
New South Wales Auditor-General's Report

Financial Audit

Volume Six 2013

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 Audit 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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Pursuant to the *Public Finance and Audit Act 1983*,
I present Volume Six of my 2013 report.

A handwritten signature in black ink, appearing to read 'Grant Hehir'.

Grant Hehir
Auditor-General
26 November 2013

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

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<ul style="list-style-type: none"> • a methodology can be established to enable the Commission to determine the cost of providing immigration services • Australian Government funding is sufficient to cover the cost of providing immigration services. 	
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Section One

Law, Order and Emergency Services Overview



Law, Order and Emergency Services Overview

Attorney-General and Justice Cluster

The Attorney-General and Justice cluster delivers legal, justice, law enforcement and emergency services to the people of New South Wales.

Operational Snapshot

The Department of Attorney-General and Justice (the Department), being the principal department in the Attorney-General and Justice Cluster, received \$5.2 billion in capital and recurrent appropriations from Treasury. Of this, \$3.4 billion was redistributed to Law and Order sub-cluster agencies in the form of grants, including \$3.2 billion and \$180 million to the NSW Police Force and the Legal Aid Commission of New South Wales (Legal Aid Commission) respectively. A total of \$136 million was similarly redistributed to Fire and Rescue New South Wales (Fire and Rescue NSW), New South Wales Rural Fire Service (NSW Rural Fire Service) and the State Emergency Service (which form the Emergency Services sub-cluster included in this Overview).

The Attorney-General and Justice Cluster agencies are responsible for:

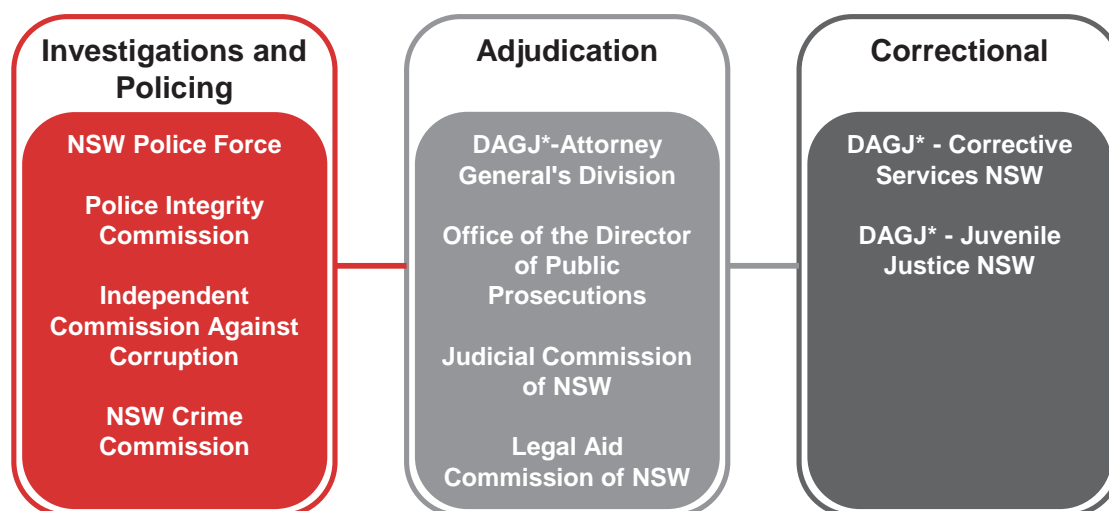
- responding to incidents, police emergencies and public events and reducing incentives and opportunities to commit crime
- detecting crime, providing forensic services and making arrests
- patrolling roads, highways and public transport corridors, investigating major vehicle crashes, detecting traffic and transport offences and supervising peak traffic flows
- providing judicial and custodial services, prosecuting offenders, presenting evidence at court, support to victims and witnesses and providing transport and custodies for persons under police supervision
- 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
- protecting rights and community standards
- advising on law reform and legal matters
- providing independent and just prosecution services
- providing legal services to socially and economically disadvantaged people
- ensuring New South Wales is ready to deal with major emergencies or natural disasters.

The cluster is also the co-lead for the goal of increasing opportunities for people to look after their own neighbourhoods and environments.

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 interrelated and initiatives in one agency can have significant flow on effects for the other agencies. For example, increased policing and investigative activities increase caseloads in the court system, which in turn increase the number of offenders managed by the corrective system.

The following table outlines the key law and order service agencies and their responsibilities. The Department of Attorney-General and Justice (the Department) includes the former Attorney-General's Division, the former Corrective Services NSW (Corrective Services) and the former Juvenile Justice NSW.



* DAGJ – Department of Attorney-General and Justice.

Audit Opinions

I issued unqualified audit opinions on the above agencies' 30 June 2013 financial statements.

Compliance with Treasury's Early Close procedures

During the year, The Treasury issued TC 13/01 'Mandatory early close procedures for 2013'. This Circular aimed to improve the quality and timeliness of agencies' annual financial statements. In 2012-13, application of the circular was made mandatory for most government agencies. As a result, the law and order services agencies were required to perform early close procedures.

All law and order service agencies were broadly successful in performing the procedures, which helped them submit financial statements by an earlier due date. This in turn enabled the financial statement audits to be finalised within an earlier timeframe of eight weeks (nine weeks in 2011-12).

Key Issues

Department of Attorney-General and Justice

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

Recommendation

As previously recommended, the Department of Attorney General and Justice should continue integrating policies, operations and systems between its divisions and, once complete, analyse the costs and benefits.

The Department advises the integration of corporate systems, and movement towards best practice, will be addressed through the Justice Shared Corporate Services Reforms Program (JSCS Reform Program).

The Department appointed a Chief Financial Officer during the year and advises it has progressed its drive to bring consistency to the financial reporting process by:

- operating within the Departmental financial management and governance framework
- operating under a single Departmental accounting policy manual
- achieving functional alignment across divisions
- ensuring consistency of internal financial control and management processes
- conducting internal audit and benchmarking reviews
- deploying the SAP financial management system, which replaces the unsupported legacy system.

The divisions' finance functions are still maintained on separate systems. However, reporting of financial information to Treasury is now at the Department level.

During the year, the former Juvenile Justice NSW's (Juvenile Justice) Audit and Risk Committee (ARC) was disbanded and its members reallocated to the Department's ARC. At this stage, the former Corrective Services NSW maintains a sub-ARC and its own internal audit function. Juvenile Justice also maintains a separate internal audit function.

The Department intends to consolidate the internal audit and risk management functions. In the interim, its existing governance structures broadly achieve the requirements of TPP 09-05 'Internal Audit and Risk Management Policy for the NSW Public Sector'. Information and practices are shared between the separate divisions so policies and operations are progressively harmonised to enable eventual integration. The Department advises it will continue to leverage on best practices across the Department and implement its transformational reforms to harness the synergies and benefits of amalgamation.

In April 2013, Treasury and the Expenditure Review Committee (ERC) endorsed the Attorney-General and Justice Cluster's detailed business case for its shared corporate services reforms and funding from the Information and Communications Technology (ICT) Reinvestment Pool. Funding commenced on 1 July 2013. The reform program will include a detailed analysis of finance processes and systems that will lead to the implementation of a consolidated finance and human resource management solution in the Department.

The Department advises that the JSCS Reform Program will cost \$148 million and run over five years to 2018. Of this, \$115 million will come from the Justice Cluster through asset sales, reallocated capital and reinvested savings achieved through Corporate Services reform initiatives. The balance of funding of \$33.4 million will come from the ICT Reinvestment Pool, through \$14.8 million savings in staff costs and \$18.6 million from other cost savings.

The Department of Attorney-General and Justice cannot as yet provide information on the costs and expected savings associated with the integration of its divisions

During the 2014 financial year, the JSCS Reform Program will facilitate a major Cluster-wide review of corporate services process standards, including finance, to meet the Cluster's needs. The Department advised it will also establish a rigorous review of the benefits, efficiencies and savings that will be realised through this investment as well as the implementation pathway to deliver those benefits.

At this stage, the Department advises it cannot provide information on additional costs associated with the integration of its divisions, or the expected savings.

Victims' Compensation and Support (Repeat Issue)

Recommendation

The Department of Attorney-General and Justice should ensure it has the necessary processes in place to enable it to regularly monitor and measure the performance and success of the Victims Support Scheme in providing a more accessible, streamlined and targeted service to victims of violent crime in New South Wales.

The current backlog of victims' compensation claims represents almost five years of claims and has more than tripled since 2006.

For the last four years, Auditor-General's Reports to Parliament have recommended the Department pursue initiatives to ensure the backlog of victims' compensation claims is processed in a reasonable timeframe.

The 2012 independent review of the Victims Compensation Scheme recommended the existing scheme be closed and replaced with a proposed scheme called the Victims Support Scheme. The old scheme was closed on 7 May 2013 and replaced by a new scheme through the commencement on 3 June 2013 of the *Victims Rights and Support Act 2013*. Instead of reducing everything to a lump sum compensation payment, the focus under the new scheme is to provide a package of practical and financial support. This support is tailored to victims' individual needs at the time they need it, while still providing a lump sum payment in recognition of the trauma experienced by victims of crime.

The new Victims Support Scheme does not focus on specific injuries sustained by victims, but looks at the impact of a violent crime on victims' lives as a whole. It provides victims with practical and financial support designed to help them recover and get back on their feet. The scheme provides:

- up to 22 hours of counselling
- a package of support worth up to \$5,000, individually tailored to address victims' urgent needs
- up to \$8,000 to cover funeral expenses of homicide victims
- longer term financial support of up to \$30,000
- a recognition payment of between \$1,500 and \$15,000 to acknowledge victim trauma.

Generally, victims can apply for support up to two years following the incident or their 18th birthday, if they were a child at the time. The limitation period is increased to 10 years for domestic violence, child abuse and adult sexual assault victims. There is no time limit for child victims of sexual assault. They can apply for support in the form of economic loss for out-of-pocket expenses and justice-related expenses, and a recognition payment at any time.

