plans are in place.

Net Cost: \$10.6 million

Community Education

Educational programs and literature for community awareness.

Effective advertising campaigns and literature for community safety and awareness.

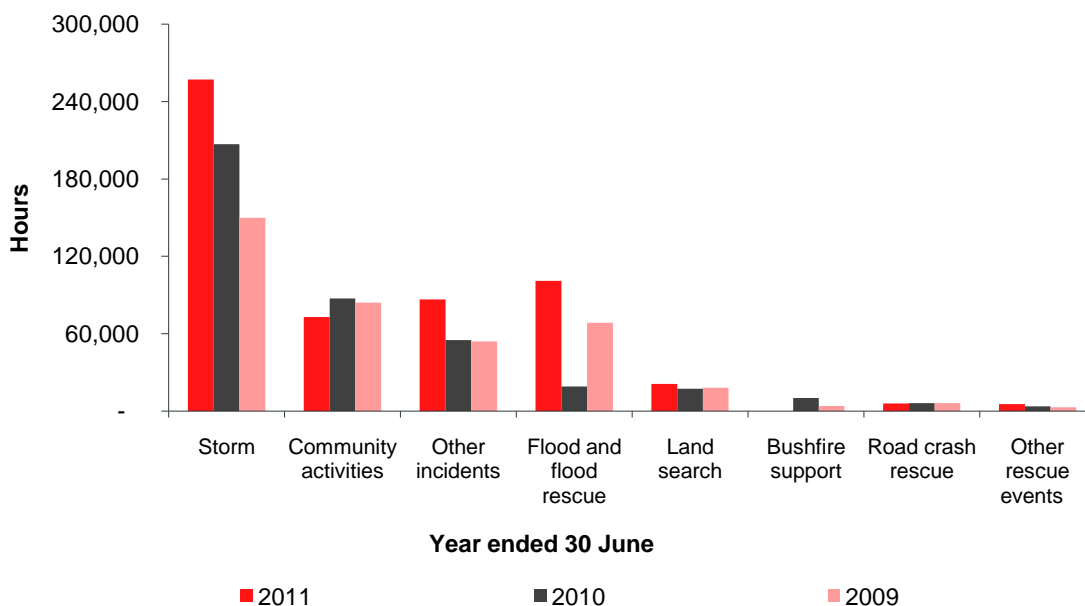
Direct community training through schools and community events.

Net Cost: \$0.4 million

Performance Information

The Service's volunteers contributed around 549,803 hours of operational and non-operational support during 2010–11 (405,499; 2009–10). Assistance provided by the Service during natural disaster events, including flooding on the far and mid-north coast of New South Wales, Cyclone Yasi in Queensland and the Queensland and Victorian floods, were the main contributors to the increase in hours of support provided. These hours are broken down as follows.

Volunteer Hours by Activity



Source: State Emergency Service (unaudited).

Other Information

Operational Support

As I reported in 2009–10, the Service received an increase in their annual budget of \$5.0 million to fund 32 new positions and the regrading of five existing positions. Despite the increase in the number of employees, the service had on average 87 vacant positions during 2010–11 compared to 17 in 2009–10. The Service advises that the increase in vacant positions in 2010–11 did not impact on their ability to respond operationally during the year.

Financial Information

Abridged Statement of Comprehensive Income

Year ended 30 June	2011 \$'000	2010 \$'000
Employee related expenses	24,501	21,057
Disaster relief expenses	27,982	20,983
Grants and subsidies	8,518	9,310
Depreciation and amortisation	4,286	6,094
Other expenses	25,242	19,230
Total Expenses	90,529	76,674
Contributions from insurers and local government	50,778	41,742
Disaster relief grants	22,982	15,983
Other revenue	4,701	3,995
Total Revenue	78,461	61,720
Net Cost Of Services	12,068	14,954
Government contributions	14,573	8,660
Surplus/(Deficit)	2,505	(6,294)
Other Comprehensive Income	--	--
Total Comprehensive Income/Expense	2,505	(6,294)

The Service is funded through contributions from insurance companies (73.7 per cent), Local government (11.7 per cent) and the State government (14.6 per cent). This is the same funding structure as Fire and Rescue New South Wales and the New South Wales Rural Fire Service.