The Department's actuary forecast the annual cost of the new scheme to be \$64.2 million.

Due to the complex and unique nature of the calculations involved in estimating the liability, the Department engaged an actuary to perform liability assessments at 1 July 2011, 30 June 2012 and 30 June 2013.

Replacing the Victims Compensation Scheme with the Victims Support Scheme reduced the estimated existing claims liability by \$217 million to \$150 million at 30 June 2013

The actuary's assessed liability as at 30 June for the last three financial years are shown in the table below:

Valuation date	Total provision \$m
30 June 2011(old scheme)	316
30 June 2012 (old scheme)	367
30 June 2013 (new scheme)	150

In the financial year ended 30 June 2013, an amount of \$217 million was written back through the statement of comprehensive income to recognise the reduced liability resulting from the introduction of the new scheme.

Section 119 of the *Victims Rights and Support Act 2013* requires the minister to undertake reviews of this Act to determine whether the policy objectives of the Act remain valid and its terms remain appropriate for securing those objectives.

Claims Backlog

The Department had 23,470 pending claims for victims' compensation at 30 June 2013 (21,946 at 30 June 2012), which it estimates will result in payments of \$150 million (\$367 million). Based on the number of claims determined during 2012-13, this backlog represents almost five years of claims and has more than tripled since 30 June 2007, as shown in the graph below:

The backlog of victims' compensation claims has tripled since 2007 to 23,470 claims

Backlog in Victims' Compensation Claims



* At 30 June.

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

Previous efforts to reduce the backlog in victims' compensation claims have not worked. The number of new claims in 2012-13 decreased to 6,940 (7,263 in 2011-12), but remains higher than the number of claims finalised during the year, adding to the backlog. The number of claims determined and paid decreased to 4,734 from 5,729 and included 375 determinations under the new scheme.

Over 71.4 per cent (68.1 per cent at 30 June 2012) of all outstanding claims are more than one year old, while 2.7 per cent are more than five years old, with the oldest outstanding claim dating back to July 1997.

Previous efforts to reduce the backlog in victims' compensation claims have failed

The Department advises the average length of time to process a claim has increased to 32 months (31 months at 30 June 2012). Claims cannot be processed until all information is received from relevant parties or before other matters, such as workers' compensation proceedings or clients seeking adjournment, are resolved.

All claims that were lodged under the old victims' compensation scheme and were pending at the time of commencement of the new scheme will be determined under the provisions of the new scheme. Treasury has agreed to provide additional funding over the next two financial years to ensure all pending claims are finalised by 30 June 2015.

The Department advised an annual review of the scheme and a statutory review after three years from the date of commencement will be undertaken. This will provide adequate opportunities to monitor the scheme's operations and to allow for and act on any emerging, potentially adverse trends that are not within the regulatory powers of the scheme's administrators.

Recovery of Monies from Offenders

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

Of the \$283 million in restitution debts owing by offenders at 30 June 2013 (\$310 million at 30 June 2012), only \$20.7 million (\$19.7 million) is likely to be recovered.

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

On 31 August 2012, the Attorney-General approved a pilot project to refer 1,000 restitution debts totalling \$10.0 million to SDRO for enforcement for a period of one year to ascertain viability of recovery. If successful, the pilot project will be extended to include the transfer of all restitution debts to the SDRO for enforcement.

An initial data match with SDRO ascertained that over 70 per cent of Victims Services' restitution debtors are SDRO's current clients.

Since the Victims Compensation Scheme started in 1989, \$1.6 billion has been paid to victims of crime. Over the same period, only \$61.6 million was recovered in restitution from convicted offenders.

\$1.6 billion has been paid to victims of crime since 1989. Only \$61.6 million was recovered from offenders

Year ended 30 June	2013	2012	2011	2010	2009
Compensation paid to victims (\$m)	62.8	63.0	63.2	60.3	62.9
Restitution recovered from convicted offenders (\$m)	4.1	4.1	4.1	4.0	3.6
Restitution recovered from convicted offenders (%)	6.5	6.5	6.5	6.6	5.7
Number of new restitution debts raised	1,690	1,367	1,977	1,586	2,156
Value of new debts raised (\$m)	22.2	17.7	25.0	19.5	26.3
Restitution debts written-off (\$m)	69.5*	--	28.2*	1.4	1.4

* Significant increase in debt write-offs in 2010-11 and 2012-13 due to Section 17 of the *Limitation Act 1969* which limits enforcement of judgement debts to 12 years from when the judgement becomes enforceable.

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

The collection of restitution debts is complex, as convicted offenders may have multiple debts and may be co-offenders. 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.

Fixed Asset Stocktakes

Last year's Report to Parliament noted that stocktakes had identified many fixed asset items that were missing or unaccounted for, particularly information technology assets. Some of these assets were still under investigation when the audit for that year was finalised. The stocktake summary results and reports for some locations showed some assets, which were not in the asset register, did not have proper documentation to support their subsequent recognition.

In 2012-13, Juvenile Justice undertook detailed stocktake procedures to verify its assets. A total of 1,083 (510 in 2011-12) assets could not be located initially. Upon further investigation management advises it found many of these assets at other locations, reducing the number of missing assets to 47. Juvenile Justice has updated its records based on these findings, including writing off assets or alerting police. It also confirmed it is implementing equipment movement procedures for all locations.

A detailed stocktake was also performed on the former Attorney-General's division's assets. Initially, this showed 1,400 missing assets, which reduced to 268 on further investigation. Of these assets, 75 were confirmed missing and written off. The remaining 193 are under further investigation. Missing assets are mostly attractive information technology and communication assets, such as computers, printers, and notebooks.

Corrective Services' information and communications technology (ICT) asset stocktake was conducted late and completed on 10 October 2013. An internal review identified the delay in the ICT stocktake was due to process breakdowns related to roles and responsibilities changing from the restructure of ICT and asset management functions within Corrective Services. Procedures have been updated to reflect the restructure and address the process breakdown for future stocktakes. Corrective Services advised a lack of adequate resources continues to be a risk to the ICT stocktake.

The annual stocktakes of its non-ICT assets were performed at its managed centres. The Department advises stocktakes were also performed at the privately managed Parklea and Junee Correctional Centres, but were not reconciled on time. There is a risk controls have not operated effectively and some attractive assets may be missing.

The Department advises it is addressing these deficiencies by establishing a team within the finance area, which will report to the Director, Financial Reporting, and be responsible for working with business centre managers across the Department on asset stocktakes. Business centre managers will be responsible for stocktake processes in their areas of responsibility.

Information Technology Project Management

Recommendation

The Department of Attorney-General and Justice should ensure there is effective governance and management of large Information Technology projects. Detailed progress reports on all major information technology projects should be included in the meeting papers for the Department's Audit and Risk Committee and relevant sub-committees.

REAL Program

Corrective Services advised that the Remediation and Enhancement and Architecture Lifecycle (REAL) program, which started in 2009, was completed in 2013. This large program consisted of four streams addressing long-term deficiencies across Corrective Services' frontline business applications and technology infrastructure. The program upgrades the technology infrastructure and key database systems to improve prisoner information and management, financial operations, communications and record management.

Significant deficiencies in stocktaking procedures are being addressed

Governance, management and cost monitoring of major information technology projects needs to improve

The original budget for the REAL program of \$47.6 million over four years was later adjusted to \$42.8 million following de-scoping of a planned legacy system upgrade in favour of migration to a new platform under the Justice Shared Corporate Services program. The final cost was \$40.5 million. Corrective Services advised that the overall program was successfully delivered. It also advised it managed costs at various levels, including high level reporting to Corrective Services' Board of Management oversighted by the then Deputy Commissioner, Corporate Services, and an Assistant Commissioner who was responsible for the project at the time.

Last year's Report to Parliament reported that a Corrective Services internal audit raised concerns about financial governance of the Offender Financial Project (OFP), which was one of 70 projects within the Offender Information Management System program stream. In late November 2012, a follow up internal audit of the OFP was recommended by the Department's Audit and Risk Committee. No internal audit work has been performed on the broader REAL program's governance arrangements, management or costs and no detailed reporting to the Department's ARC has occurred during implementation of the wider project.

The Department advised it engaged an independent consultant in August 2013 to perform a post-implementation review of the REAL program. The review's findings are expected in late November 2013. The Department decided to postpone a follow up audit of OFP by internal audit until the findings of the independent review are available.

LifeLink Project

Recommendation

The Department of Attorney-General and Justice should undertake an independent review of the management of its LifeLink IT project. Lessons from this review should be used to improve management of future information technology projects.

The LifeLink project started in 2002-03 to replace the Registry of Births, Deaths and Marriage's paper-based LifeData system. As reported last year, the project has been beset by problems. A total of \$3.5 million was written off during 2010-11, but the Department successfully recovered \$2.7 million through a judgment against the terminated original contractor.

In 2012, the new contractor informed the Department it was unable to deliver the fixed-price contract within the agreed timeframes.

As a result, the Department believed the project was likely to be terminated and wrote off \$10.5 million in 2011-12. After facilitated negotiations with the contractor, and the implementation of a new governance structure under the direct control of the Chief Information Officer, the project will now proceed to completion. On the advice of its consultant, the Department has reversed \$6.1 million of the amount written off because the project has recommenced with the successful completion of the initial contract milestones. The current software delivery date is scheduled for 20 December 2013, with a go-live date of 22 April 2014.

In July 2013, the LifeLink business case was updated and sent to Treasury. The total project budget is now \$17.3 million, an increase of \$5.9 million. An independent project health check was also performed in June 2013. As outlined above, there were major shortcomings in the way the project was previously conducted. The Department needs to strengthen its controls and governance over major information technology projects.

The Department advised that on completion of the LifeLink project an independent post implementation review will be conducted, including an analysis of LifeLink's benefits realisation.

An internal audit report in October 2011 recommended the Department expand its project support capability to include a Department-wide Project Management Office (PMO) with both a reporting and oversight function. The report envisaged the PMO would reassess existing commercial governance structures for projects currently underway to ensure potential issues with contracts were identified and escalated in a timely manner.

The Director, PMO position was filled in December 2011. The Department advises the Departmental Executive met for the first time in December 2012. Since then, information on high risk projects has been provided to the Executive.

The Department is finalising a review of Cluster and Departmental governance arrangements. Actions arising from the review will help direct program and project management governance and associated reporting within the Cluster and Department.

NSW Police Force

Death and Disability Scheme

The year ended 30 June 2013 was the first full year in which the Force operated under the new death and disability scheme as established by the *Police Amendment (Death and Disability) Act 2011*. This commercial insurance arrangement became effective on 20 January 2012 and replaced the partial and permanent disability (PPD) lump sum payment with an income protection benefit. This is capped at 75 per cent of the employee's pre-injury salary for a maximum of five years.

From 1 October 2013, the maximum income protection cover was extended to seven years for claims occurring after that date. This change is aimed at providing additional benefits to the most injured officers over a longer term. The income protection cover takes effect after workers' compensation statutory entitlements are paid for the first 39 weeks. Officers remain entitled to total and permanent disability (TPD) lump sum benefits.

Cost of Death and Disability

Total Death and Disability payments in 2012-13 were \$162 million (\$301 million in 2011-12).

The breakdown of Death and Disability payments over the past three years is shown below:

Year ended 30 June	2013 \$000	2012 \$000	2011 \$000
Death and Disability payments under the old scheme	58,649	220,741	165,010
Insurance premium*	99,927	80,248	29,929
Self Managed Income protection payments	3,482	--	--
Total Death and Disability payments	162,058	300,989	194,939

* Insurance premiums for 2011 and a component of 2012 relate to TPD and death premiums paid under the old scheme.

Source: NSW Police Force (unaudited).

Total Death and Disability payments in 2012-13 reduced by 46.2 per cent from the previous year and 16.9 per cent over the past two years. This is mainly due to closure of the old Death and Disability scheme in 2012. Insurance premiums are higher in 2013 as this represents the first full year of premiums being paid under the new scheme.

Police Officers contribute up to 1.8 per cent of their salary towards the cost of the premium and the remainder is funded by the Force. Total contributions by Police Officers in 2012-13 were \$21.0 million representing over 21 per cent of the total premium paid during the year.

Premium rates are expected to increase to 10.1 per cent of officers' salaries from 1 October 2013 (8.7 per cent in 2012-13) following the extended income protection cover.

Death and disability payments to Police Officers decreased by 46.2 per cent to \$162 million in 2012-13

The number of Police Officers deemed unfit for work fell by 61.6 per cent since October 2011

Death and Disability Liability

The Force's death and disability position was actuarially assessed as a net asset of \$15.9 million at 30 June 2013 compared to a \$60.7 million liability at 30 June 2012. The change is mainly due to the phasing out of the old death and disability scheme.

Workforce Improvement Program

The Force advises the ratio of officers returning to work on suitable duties compared to those deemed unfit for work has improved over the past two years. The number of officers unfit for work has fallen by 61.6 per cent since October 2011.

Status	Aug 2013	Apr 2013	Oct 2011
Suitable duties	449	463	355
Unfit for work	242	209	630

Source: NSW Police Force Cost and Fairness Committee, Data Report September 2013 (unaudited).

The success of the Return to Work strategies and the change in organisational culture and incentives arising from the amended legislation has contributed to the declining number of officers deemed unfit for work.

Further information on the death and disability scheme is reported in the NSW Police Force comment later in this volume.

Performance Information

Department of Attorney-General and Justice

Private versus publicly managed correctional centres

Recommendation

Corrective Services NSW should develop a meaningful comparison of the relative costs of operating private and public correctional centres. This would help determine the efficiency of publicly run correctional facilities compared with privately run facilities and whether lessons can be learnt.

The table below shows the cost per prisoner per day for Corrective Services NSW has fallen from \$241 in 2007-08 to \$212 in 2011-12.

Year ended 30 June Cost per prisoner per day	2012 \$	2011 \$	2010 \$	2009 \$	2008 \$
Open prisons* (including periodic detention)	194	185	188	204	215
Secure prisons*	223	213	228	236	257
All prisons*	212	203	213	224	241

* Data for previous years have been adjusted by the gross domestic product deflator.

Source: Productivity Commission's Report on Government Services 2013 (unaudited).

Corrective Services advises it is not possible to provide a meaningful comparison of the relative costs of operating private and public correctional centres. In New South Wales, privately operated correctional centres do not have the infrastructure costs associated with operating large correctional services, such as inmate transport, information technology services, or head office infrastructure.

However, an effort should be made to 'strip out' costs not incurred in privately run centres, to enable a comparison of the remaining 'like' costs. This would be useful in allowing Corrective Services to benchmark itself against the privately run facilities.

Corrective Services NSW cannot provide a meaningful comparison of the relative cost of operating private and public correctional centres

A 2009 Legislative Council Inquiry into the privatisation of prisons and prison related services recommended Corrective Services develop a more rigorous methodology to compare costs between the public and private prisons. In 2010, an external party was engaged to review expenditure of the Department of Attorney-General and Justice to better understand the drivers of historical expenditure performance. A component of the review was to develop a methodology, in conjunction with Treasury, to enable an estimate of costs of the private sector operating each NSW correctional centre. This activity and the results of the analysis are Cabinet-in-Confidence and have not been reported. However, Corrective Services advises a costing methodology has been developed.

Corrective Services also advises that private operators' performance is subject to continuous appraisal and monitoring, and incorporates:

- monitoring and reporting against the performance linked fees, including evidence collection and review
- monitoring and reporting against operating specifications in accordance with the contracts, including evidence collection and review.

Rehabilitation of Inmates

Recommendations

Corrective Services NSW should:

- develop an agreed measure of rehabilitation costs per inmate, taking into account offenders' risk factors, and benchmark this against best practice in similar institutions
- conduct individual rehabilitation program evaluations that employ experimental methods incorporating control groups and susceptibility matching. This should help determine the effectiveness of the programs.

Corrective Services spent \$23.4 million in 2012-13 (\$23.0 million in 2011-12) on rehabilitation programs. This includes key intervention programs targeting specific criminogenic behaviours relating to drug and alcohol problems as well as motivational and maintenance programs. Expenditure was incurred on rehabilitation activities such as education, vocational training, correctional employment, welfare services, and psychological counselling.

Corrective Services advises there is little usefulness in adopting a single measure of rehabilitation costs per inmate because:

- an individualised treatment and assessment approach is adopted that is informed by an established evidence based Risk/Need/Responsivity model. A key principal of this model is that treatment dosage is proportional to risk, with treatment and intervention not being wastefully applied to offenders at low risk of re-offending. High risk offenders require more intensive treatment so treatment costs are not evenly dispersed across the population
- individual criminogenic needs vary from person to person. Corrective Services matches the mode of program delivery to an individual's learning style. Some offenders require individual treatment, while others perform better in groups
- costs would need to be disaggregated and specified for a range of categories of risk and need, e.g. for high, medium and low risk sex offenders, or similarly there would be different costs expected for people with different assessed levels of literacy competency.

Corrective Services advises that participation in individual treatment programs is recorded and reported in the NSW Bureau of Crime Statistics and Research (BOCSAR) Reoffending Database. It believes that on its own, this would not provide a robust measure of program effectiveness due to limitations, such as:

- what would the re-offending rate be compared with?
- how does it control selection bias?
- what impact have other programs or interventions had on individuals?

Corrective Services NSW does not measure the cost and effectiveness of individual prisoner rehabilitation programs

It believes the only way to measure program effectiveness is to conduct individual program evaluations that employ experimental methods incorporating control groups and susceptibility matching.

Re-offending while on Parole

Recommendation

Corrective Services NSW or another body within the Justice cluster, should analyse and report on the frequency and types of re-offending by individuals on parole, to assess the effectiveness of the parole program.

Corrective Services does not formally analyse or report on the frequency and types of re-offending by individuals on parole.

Corrective Services has advised that BOCSAR, on the request of the Attorney-General, has recently commenced collecting the data necessary to analyse and report on the frequency and types of re-offending of individuals on parole.

It also advises it routinely reports on the number of offenders whose parole is revoked. This can be due to technical breaches of conditions or re-offending. Information is provided for the Report on Government Services' benchmarking against other States for re-offending rates for offenders on community based orders. The re-offending rate in this context is narrowly defined as those receiving another community based order or a prison sentence within two years.

Information is routinely provided by the NSW Police Force to Corrective Services when offenders on community orders, including parole, are arrested. This information is used operationally in the preparation of breach reports. However, information on how these charges are finally adjudicated is not contained in the Corrective Services database unless a sanction is imposed. Accordingly, it advises it cannot populate a report on all re-convictions for offenders on parole.

The Annual Report of the State Parole Authority includes information on the number of offenders whose parole orders are revoked due to new charges/arrests. This includes the numbers committing serious offences.

Rate of Prisoners returning to Prison or Corrective Services

The table below shows the percentage of prisoners released who returned to prison or corrective services two years later. Corrective services includes a prison sentence or a community corrections order. In 2011-12, 42.5 per cent of prisoners released two years earlier had returned to prison and 46.9 per cent had returned to corrective services.

The State's rate of return to prison continues to be higher than the national average, while the State's rate of return to corrective services is consistent with the national average.

Year ended 30 June	2012		2011		2010	
	National ** %	NSW %	National ** %	NSW %	National ** %	NSW %
Per cent of individuals returning to:						
Prison	39.3	42.5	39.7	43.1	37.6	42.4
Corrective services*	46.1	46.9	45.6	46.2	44.0	45.2

* Includes prison sentence or a community corrections order.

** Australian Capital Territory not provided.

Source: Productivity Commission's Report on Government Services 2013 (unaudited).