The service received \$1.3 million in supplementary funding for 27 new flood boats as well as an additional \$14.5 million for 3,400 Automatic External Defibrillators and 2,500 Emergency Position Indicating radio beacons. Training in the use of defibrillators is currently being introduced across the State.

There were fewer individual flood and storm events in 2010–11, but the impact of these affected more Local Government Areas (LGA). On two occasions 'Flood and Storm' disasters were declared affecting 45 LGAs in NSW. This increased expenditure and associated funding related to Disaster Relief in 2010–11.

On two occasions
'Flood and Storm'
disasters were
declared affecting
45 LGAs in NSW

Abridged Statement of Financial Position

At 30 June	2011 \$'000	2010 \$'000
Current assets	21,219	12,711
Non-current assets	17,019	15,276
Total Assets	38,238	27,987
Current liabilities	12,899	5,154
Non-current liabilities	23	22
Total Liabilities	12,922	5,176
Net Assets	25,316	22,811

Assets comprise cash at bank, inventory and equipment used to respond to incidents. Equipment excludes the Service's operational fleet, which is owned by local government. Current assets have increased due to a recoupment of National Disaster Relief funds late in 2010–11 from the Commonwealth Government and a receivable from Emergency Management Queensland for assistance provided during Cyclone Yasi.

The increase in current liabilities is mainly attributable an increase of \$7.5 million in creditors due to a higher than normal number of operations late in the year and creditors of \$2.9 million associated with the Government Radio Network.

Abridged Service Group Information

The Service's net cost of services on a service group basis is detailed below:

Year ended 30 June	Net Cost of Services			Net Assets	
	2011 Budget \$'000	2011 Actual \$'000	2010 Actual \$'000	2011 Actual \$'000	2010 Actual \$'000
Recruitment and training	1,069	1,065	1,489	44	167
Operational readiness	8,648	10,585	12,916	25,254	22,578
Community education	421	418	549	18	66
Total All Service Groups	10,138	12,068	14,954	25,316	22,811

Actual net costs of services exceeded budget and is attributable to additional expenditure of \$2.5 million for the Government Radio Network.

Service Activities

Using volunteers, the Service manages and responds to emergencies resulting from flood, storm, tsunami and other incidents. Approximately 10,800 volunteers operating through 228 State Emergency Service units located throughout the State help with these activities.

The Service was established in accordance with the *State Emergency Service Act 1989*.

For further information on the Service, refer to www.ses.nsw.gov.au.

Audit opinion

The audit of the Crown Entity's (the Crown) financial statements for the year ended 30 June 2011 resulted in a qualified audit opinion within the Independent Auditor's Report.

The Crown's investment in Snowy Hydro Limited (Snowy Hydro), accounted for using the equity method, is measured using the net assets reported in Snowy Hydro's financial statements. The accounting policies applied in determining Snowy Hydro's net assets and the share of profit attributable to the Crown are not wholly consistent with those applied by the Crown. I am unable to obtain the evidence I require to determine whether adjustments to the amounts reported in respect of the Crown's investment in Snowy Hydro would be required, had consistent accounting policies been applied.

Operational Snapshot

The Crown is a residual entity that administers government functions not the responsibility of an individual agency. It recognises various State revenues and manages various State liabilities.

Information on State revenue trends, including taxation, fines and regulatory fees, Commonwealth grants and State liabilities, including superannuation obligations, is reported in Volume Three of my 2011 Report to Parliament.

Key Issue

Impact of electricity reform

The Crown was not directly impacted by the government's electricity reforms. However, the reforms have impacted its assets, liabilities and surplus for 2010–11.

The Crown receives financial distributions from the commercial operations of New South Wales government agencies. After selling their retail businesses, Ausgrid, Endeavour Energy and Essential Energy remitted one off dividends totalling \$3.4 billion to the Crown, which has been invested with NSW Treasury Corporation.

Under the agreements with the private sector purchasers of the electricity generation trading rights of some government owned power stations, the Crown accepted upfront security deposits of \$1.3 billion as the purchase consideration. The security deposits represent amounts owing to the purchasers, which will reduce over the terms of the sale agreements.