The risk factors for returning to prison or corrective services include criminal history, antisocial behaviour, family factors and social achievement.

In New South Wales, 42.5 per cent of released prisoners had returned to prison within two years

Prisoners on Remand

Recommendation

Corrective Services NSW or another agency within the Justice cluster should record information on judicial outcomes of charges for which a remanded inmate was remanded into custody for more than one year. This analysis would help show if the remand system is working effectively.

More than half of inmates spend 30 days or more on remand

During 2012-13, remand receptions into NSW correctional centres increased to 51.5 per cent (44.0 per cent in 2011-12) for those on remand for 30 days or more as shown in the table below.

Annual remand receptions Year ended 30 June	2013	2012	2011	2010
Remand receptions	11,994	11,655	10,876	10,639
On remand 30 days or more	6,177	5,133	5,200	5,390
Percentage on remand 30 days or more	51.5	44.0	47.8	50.7

Source: Corrective Services NSW (unaudited)

In 2011-12, the cost for remand inmates in secure prisons was \$223 (\$209 in 2010-11) per day compared to \$212 (\$203 in 2010-11) for all prisons. Remand inmates are resource intensive requiring screening, intense monitoring, escorts and security surrounding visits. The longer inmates are held in remand, the higher the costs to the Department.

Corrective Services advises time spent on remand is a lost opportunity (for example, when a sentence is backdated) for offenders to participate in rehabilitation programs. Most intensive custodial programs target only sentenced inmates, which negatively impacts efforts to reduce rates of re-offending.

Corrective Services was unable to provide information on individuals held on remand for more than one year who the courts subsequently found not-guilty. It advises this is due to:

- judicial outcomes of remand inmates being complex, as most inmates remanded to custody are charged with multiple offences
- an inability to consistently record information on judicial outcomes of all charges for remand inmates on release from custody. Remand inmates can be released for several reasons ranging from being granted bail, being found not guilty, being sentenced to a non-custodial penalty on some charges, not all of which are supervised by Corrective Services (e.g. fine or unsupervised bond)
- not having a system which accurately identifies and records details of finalised judicial outcomes of inmates released from remand.

Corrective Services agrees this indicator could be measured through linkage with BOCSAR. It believes further clarification of the counting rule and operational definition of the indicator would be required before the measure could be developed.

Prisoner Drug Testing

Recommendation

Corrective Services NSW should more closely examine how prisoners continue to access drugs in prison and increase its efforts to minimise drug use.

The table below shows that in 2012-13, 986 (749 in 2011-12) or 15.3 per cent (13.2 per cent) of randomly selected urine samples from prisoners tested positive to drugs. However, this percentage was much higher in targeted samples, where 1,218 (1,328) or 29.9 per cent (30.3 per cent) tested positive.

15.3 per cent of randomly selected urine samples from prisoners tested positive to drugs in 2012-13

Corrective Services considers these rates of use to be relatively low given the very high rates of alcohol and other substance problems among offenders. It also considers that because targeted urine testing only occurs when an officer reasonably suspects an offender is under the influence of a substance, it seems reasonable to expect targeted tests to have a higher proportion of positive results than random tests.

Year ended 30 June	2013			2012		
Types	Number of samples requested	Number of positive samples	%	Number of samples requested	Number of positive samples	%
Random samples	6,483	986	15.3	5,683	749	13.2
Program samples*	12,001	617	5.1	12,115	341	2.8
Target samples*	4,078	1,218	29.9	4,377	1,328	30.3

* Not subject to National counting rules. (See below for description of categories)

Note: These figures cover all Correctional Centres and Transitional Centres in NSW including those which are privately operated.

Source: Corrective Services NSW (unaudited).

Corrective Services started compulsory urine drug testing in 1988 to reduce the incidence of drug abuse, control the spread of infectious diseases, provide a remedial program for drug addicted inmates and reduce the negative effects of drug dealing and drug induced behaviour by prisoners. Urinalysis tests urine for drugs, most commonly drugs of abuse and various prescription drugs. There are three categories of testing in the correctional centres:

- random sampling - using a computer based random sampling program
- program (administrative) sampling - for offenders on pre-release programs such as works release and educational or vocational training
- target sampling - on forming a suspicion that a prisoner has been administered or under the influence of a drug.

The rate of positive results for both program samples and target samples is relatively low in privately run correctional centres compared to correctional centres run by Corrective Services. Corrective Services attributes this to the fact that privately operated centres do not provide medium or high intensity drug and alcohol treatment programs and higher risk offenders, with high levels of need for alcohol and drug treatment, are less likely to be housed in privately operated centres. In 2012-13, 4,012 individuals in custody attended an Alcohol, Drug and Addiction Program, an increase of 7 per cent on the previous year.

Young Offender Costs

Recommendation

The Department of Attorney-General and Justice should benchmark its costs of juvenile detention so it can assess its performance against other jurisdictions.

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

Year ended 30 June	2013*** \$	2012*** \$	2011** \$	2010* \$
Average annual cost per juvenile in custody	283,605	279,225	237,980	214,985
Average annual cost per juvenile in community based services	9,125	6,935	6,205	4,745
Average annual cost per juvenile in Youth Justice Conferencing	3,650	3,285	2,555	2,190

* Responsibility of the former Department of Juvenile Justice NSW.

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

*** Responsibility of the Department of Attorney-General and Justice.

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

The average annual cost per juvenile in custody is \$283,605

The average annual cost per juvenile in custody has increased by 31.9 per cent over the past four years

The average annual cost per juvenile in custody increased by 1.6 per cent in 2012-13 to \$283,605. However, it has increased by 31.9 per cent over the past four years. The Department advises this is due to the reduction in the average number of juveniles in custody over that time (see table below), as well as:

- higher levels of supervision in line with legislative requirements and to meet duty of care responsibilities and child protection requirements
- more staff required to facilitate out of cell activities, to re-engage juveniles back into education, to reduce the risk of self harm and support individual rehabilitation case plans and re-entry into the community
- specialist programs provided to address offending behaviour through assessment, case management consultation, individual and group counselling and psychological services
- economies of scale, site infrastructure costs allocated to less juveniles compared with larger numbers in the adult system.

In 2012, the average cost per juvenile in custody was 3.6 times more than that of an adult inmate

The increase in the average cost per juvenile in community-based services and in Youth Justice Conferencing is due to additional bail and administrative support staff.

The average cost per juvenile in custody is significantly higher than adults in custody. For the year ended 30 June 2012, the annual average cost per adult inmate was \$77,380 compared to \$279,225 per juvenile in custody.

In response to falling detainee numbers, the Department closed three surplus units across the State in 2012-13. It also handed back the Emu Plains Annexe to Corrective Services when the Cobham Centre upgrade was completed. There was also a reduction in positions across these centres, including two senior executive positions.

Capacity in Juvenile Justice Centres

At 30 June	Offenders in custody 2013	Capacity 2013	Offenders in custody 2012	Capacity 2012
Juvenile Justice NSW Centres total	324	431	353	501

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

The total number of young offenders in custody at 30 June 2013 decreased by 8.2 per cent compared to the previous year.

The Department advises the Attorney-General has requested an independent economic assessment of Juvenile Justice resourcing needs. This will be undertaken in 2013-14 and include examination of:

- the optimal cost per person per day for custodial supervision
- the optimal cost per person per day for community supervision
- a costing model for program and intervention delivery
- a resource allocation formula for managing offenders in custody and community.

NSW Police Force

Allocation of Police Officers

There is a difference between actual full-time equivalent (FTE) police officers compared to authorised positions in various regions. However, this shortfall has reduced since last year.

Difference between authorised and actual FTE	Authorised	Actual	Difference	Total on permanent modified duties
	FTE	FTE	FTE	FTE
NSW Police Officers at 30 June 2013	16,176	16,022	(154)	367

FTE: Full-time Equivalent

Source: NSW Police Force (unaudited).

Of the 16,022 FTE officers, 367 were on permanent modified duties. An officer on modified duties is still available for operational work or other core policing functions, with tasks modified to meet individual circumstances. The Force advises that police numbers fluctuate by several hundred throughout the year as a result of natural attrition and new graduates from the NSW Police Academy.

Rates of Crime

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

The number of crimes is trending downwards in New South Wales faster than the national average

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

Year ended 31 December	% inc/(dec) since 2008	2012	2011	2010	2009	2008
Crime Numbers						
NSW						
Murder	(2.6)	76	81	74	86	78
Attempted murder	(47.7)	34	59	42	50	65
Manslaughter	--	9	6	11	9	9
Assault	(13.9)	68,745	71,168	73,969	75,928	79,847
Sexual assault	(6.6)	6,671	6,001	6,436	7,210	7,140
Kidnapping/abduction*	(34.9)	351	408	329	384	539
Robbery	(37.0)	5,100	5,325	6,567	6,768	8,089
Unlawful entry with intent	(28.6)	57,461	67,410	68,652	70,693	80,433
Motor vehicle theft	(33.0)	17,199	18,446	19,409	22,400	25,654
Other theft	(1.1)	142,879	140,743	133,682	144,931	144,458
National						
Murder	(1.9)	255	243	231	263	260
Attempted murder	(31.2)	159	185	199	237	231
Manslaughter	33.3	40	30	30	30	30
Assault	na	na	na	na	na	na
Sexual assault	(9.2)	18,150	17,592	18,027	18,807	19,992
Kidnapping/abduction**	(18.4)	638	678	608	564	782
Robbery	(20.3)	13,153	13,653	14,631	15,238	16,508
Unlawful entry with intent	(11.4)	214,222	218,285	217,030	222,664	241,690
Motor vehicle theft	(14.2)	58,574	55,310	54,821	59,649	68,270
Other theft	0.8	500,552	490,059	465,547	478,807	496,697

na Data not available.

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

Source: Australian Bureau of Statistics (unaudited).

The downward trend since 2008 in most crime categories is better in New South Wales than the downward trend in the national figures.