After the sale of the power stations' trading rights, the Crown assumed \$1.2 billion of Eraring Energy's and Delta Electricity's borrowings. These borrowings are owed to the NSW Treasury Corporation.

More information on electricity reforms appears in Volume Four of my 2011 Report to Parliament.

I issued a qualified opinion due to the Crown's inappropriate application of equity accounting

I am unable to obtain evidence required to determine whether adjustments are required to amounts reported in respect of the investment in Snowy Hydro Limited

Financial Information

Abridged Statements of Comprehensive Income

Year ended 30 June	2011 \$'000	2010 \$'000
Long service leave	684,103	583,391
Superannuation expenses	1,484,034	1,629,428
Finance costs	1,280,972	1,053,623
Grants and subsidies	434,814	1,000,580
Other expenses	575,452	507,815
Recurrent appropriations	45,134,354	41,271,453
Capital appropriations	2,957,450	5,826,041
Operating Expenses	52,551,179	51,872,331
Taxation, fines and regulatory fees	20,455,658	19,673,694
Commonwealth contributions	24,794,632	26,072,257
Financial distributions from other agencies	5,456,394	1,983,857
Royalties on minerals	1,240,328	985,271
Other revenues	1,091,481	973,012
Operating Revenue	53,038,493	49,688,091
Gain/(loss) on disposal of non-current assets	(7,904)	638,720
Gain from financial instruments	20,982	(2,652)
Surplus/(Deficit)	500,392	(1,548,172)
Other Comprehensive Income		
Superannuation actuarial gains/(losses)	441,770	(2,908,004)
Other net increase in equity	(978)	--
Total Comprehensive Income/(Expense)	941,234	(4,456,176)

Finance costs increased in 2010–11 as a result of higher debt levels. Grants and subsidies expense decreased mainly due to reduced First Home Owner Grant Scheme payments.

Movements in recurrent appropriation expense are determined mainly by government policy decisions in respect of spending, as set out in Appropriation Acts. Total recurrent appropriations for 2010–11 were higher than those for 2009–10.

Commonwealth contributions decreased in 2010–11 as a result of reductions in economic stimulus funding. This also resulted in a decrease in capital appropriation expense. Financial distributions increased mainly due to one-off transactions arising from the sale of electricity retail businesses. Mining royalties increased due to increased export volumes.

Superannuation actuarial gains and losses have been subject to volatility, reflecting the impact of investment market movements on actuarial assumptions.

Abridged Statement of Financial Position

At 30 June	2011 \$'000	2010 \$'000
Current assets	8,220,440	3,954,209
Non-current assets	2,286,169	2,116,441
Total Assets	10,506,609	6,070,650
Current liabilities	10,163,120	7,908,987
Non-current liabilities	50,729,353	46,689,413
Total Liabilities	60,892,473	54,598,400
Net Liabilities	50,318,392	48,527,750

The significant increase in current and total assets is attributable to receipt of additional financial distributions from electricity retailers and security deposits from the purchasers of electricity generation trading rights, which were invested in cash and cash equivalents.

Current liabilities have increased to reflect the assumption of \$1.6 billion in employee entitlements from the Ministry of Health. The increase in non-current liabilities reflects the assumption of borrowings of \$1.2 billion resulting from the electricity reforms, and additional borrowings of \$2.0 billion to meet working capital needs. Unfunded superannuation obligations have remained relatively stable, decreasing by \$333 million, or 1.1 per cent, mainly due to changes in discount rates.

Crown Entity Activities

The Crown comprises the Consolidated Fund and the Crown Finance Entity. It is a residual entity rather than an entity created via enabling legislation or administrative arrangement of government.

The Consolidated Fund is the central account of the New South Wales government into which the State's revenues are deposited and out of which monies are transferred to agencies. The Consolidated Fund collects State taxes fees and fines, Commonwealth grants, and financial distributions from non-budget dependent agencies. Recurrent and capital appropriations are paid out of the Consolidated Fund to budget dependent agencies.

The Crown Finance Entity administers various functions that are not the individual responsibility of a single agency, including managing the State's debt portfolio and administering superannuation and long service leave liabilities for budget dependent agencies.

The Crown Entity's net deficiency has exceeded \$50.0 billion in 2010-11

NSW Self Insurance Corporation

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CORPORATION

My opinion on the Corporation's financial statements was qualified due to its choice of accounting policies

The Treasurer confirmed the terms of the Corporation's enabling legislation as appropriate

Performance indicators show improved efficiencies over the past five years

Audit Opinion

The audit of the Corporation's financial statements for the year ended 30 June 2011 resulted in a qualified opinion within the Independent Auditor's Report.

I issued a qualified opinion because the Corporation applied inappropriate accounting policies to the operations of the Treasury Managed Fund. Instead of using policies required by Australian Accounting Standards applicable to general insurance activities, the Corporation used policies applied by the State when preparing the Total State Sector Accounts. My opinion was similarly qualified in 2009–10.

Had the Corporation applied the appropriate policies, its liabilities would have increased by a material amount and net assets decreased by the same amount. The Corporation's financial statements would also have included additional disclosures about its Treasury Managed Fund operations.

The selection of accounting policies has no impact on the Total State Sector Accounts, as any differences would be eliminated on consolidation.

Operational Snapshot

In 2010–11, the Corporation collected around \$977 million in insurance premiums. Of this, \$546 million was for workers compensation insurance and \$300 million was for public liability insurance. The Corporation provides insurance cover for approximately 315,000 public sector employees and almost \$130 billion of public sector assets.

Other Information

Statutory review of the *NSW Self Insurance Corporation Act 2004*

In May 2011, the Treasurer confirmed the validity of the Act's main objective, being that the corporation should administer self insurance arrangements for the State of New South Wales, and concluded the terms of the Act were appropriate for securing that objective.

The Treasurer's review noted improved performance indicators. This suggests the Act's objective of creating efficiency through a service focussed model has been met. The reported improvements included:

- workers' compensation premium rates have dropped steadily since commencement of the Act from 2.92 per cent of wages in 2004–05 to 1.9 per cent in 2009–10
- the cost per employee of public liability premiums has dropped from \$1,096 per employee in 2005–06 to \$867 in 2009–10
- the cost of motor vehicle premiums per employee has remained steady
- the incurred claim cost of property claims as a proportion of asset value has decreased steadily since the commencement of the Act.

The review recommended that, during the next 12 months, the government consider amending the Act to enable insurance cover to be provided to non-State entities subject to the Treasurer's approval and a public interest test. The review noted such arrangements might enable volunteer organisations, for example, to obtain insurance cover at a lower cost, which may be in the public interest. This could, however, expose the State to increased risk, without the State necessarily having control over the risk management practices of the entities to which the coverage was provided.

The Treasurer was required to perform a review of the Act as soon as possible after five years from the date of its assent. A report on the outcome of the review was to be tabled in each House of Parliament within 12 months after the period of five years. The date of assent was 15 December 2004. The report was dated November 2010 and tabled in parliament on 12 May 2011.

Claims Management Services

The Corporation entered into four contracts for claims management services from 1 July 2010 to 30 June 2016 following a competitive tendering process. The four new claims managers were approved by the Treasurer to manage the Corporation's workers' compensation, health liability and general insurance portfolios.

The new claim managers commenced service for new claims from 1 January 2011. Existing claims were transitioned from the outgoing claim managers to the new claim managers effective 30 March 2011.

Home Warranty Insurance Fund

The Corporation commenced management and underwriting of the Home Warranty Insurance Fund from 1 July 2010 following the withdrawal of commercial insurers in New South Wales. Operations are in their infancy and are not quantitatively significant to the Corporation.