Crime clearance rates in New South Wales remain below national averages although recording practices between states and territories differ

Crime Investigations

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

Year ended 31 December	% 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*
	2012	2012	2012	2011	2012	2012	2012	2011
Homicide	50.4	68.6	8/8	6/6	93.3	95.2	6/8	6/6
Robbery	35.9	37.3	5/8	7/8	66.1	79.0	8/8	7/8
Unlawful entry with intent	7.1	10.6	7/8	7/8	67.2	83.3	8/8	1/8
Motor vehicle theft	6.4	15.3	7/8	7/8	81.3	79.0	5/8	4/8
Other theft	13.1	16.1	6/8	6/8	70.6	78.9	5/8	4/8

* Information was not available in 2011 for all states/territories for all categories. The rankings range from one to eight (highest to lowest).

Source: Australian Bureau of Statistics (unaudited).

Overall clearance rates in New South Wales remain well below national averages. The Force advises recording practices are not consistent across state and territory police forces. The rankings are impacted by New South Wales being more likely to record incidents, even when there is no evidence available for investigation.

Crime Rejection

The NSW Police 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 Command performs regular reviews in cases 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 for the year.

Year ended 30 June Crime Categories	2013			2012		
	Crimes rejected	Total crimes reported	Percentage rejected (%)	Crimes rejected	Total crimes reported	Percentage rejected (%)
Robbery	325	4,642	7.0	310	5,022	6.2
Stolen vehicle	1,159	19,033	6.1	1,184	21,457	5.5
Fraud	2,775	51,983	5.3	1,893	40,285	4.7
Steal from person	448	8,362	5.4	442	9,037	4.9

Source: NSW Police Force (unaudited).

Total crimes reported in all categories, excluding Fraud, reduced from the previous year. The percentage of crimes rejected for robbery and stolen vehicles increased. Rejected incidents for stolen vehicles were mostly due to the owner forgetting where the car was parked or not realising a relative was in possession of the car. Most rejected incidents for robbery and 'steal from person' were the result of improbable or false reports of money being stolen, usually where victims were attempting to recover ill-spent losses, such as gambling losses.

Legal Aid Commission

Time Costing System

The Legal Aid Commission will take a staged approach to introducing an activity based costing (ABC) system

As recommended for the last two years, the Commission should establish and adhere to a timetable to implement an appropriate time costing system that meets the requirements of section 12 of the *Legal Aid Commission Act 1979*. In the absence of such a system, it is difficult to see how the Commission can demonstrate it provides legal aid in the most 'effective, efficient and economical manner'.

The Commission advised that a consultant was engaged by the project task force, resulting in recommendations about the best approach to implementation. Following these recommendations, the Commission will take a staged approach to introducing an activity based costing (ABC) system. During 2013-14 the Commission will produce a project plan and undertake development work towards piloting an ABC system of time costing in the latter half of 2014. This work, culminating in the pilot, is the first stage of implementation.

Immigration Services

Recommendations

The Legal Aid Commission should assess whether:

- a methodology can be established to enable the Commission to determine the cost of providing immigration services
- Australian Government funding is sufficient to cover the cost of providing immigration services.

The Commission has advised it currently does not have a methodology to enable it to determine the cost of providing immigration services. The number of services provided by the Commission in this area has increased due to the provision of additional Commonwealth funding, which recognised an underlying unmet demand for these services. The Commission considers demand for these services is likely to grow in the future. These services include:

- protection and humanitarian visas
- partner visas
- other family visas.

The increase is reflected in the following table, which shows a 116.9 per cent increase in the number of immigration services provided over the last three years.

Year ended 30 June	Number of services		
	2013	2012	2011
Legal advice (a)	1,919	1,177	930
Minor assistance (b)	692	242	134
Case grants (c)	135	197	202
Total	2,746	1,616	1,266

a Legal advice involves advising clients of their legal rights and obligations and legal course of action.

b Minor assistance involves telephone calls or documents drafted on clients' behalf.

c Case grants are monies granted to disadvantaged persons for legal assistance from Legal Aid or private lawyers.

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

The Commission should investigate ways to better cost its services in this area, and then review the cost of providing these services compared with funding levels. The Commission should consider whether the introduction of a new costing system, described above, could assist in this area.

The average cost per case for in-house practitioners is not assessed and compared to cases outsourced to the private sector

Cost per Case

Recommendation

Once a time costing system is in place, the Legal Aid Commission should compare the average cost of matters performed by in-house practitioners to the average cost of matters outsourced to the private sector. Significant variances in costs should be analysed and strategies developed to address the causes.

The Commission advises it is difficult to assess the average cost per case matter for its in-house practitioners. It does not capture costs for some services its in-house practice provides, such as duty solicitor services, community legal education, advice and minor work.

Applications for Legal Aid Refused

The table below shows applications for legal aid refused as a percentage of total applications.

Year ended 30 June	Percentage of applications refused				
	2013**	2012	2011	2010	2009*
Criminal law program	12.8	12.1	11.4	11.3	8.5
Family law program	26.6	25.6	26.5	24.2	27.3
Civil law program	42.7	37.8	39.7	42.4	41.6

* Introduction of new grant and case management systems in 2008-09 improved the Commission's recording and reporting capabilities.

** A new Business Intelligence solution implemented in 2013 has provided more consistent and accurate reporting. Figures prior to 2012-13 are not calculated on precisely the same bases as figures for 2012-13.

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

There was a 4.9 per cent increase (1.9 per cent decrease in 2011-12) in applications refused for the civil law program, largely due to the Commission's policy changes restricting the availability of legal aid for State civil law matters.

Other Information

Corrective Services

Excessive Annual Leave (Repeat Issue)

Recommendation

Corrective Services NSW should take steps to comply with the Treasury policy on excessive annual leave balances.

As recommended last year, the Department should review the effectiveness of its policies for managing excessive annual leave balances.

At 30 June 2013, Corrective Services had 1,707 employees (1,703 at 30 June 2012) with more than 40 days of accrued annual leave. The highest employee leave balance was 152 days (157 days).

Overtime (Repeat Issue)

Recommendation

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

In 2012-13, Corrective Services' overtime payments increased by 20 per cent to \$18.0 million (\$15.0 million). While the number of employees paid overtime fell to 3,498 (4,023), employees receiving payments equal to or exceeding 50 per cent of their base pay increased to 34 (12). Unplanned absences were the largest driver of overtime. The Department's internal auditor reviewed overtime payments in April 2013 and has identified opportunities to reduce overtime costs.

Corrective Services NSW must do more to address excessive annual leave balances and excessive overtime payments

Office of the Director of Public Prosecutions

Sick, Annual and Flex Leave

The Office of the Director of Public Prosecutions (the Office) continues to focus on managing sick leave. The increase in sick leave expense in 2012-13, as shown in the table below, was due to some senior staff taking long-term sick leave. Individual medical restrictions challenge the Office's ability to reduce the overall number of injured workers who remain off duty. The Office advises it continues to ensure injured workers return to work as soon as they are deemed medically fit to resume duties.

Year ended 30 June	2013 \$'000	2012 \$'000	2011 \$'000	2010 \$'000	2009 \$'000
Sick leave expense	2,092	1,780	2,167	1,505	1,594

The Office had 68 employees with annual leave balances of 40 days or more as at 30 June 2013. It advises it has initiatives in place to address excessive annual leave balances, such as monthly monitoring by the Office's management committee.

Recommendation

The Office of the Director of Public Prosecutions should continue its efforts to implement a strategy to reduce excessive employee flex leave balances.

Managing excessive flex leave is a continuing issue for the Office. Accumulated employee flex leave increased to 22,085 hours at 30 June 2013 (21,654 hours at 30 June 2012). On average this represents 40.1 (39.5) hours per employee and 171 (145) employees had flex leave balances of 50 hours or more. One employee had a flex leave balance of 285 hours at 30 June 2013.

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 advises it reviews outstanding flex leave at each management committee meeting and develops leave plans with the employees to try and reduce excessive balances.

Given the extent of flex leave balances, it is timely for the Office to review its flexible working arrangements and the agreement with the Public Service Association, entered into in April 2004.

Legal Aid Commission

Effectiveness of Internal Audit

Last year's Report to Parliament recommended the Commission ensure sufficient internal audit work is performed each year to give those charged with governance confidence in the system of internal controls.

Five internal audits were conducted in 2012-13 focusing on the Commission's risks, and the ARC approved a three year risk mitigation strategy and a three year internal audit plan, with six audits scheduled in each year. I am now satisfied that this recommendation has been addressed.

The Office of the Director of Public Prosecutions has challenges in managing growing sick and flex leave balances

Review of Sentencing Laws

In July 2013, the NSW Law Reform Commission submitted a report on sentencing to the Attorney-General for New South Wales. It made nearly 100 recommendations about diverse issues such as the principles of sentencing, aggravating and mitigating factors, custodial and non-custodial sentences, and diversionary programs.

The report recommendations aim to:

- achieve a sentencing regime that is fair for offenders, victims and the community as a whole
- reduce the complexity of sentencing law and deliver transparency and consistency in approach
- develop a range of sentencing options that are flexible to the circumstances of the case and that promote prevention and reduction of re-offending.

The Commission recommended a revised Crimes (Sentencing) Act to replace the *Crimes (Sentencing Procedures) Act 1999*, but preserves many of its provisions.

The Government is considering these recommendations and will decide how best to improve sentencing laws.