Financial Information

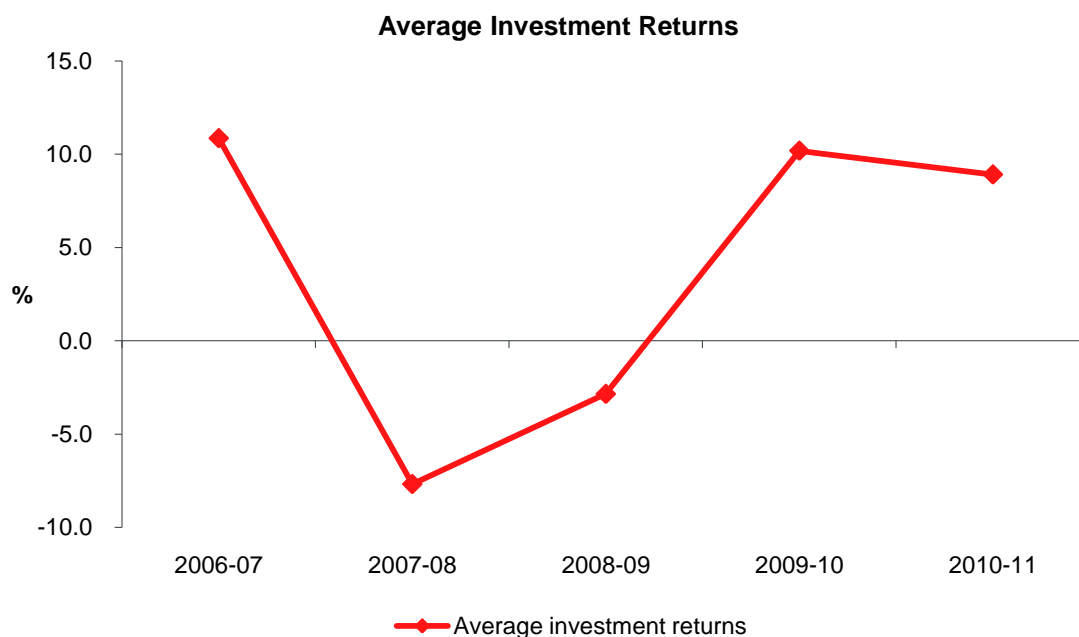
Abridged Statement of Comprehensive Income

Year ended 30 June	2011 \$'000	2010 \$'000
Premium revenue	978,198	839,277
Investment income	479,221	482,549
Contribution from the Crown Entity	67,042	45,000
Other	20,929	(89,006)
Total Revenue	1,545,390	1,277,820
Claims-related expenses	1,084,806	1,141,983
Fees for claims management	129,800	100,301
Outwards reinsurance	32,310	33,636
Other	51,945	44,050
Total Expenses	1,298,861	1,319,970
Total Comprehensive Income/(Expense)	246,529	(42,150)

Premium revenue increased by \$139 million mainly due to increases in premiums charged to NSW Police Force. The increase in premiums was in response to a significant deterioration in the police force's workers compensation claims since the introduction of their death and disability scheme.

Other revenue increased by \$110 million mainly due to an increase in reinsurance and other recoveries revenue. Last year's other revenue was impacted by a significant reduction in expected recoveries following a decrease in the estimated cost of a major claim.

Investment performance has remained strong in 2010–11, having improved significantly in 2009–10 after the global financial crisis. The following graph shows average investment returns from 2006–07 to 2010–11:



Average investment returns include investment income and increases/(decreases) in the underlying value of investments.

Claims related expenses reduced in 2010–11, being positively impacted by actuarial gains during the year. These gains occurred mainly due to better than expected claims experience. Fees for claims management increased, reflecting the transitional arrangements for services during the year.

Abridged Statement of Financial Position

At 30 June	2011 \$'000	2010 \$'000
Cash and investments	5,608,237	5,144,826
Other	320,923	390,642
Total Assets	5,929,160	5,535,468
Claims liabilities	5,543,165	5,323,102
Other	73,674	146,574
Total Liabilities	5,616,839	5,469,676
Net Assets	312,321	65,792

Cash and investments increased by \$463 million primarily due to higher premium revenue and strong investment returns. The Corporation's investments are managed by the New South Wales Treasury Corporation.

Home Warranty Insurance Fund

The Fund has prepared separate financial statements for the year ended 30 June 2011. The audit of these financial statements resulted in an unmodified audit opinion within the Independent Auditor's Report. However, my Independent Auditor's Report drew attention to the significant uncertainty surrounding the measurement of the provision for claims. This uncertainty arises mainly due to limited claims experience under the new scheme.

Summary financial information for the Fund appears below:

Year ended 30 June	2011 \$'000
Total revenue	16,121
Total expenses	19,975
Total Comprehensive Expense	(3,854)
<hr/>	
At 30 June	2011 \$'000
Total assets	47,872
Total liabilities	51,726
Net Liabilities	(3,854)

Total assets include cash and cash equivalents of \$29.9 million and deferred acquisition costs of \$9.5 million. Total liabilities include a provision for claims of \$2.3 million and unearned premiums of \$37.3 million.

Corporation Activities

The NSW Self Insurance Corporation is a statutory body incorporated under the *NSW Self Insurance Corporation Act 2004*. Its functions include:

- operating and managing government managed fund schemes
- entering into reinsurance to cover the liabilities of these schemes
- acting for the State in dealing with claims under these schemes.

From 1 July 2010, the Corporation's functions also included provision of home warranty insurance cover for building work done in New South Wales and management of the Home Warranty Insurance Fund.

The Corporation operates six managed fund schemes, with the Treasury Managed Fund representing around 95 per cent of its operations.

The Treasury Managed Fund at the whole-of-government level is a self-insurance scheme, comprising all General Government Sector budget dependent agencies, public hospitals and some General Government Sector non-budget dependent agencies. The Treasury Managed Fund provides unlimited cover in respect of the following classes of insurable risks:

- workers' compensation as per New South Wales statute
- liability (including but not limited to public liability, products liability, professional indemnity, directors/officers liability and medical malpractice)
- property, comprehensive motor vehicle and miscellaneous.

The Treasury Managed Fund applies a premium-based structure, which incorporates hindsight adjustments to workers compensation and motor vehicle premiums. Hindsight adjustments result in a payment to or from agencies depending on their performance against certain benchmarks.

Budget dependent agencies are mandated to utilise the Treasury Managed Fund for their insurance needs. Insurance is also available for non-budget dependent agencies at the Treasurer's discretion.

For further information, refer to www.sicorp.nsw.gov.au.

Audit Opinion

The audit of Treasury's financial statements for the year ended 30 June 2011 resulted in an unmodified audit opinion within the Independent Auditor's Report.

Operational Snapshot

The Treasury serves the Treasurer and NSW Government by providing economic, budgetary and financial advice on the effective management of, and accounting for, the State's finances. The Treasury operates seven directorates:

- Budget and Financial Management
- Fiscal and Economic
- Commercial Management
- Expenditure Review
- Economic, Environment and Communities
- Human and Social
- Corporate.

The Budget and Financial Management directorate is responsible for preparation of the Total State Sector Accounts and managing the State's Budget process.

The Fiscal and Economic directorate provides advice on such matters as fiscal strategy, infrastructure strategy and tax and revenue policy.

The Commercial Management directorate provides advice on the efficiency and effectiveness of commercial agencies, oversees the commercial policy framework applicable to government businesses, and assesses and monitors major capital projects.

The Expenditure Review directorate reviews government expenditure and provides related advice.

The Economic, Environment and Communities and Human and Social directorates provide advice on the efficiency and effectiveness of general government agencies.

Key Issues

Volume Three of my 2011 Report to Parliament contained a number of recommendations relevant to the activities of the Budget and Financial Management directorate. In particular, Treasury needs to continue to work on improving the quality and timeliness of financial reporting across the New South Wales public sector.

The Commercial Management directorate was responsible for facilitating electricity sector reforms that occurred in 2010–11. Volume Three of my 2011 Report to Parliament mentioned the impact of those reforms upon the State's financial performance and position. Volume Four of my 2011 report to Parliament discussed the impact of those reforms in more detail, including the impact on individual New South Wales public sector agencies, and mentioned the need for a shared understanding of Treasury's dividend policies. The impact of the reforms upon the Crown Entity is discussed elsewhere in this volume.

Financial Information

Abridged Statement of Comprehensive Income

Year ended 30 June	2011 \$'000	2010 \$'000
Employee related	122,753	139,544
Grants and subsidies	18,251	23,956
Other expenses	58,847	70,060
Total Expenses	199,851	233,560
Total Revenues	34,538	42,533
Loss on disposal of non-current assets	(15)	(178)
Other gains (losses)	41	(352)
Net Cost of Services	165,287	191,557
Government contributions	181,724	185,952
Surplus (Deficit)	16,437	(5,605)
Other Comprehensive Income	--	--
Total Comprehensive Income/(Expense)	16,437	(5,605)

Treasury was impacted by an administrative restructure arising from the Public Sector Employment and Management (Departments) Order 2011 dated 3 April 2011.