Financial Information

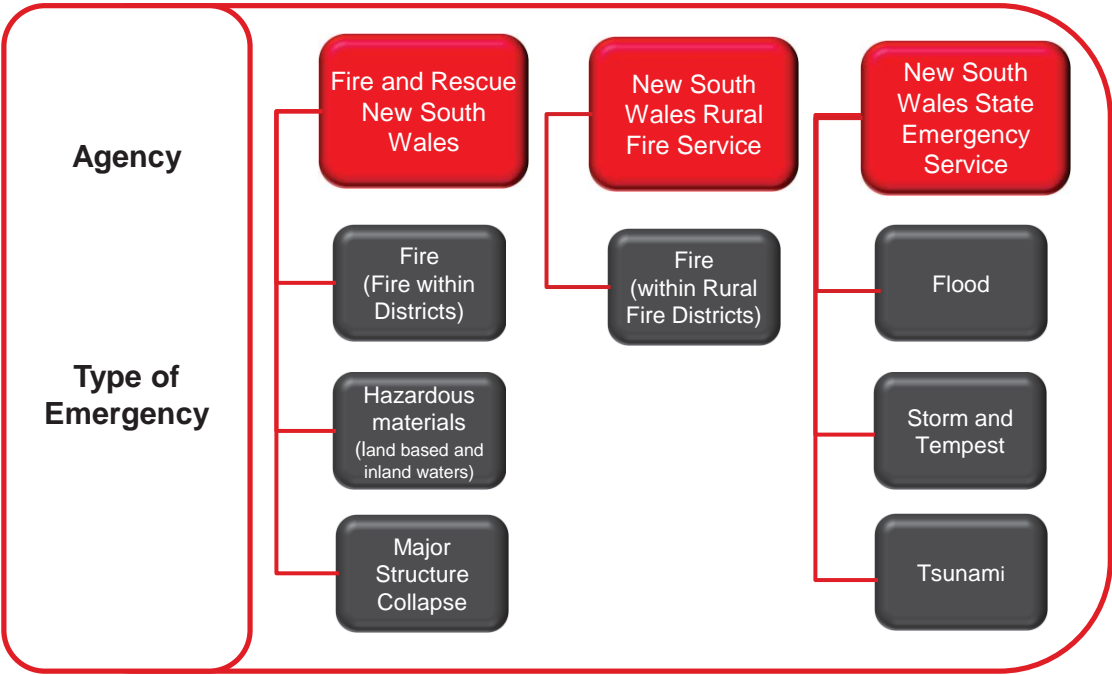
	Attorney-General and Justice		Director of Public Prosecutions		Legal Aid Commission		NSW Police	
	2013 \$m	2012 \$m	2013 \$m	2012 \$m	2013 \$m	2012 \$m	2013 \$m	2012 \$m
Statement of Comprehensive Income (abridged)								
Year ended 30 June								
Employee related expenses	1,333	1,446	86	90	91	91	2,515	2,571
Depreciation and amortisation	170	168	3	3	6	5	137	126
All other expenses excluding losses	4,014	4,142	20	19	139	148	482	466
Total expenses	5,517	5,756	109	112	236	244	3,134	3,163
Government contributions	5,199	5,384	105*	106	180	175	3,163	3,310
All other revenue	539	373	2	4	67	69	107	88
Total revenue	5,738	5,757	107	110	247	244	3,270	3,398
(Losses)/gains	(5)	(19)	--	--	--	1	(5)	2
Other comprehensive income – asset revaluations	68	27	--	--	--	--	33	16
Other comprehensive income – superannuation – actuarial gains/(losses)	28	(64)	--	--	11	(28)	--	--
Total comprehensive income/(expense)	312	(55)	(2)	(2)	22	(27)	164	253
Statement of Financial Position (abridged)								
At 30 June								
Current assets	167	179	6	7	86	84	186	206
Non-current assets	3,936	3,885	12	13	16	17	1,713	1,647
Total assets	4,103	4,064	18	20	102	101	1,899	1,853
Current liabilities	375	396	14	15	68	88	478	580
Non-current liabilities	250	502	2	2	4	5	231	247
Total liabilities	625	898	16	17	72	93	709	827
Net assets	3,478	3,166	2	3	30	8	1,190	1,026

* The Director of Public Prosecutions received \$101 million in capital and recurrent appropriations directly from Treasury.

Emergency Services

The State Emergency Management Plan (EMPLAN) 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, that requires a significant and coordinated response.

EMPLAN identifies the NSW Government agencies with responsibilities for responding to emergencies. The following table outlines some key emergency service agencies and their responsibilities as outlined by EMPLAN.



Audit Opinions

I issued unqualified audit opinions on Fire and Rescue New South Wales (Fire and Rescue NSW) and New South Wales Rural Fire Service's (NSW Rural Fire Service) 30 June 2013 financial statements.

The New South Wales State Emergency Service audit is ongoing.

Compliance with Treasury's Early Close procedures

During the year, The Treasury issued TC 13/01 'Mandatory early close procedures for 2013'. This Circular aimed to improve the quality and timeliness of agencies' annual financial statements. In 2012-13, application of the circular was made mandatory for most government agencies. As a result, the emergency services agencies were required to perform early close procedures.

All the emergency services agencies were broadly successful in performing the procedures, which helped them submit financial statements by an earlier due date. This in turn enabled the financial statement audits to be finalised within an earlier timeframe of eight weeks (nine weeks in 2011-12), with the exception of NSW State Emergency Services' audit, which is yet to be finalised.

The early close procedures also resulted in improvements to the quality of the financial statements as evidenced by fewer reported misstatements in 2012-13 compared to 2011-12.

Key Issues

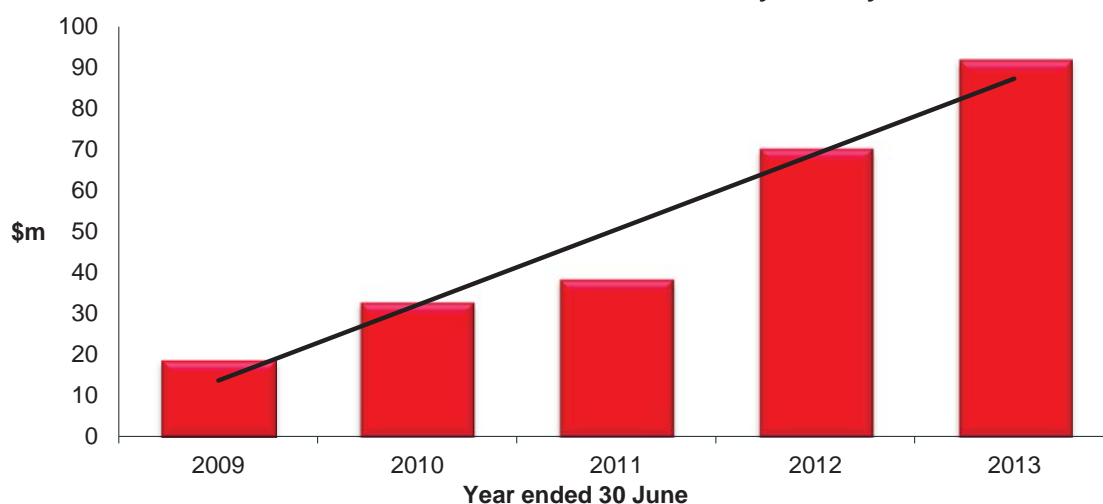
Death and Disability Schemes

Different funds have been set up for employees and volunteers in the event they are injured in the course of approved emergency activities.

The Workers Compensation (Bush Fire, Emergency and Rescue Services) Act 1987 provides compensation coverage for Rural Fire Fighters, Emergency Service and Rescue Association volunteers. The Act establishes schemes funded through the Bush Fire Fighters Fund and the Emergency and Rescue Workers Compensation Fund. NSW Rural Fire Service funds the Bush Fire Fund while the NSW Government and NSW State Emergency Service fund the Emergency and Rescue Workers Compensation Fund. These funds are managed by the WorkCover Authority of New South Wales.

The Fire and Rescue NSW Death and Disability Scheme came into effect in 2003, to fund death, total and permanent incapacity and partial and permanent incapacity insurance benefits for permanent and retained firefighters. All partial and permanent incapacity payments are made by Fire and Rescue NSW while death and total and permanent incapacity payments are paid by the Crown Employees (NSW Fire Brigades Firefighting Staff Death & Disability) Superannuation Fund (Crown Fire Fund).

Fire and Rescue NSW Death and Disability Liability



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

There was a 30.7 per cent increase in the total death and disability liability from \$70.3 million in 2011-12 to \$91.9 million in 2012-13.

The increase in the liability was mainly due to higher future expected liabilities for death and total and permanent incapacity. Fire and Rescue's actuary reported this increase in claims was due to increased awareness of the death and disability scheme and a lack of suitable positions for firefighters unable to return to their roles. For more information on the Crown Fire Fund, refer to Volume Seven of the 2013 Report to Parliament.

Other Information

Financial Arrangements

The emergency services agencies received total revenue of \$1,108 million in 2012-13 (\$1,051 million in 2011-12). The bulk of this revenue, \$937 million in 2012-13, was from contributions from the insurance industry, local government councils and State Government grants/appropriations, as shown in the table below:

Year ended 30 June	2013 \$m	2012 \$m
Provider		
Insurance industry	691	710
Local government councils	110	109
State government grants/appropriations	136	119
Total	937	938

Source: Fire and Rescue New South Wales (audited), New South Wales Rural Fire Service (audited) and New South Wales State Emergency Service (unaudited).

The total contribution required from contributors is determined by the Minister for Police and Emergency Services and is subject to the Treasurer's agreement. The total contribution is based on the agencies' estimated expenditure.

This funding does not cover all costs incurred by agencies in responding to natural disasters. Most of these costs are recovered/funded through natural disaster relief arrangements with the State and Australian Governments. This is discussed below.

Total expenses incurred by the key emergency agencies amounted to \$1,106 million in 2012-13 compared to \$1,033 million in 2011-12. The most significant cost for the agencies is employee related expenses which amounted to \$631 million in 2012-13 (\$653 million in 2011-12). These agencies had combined total assets of \$929 million at 30 June 2013 (\$844 million at 30 June 2012) and total liabilities of \$307 million at 30 June 2013 (\$264 million).

The agencies generally break-even and their combined net result was a surplus of \$2.0 million for the year ended 30 June 2013 (\$18.0 million for the year ended 30 June 2012).

For financial information relating to each of the emergency services agencies, refer to abridged financial information at the end of this overview.

Overtime

	Fire and Rescue NSW		NSW Rural Fire Service		NSW State Emergency Service		Total	
Year ended 30 June	2013	2012	2013	2012	2013	2012	2013	2012
Total overtime costs (\$'000)	16,279	25,013	4,339	1,572	1,459	3,315	22,077	29,900

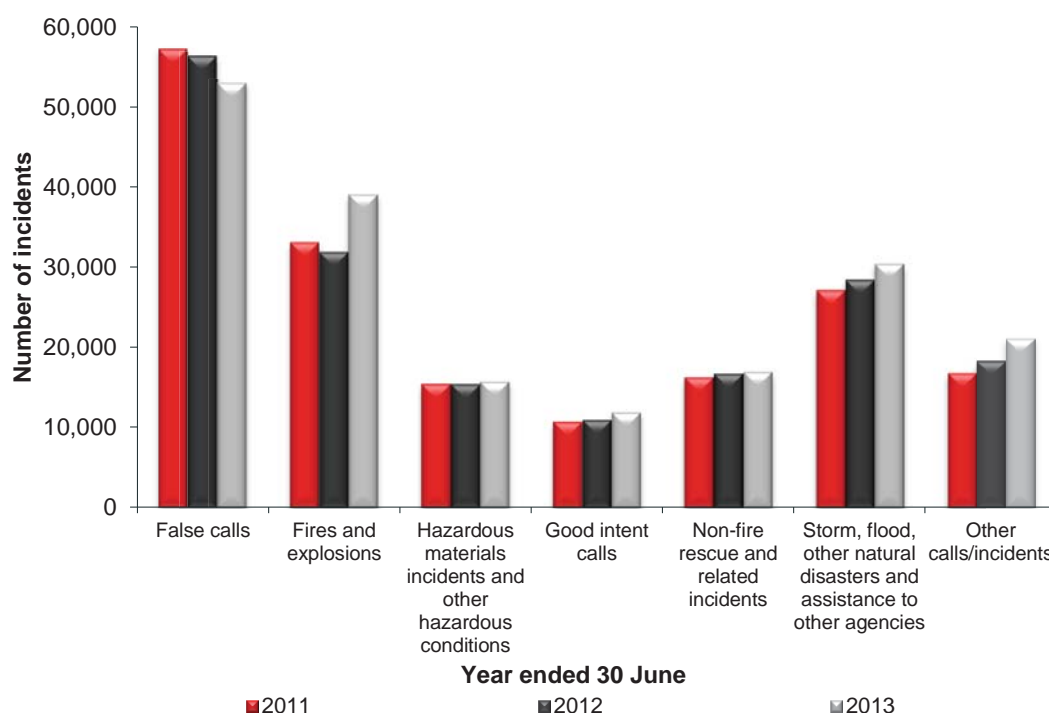
Source: Fire and Rescue New South Wales (audited), New South Wales Rural Fire Service (audited) and New South Wales New South Wales State Emergency Service (2013 unaudited, 2012 audited). The overtime costs include those incurred in natural disaster events, some of which may be recoverable from the State and Australian Governments.

Costs of providing emergency services exceeds \$1.1 billion

Total overtime costs incurred by the three agencies fell by \$7.8 million (26.2 per cent) to \$22.1 million (\$29.9 million in 2011-12). The fall was due to reductions in overtime costs at Fire and Rescue NSW (\$8.7 million) and NSW State Emergency Service (\$1.9 million) offset by an increase in overtime costs at NSW Rural Fire Service (\$2.8 million). The increase in overtime costs at NSW Rural Fire Service corresponded to twenty three declared natural disaster bush fire incidents in 2012-13. The fall in overtime costs at Fire and Rescue NSW were a direct result of management initiatives to effectively manage unplanned absences coupled with fire station management.

Incidents

In aggregate, the key emergency services agencies responded to the following incidents:



Emergency Service Agencies attended 188,458 incidents in 2012-13, 5.6 per cent more than 2011-12

Source: Fire and Rescue New South Wales, New South Wales Rural Fire Service and New South Wales State Emergency Service (unaudited).

The number of incidents measures community demand for emergency service agencies' response services. Total community demand for these services increased by 5.6 per cent to 188,458 incidents in 2012-13 (178,485 incidents in 2011-12). This was largely attributable to a 22 per cent increase in fire and explosion incidents and a seven per cent increase in storm, flood, other natural disasters and assistance to other agencies. Demand for other calls and incidents also continued to increase.

Response Times

Fire and Rescue NSW

Response time is the interval between a call being received by the Fire and Rescue NSW dispatch centre and the arrival of a firefighting vehicle at the scene. It comprises time for call processing, turnout and travel. Response times within the fiftieth and ninetieth percentiles means 50 per cent and 90 per cent of the first responding fire engines will arrive at the scene within this time. Response times reflect the efforts of fire services to reduce the adverse effects of fire on the community through timely response.

Fire and Rescue NSW's response times for structural fires have been largely static as shown in the table below.

Percentage of first responding fire engines arriving at the scene of an incident	Response time in minutes and seconds					
	Year ended 30 June	Five year average	2013	2012	2011	2010
50%	7:40	7:30	7:46	7:43	7:45	7.40
90%	11:55	12:10	11:55	11:51	11:52	11.51

Source: Fire and Rescue New South Wales (unaudited), five year calculated average.

NSW State Emergency Service

NSW State Emergency Service tracks response times for three types of incidents. Response time is the interval between the receipt of the call by the communications centre (of the primary rescue agency) and the arrival of the primary rescue unit at the scene.

The Service's average response time for community first responder incidents increased from 18 minutes in 2011-12 to 20 minutes in 2012-13, and the average response time for vertical rescue incidents decreased from 48 minutes in 2011-12 to 41 minutes in 2012-13. Response time for road crash rescue remained the same when compared to 2011-12. This is shown in the table below.

Incidents	Fastest response time		Slowest response time		Average response time	
Year ended 30 June	2013	2012	2013	2012	2013	2012
Road Crash Rescue	1:00	1:00	90:00	120:13	21:00	21:00
Community First Responder	1:00	1:00	95:00	64:00	20:00	18:00
Vertical Rescue	11:00	15:00	114:00	103:00	41:00	48:00

Source: New South Wales State Emergency Service (unaudited). Time in minutes and seconds

NSW Rural Fire Service

Due to significant bush fire combat operations occurring at the time of preparing this report, the NSW Rural Fire Service was unable to provide information on response times before publishing.

Natural Disasters

The following natural disasters were declared:

Year ended 30 June	No. of declarations		No. of local government areas (LGA) affected	
	2013	2012	2013	2012
Bushfires	23	2	88	1
Flood and storm	4	2	40	2
Floods	--	3	--	95
Storms	2	1	5	8
Dust storm	--	--	--	--

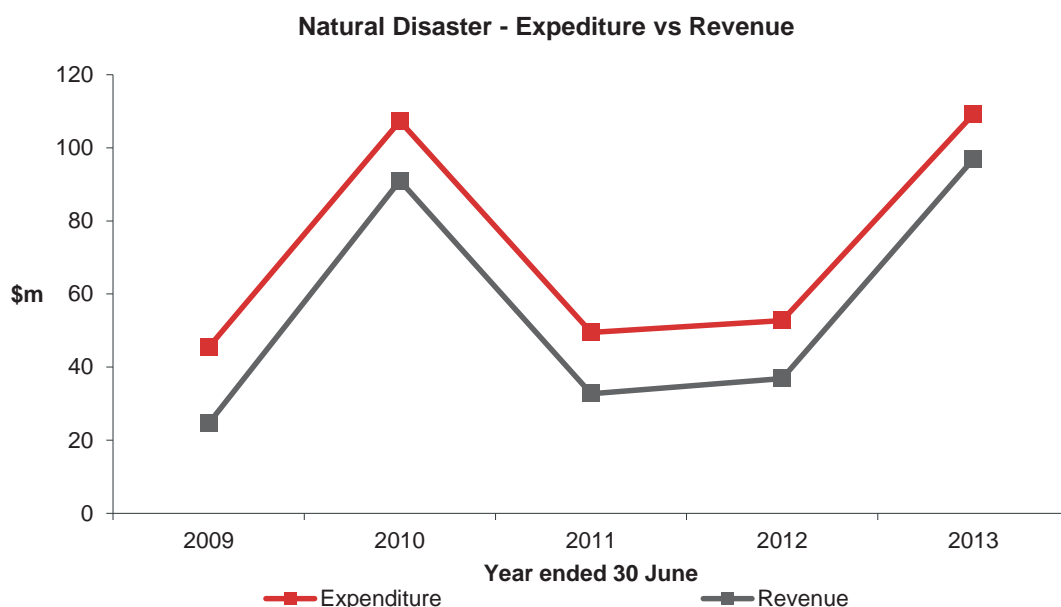
Source: Ministry of Police and Emergency Services (unaudited). If a LGA was declared twice during the year, the LGA was only reported once in the table above.

Twenty three declared bushfire events occurred in 2012-13, which affected 88 local government areas. In 2011-12, three floods events were declared, which affected 95 local government areas.

Natural disaster costs of \$282 million have been recouped from the State and Australian Governments over the past five years

Natural disasters are declared when damage to public assets and associated disaster recovery costs exceed \$240,000. Declaration of a natural disaster allows emergency service agencies to recover costs incurred on a natural disaster from the Crown Entity. The Crown Entity is then able to recover some of these costs from the Australian Government based on criteria set in the Natural Disaster Relief and Recovery Arrangements Determination.

Over the last five years, emergency service agencies have spent \$364 million on natural disaster events and recouped \$282 million from the State and Australian Governments as shown in the graph below.



Source: Fire and Rescue New South Wales (audited), New South Wales Rural Fire Service (audited) and New South Wales State Emergency Service (unaudited).