Treasury comprises all the operating activities of the Office of Financial Management (OFM) and those of the Office of State Revenue (OSR) up until 3 April 2011. As a result of the administrative restructure, OSR was transferred from Treasury to the Department of Finance and Services effective from 4 April 2011.

Treasury's 2010–11 statement of comprehensive income includes OFM's financial results for the full year and OSR's results up to 3 April 2011, whereas the 2009–10 statement includes full year results for both.

Abridged Statement of Financial Position

At 30 June	2011 \$'000	2010 \$'000
Current assets	13,943	40,380
Non-current assets	2,030	37,451
Total Assets	15,973	77,831
Current liabilities	8,340	24,948
Non-current liabilities	56	296
Total Liabilities	8,396	25,244
Net Assets	7,577	52,587

As a result of the administrative restructure, OSR's net assets of \$61.4 million were transferred from Treasury to the Department of Finance and Services with effect from 4 April 2011.

Treasury Activities

Treasury provides economic, budgetary and financial advice on the effective management of and accounting for the State's finances.

For further information refer to www.treasury.nsw.gov.au.

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NSW Auditor-General's Report

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APPENDIX 1

Agencies not commented on in this Volume, by Minister

The following audits resulted in unqualified independent auditor's reports and did not identify any significant issues or risks.

Entity name	Website	Period/year ended
Attorney General		
Judicial Commission of New South Wales	www.judcom.nsw.gov.au	30 June 2011
Legal Profession Admission Board	www.lawlink.nsw.gov.au	30 June 2011
Minister for Police and Emergency Services		
Bush Fire Co-ordinating Committee	www.rfs.nsw.gov.au	30 June 2011
New South Wales Crime Commission Division	www.crimecommission.nsw.gov.au	30 June 2011
Office of the New South Wales Crime Commission	www.crimecommission.nsw.gov.au	30 June 2011
State Rescue Board	www.emergency.nsw.gov.au/srb	30 June 2011
Premier		
Police Integrity Commission	www.pic.nsw.gov.au	30 June 2011
Police Integrity Commission Division	www.pic.nsw.gov.au	30 June 2011

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Art Gallery of New South Wales Foundation	Vol 10 2010
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Arts Education Foundation Trust	Vol 1 2011
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AustLii Foundation Limited	Vol 2 2011
Australian Centre for Advanced Computing and Communications Pty Ltd	Vol 5 2011
Australian Education Consultancy Limited	Vol 2 2011
Australian Institute of Asian Culture and Visual Arts Limited, The	Vol 10 2010
Australian Museum Trust	Vol 10 2010
Australian Plant DNA Bank Limited	Vol 2 2011

Australian Proteome Analysis Facility Limited Vol 2 2011

Australian Technology Park Sydney Limited Vol 6 2011

Australian Technology Park Precinct Management Ltd Vol 9 2010

Australian Water Technologies Pty Ltd Vol 6 2011

AWT International (Thailand) Limited Vol 6 2011

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Banana Industry Committee Vol 9 2010

Bandwidth Foundry International Pty Ltd Vol 2 2011

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Belgenny Farm Agricultural Heritage Centre Trust Vol 6 2011

Biobank Pty Ltd Vol 2 2011

Board of Studies, Office of the Vol 10 2010

Board of Studies, The Vol 10 2010

Board of Studies Casual Staff Division Vol 10 2010

Board of Surveying and Spatial Information Vol 5 2011

Board of Vocational Education and Training, NSW Vol 10 2010

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Bosch Institute, The Vol 2 2011

Boxing Authority of New South Wales Vol 2 2010

Brett Whiteley Foundation, The Vol 10 2010

Building the Education Revolution Vol 10 2010

Building Insurers' Guarantee Corporation Vol 5 2011

Building Professionals Board Vol 5 2011

Bureau of Health Information Vol 11 2010

Bureau of Health Information Special Purpose Service Entity Vol 11 2010

Buroba Pty Ltd Vol 5 2011

Bush Fire Co-ordinating Committee **12**

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CADRE Design Unit Trust Vol 2 2011

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