Natural disaster expenses and revenues have been trending upwards, with spikes in 2009-10 and 2012-13 during the bushfire seasons in New South Wales.

Not all natural disaster expenses incurred by emergency service agencies can be recovered from the State and Australian Governments. Emergency service agencies can only claim recovery after their costs exceed their annual disaster response services appropriation funding from the NSW Government, and where the costs per declared natural disaster event exceed \$240,000.

In total, emergency service agencies incurred costs of \$109.2 million in 2012-13 (\$52.7 million in 2011-12) on natural disasters. The \$56.5 million, or 107 per cent increase, was primarily due to the December 2012 and January 2013 bushfires.

Hazard Reduction

The NSW Rural Fire Service is the lead agency for coordinated bush fire fighting and is also responsible for fires and related emergency incidents within Rural Fire Districts.

The Service carries out and/or oversees hazard reduction activities to minimise the threat of damage to life, property and the environment by reducing or removing bushfire fuel. Hazard reduction does not completely stop bushfires, but helps the Service and other fire fighting agencies with containment strategies and property protection. Burning is the most common form of hazard reduction in New South Wales.

The Service monitors the level of its hazard reduction activities through two measures: the annual average level of area treated by hazard reduction (in hectares); and the number of properties protected by hazard reduction works across all bush fire prone land.

The volume of hazard reduction activity carried out more than doubled from 138,211 hectares in 2011-12 to 281,483 hectares in 2012-13

Year ended 30 June	2013	2012	2011	2010	2009
Total hectares of hazard reduction works completed	281,483	138,211	117,634	174,706	123,355
Number of properties protected by hazard reduction works across all bush fire prone land tenures	146,292	165,945	167,533	154,211	118,021

Source: New South Wales Rural Fire Service (unaudited).

The land area covered by hazard reduction activity more than doubled from 138,211 hectares in 2011-12 to 281,483 hectares in 2012-13. The increase in hazard reduction activity positively correlates with dry weather. Wet weather reduces the number of opportunities to conduct hazard reduction burning. Hazard reduction activities increased in 2009-10 and 2012-13 when active bush fire seasons occurred. Seventy four per cent (2011-12: 36 per cent) of hazard reduction occurred within National Parks.

Staffing and Volunteering

Recommendation

Fire and Rescue NSW and NSW State Emergency Services should continue to develop comprehensive volunteer workforce management plans and implement strategies to ensure they have sufficient volunteer resources.

Emergency services agencies use a range of people to achieve their objectives as shown below.

Year ended 30 June	Full-time		Retained (part-time)		Volunteers		Total	
	2013	2012	2013	2012	2013	2012	2013	2012
Fire and Rescue NSW	3,869	3,918	3,368	3,323	7,200	7,000	14,437	14,241
NSW Rural Fire Service	846	908	--	--	71,976	70,246	72,822	71,154
NSW State Emergency Service	251	246	--	--	8,767	8,362	9,018	8,608
Total	4,966	5,072	3,368	3,323	87,943	85,608	96,277	94,003

Source: Fire and Rescue New South Wales, New South Wales Rural Fire Service and New South Wales State Emergency Service, (unaudited).

Volunteers are a key resource to the emergency services agencies. Some emergency service agencies did not have detailed volunteer workforce plans in place. Failing to have effective plans to manage volunteer operational bases increases the risk of agencies not having appropriate resources in place to achieve their objectives.

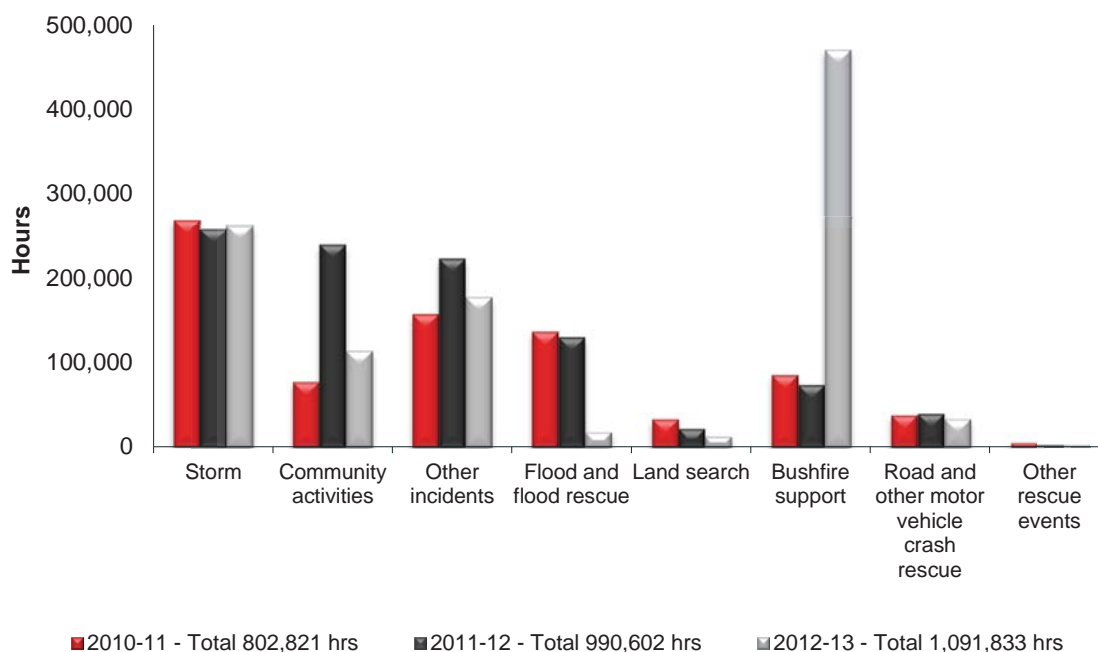
The number of volunteers increased to 87,943 in 2012-13, while volunteer hours increased by 10.2 per cent to 1.1 million hours

The three key emergency service agencies' total volunteer head count increased by 2,335 or 2.7 per cent to 87,943 at 30 June 2013 (85,608 at 30 June 2012).

These agencies face challenges recruiting and retaining volunteers because of the ageing population, changes in work patterns, increased shift work and people moving to larger centres.

The NSW State Emergency Service and University of Wollongong is conducting a research program on volunteering retention issues as part of the Bushfire and Natural Hazards Cooperative Research Centre.

Total Volunteer Hours Across Key Emergency Service Agencies



Source: Fire and Rescue New South Wales, New South Wales Rural Fire Service and New South Wales State Emergency Service, (unaudited).

Volunteer hours are an indicator of volunteers' engagement with the emergency service agencies. Total volunteer hours have increased by 10.2 per cent since 2011-12 to 1.1 million hours. This increase occurred in the bushfire support category, offsetting declines in most other categories. Volunteer hours in the 'community activities' category appears substantially lower in 2012-13 as Fire and Rescue NSW did not centrally record this data in that year.

Average hours volunteered by each volunteer increased by 0.8 hours or 7.3 per cent across the three emergency services agencies in 2012-13, as shown in the table below.

Year ended 30 June	2013	2012	2011
Average hours per volunteer	12.42	11.57	9.08

Source: Volunteer hours divided by total volunteer headcount; supplied by Fire and Rescue New South Wales, New South Wales Rural Fire Service and New South Wales Emergency Service, (unaudited).

Other Emergency Services Entities

A range of other entities are involved in ensuring coordinated and effective emergency services in New South Wales. Only high level information on these entities' functions appears below as they are not considered material by the size or nature of their operations, and no significant issues or risks were identified during their audits. For further information, refer to www.emergency.nsw.gov.au.

Ministry for Police and Emergency Services

The Ministry for Police and Emergency Services 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, Ministerial Liaison Unit of the NSW Police Force 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.

The Ministry was accountable for the centralised billing and collection of funding contributions on behalf of Fire and Rescue NSW, NSW Rural Fire Service and NSW State Emergency Service.

State Emergency Management Committee

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

- continually reviewing the effectiveness of the State Emergency Management 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 to manage 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 Coordinating Committee

The Bush Fire Coordinating 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:

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

Financial Information

	Fire and Rescue NSW		NSW Rural Fire Service		NSW State Emergency Service		Total	
	2013 \$m	2012 \$m	2013 \$m	2012 \$m	2013 \$m	2012 \$m	2013 \$m	2012 \$m
Statement of Comprehensive Income (abridged)								
Year ended 30 June								
Employee related expenses	511	529	91	95	29	29	631	653
Depreciation and amortisation	44	40	5	4	4	4	53	48
All other expenses excluding losses	89	77	278	187	55	68	422	332
Total expenses	644	646	374	286	88	101	1,106	1,033
Contributions	592	602	357	284	94	94	1,043	980
All other revenue	49	54	14	13	2	4	65	71
Total revenue	641	656	371	297	96	98	1,108	1,051
Net result – (deficit)/surplus	(3)	10	(3)	11	8	(3)	2	18
Other comprehensive income/(expenses)	35	(7)	5	(15)	--	(1)	40	(23)
Total comprehensive income/(expense)	32	3	2	(4)	8	(4)	42	(5)
Statement of Financial Position (abridged)								
At 30 June								
Current assets	167	156	66	61	25	19	258	236
Non-current assets	631	575	21	18	19	15	671	608
Total assets	798	731	87	79	44	34	929	844
Current liabilities	165	139	56	44	14	13	235	196
Non-current liabilities	54	44	18	24	--	--	72	68
Total liabilities	219	183	74	68	14	13	307	264
Net assets	579	548	13	11	30	21	622	580

Source: Fire and Rescue New South Wales (audited), New South Wales Rural Fire Service (audited) and New South Wales State Emergency Service (2013 unaudited, 2012 audited).

Section Two

Agencies with Individual Comments

NSW Trustee and Guardian

NSW Police Force

A large, abstract graphic 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 charcoal grey. They overlap in the bottom right corner, creating a layered effect.

NSW Trustee and Guardian

Audit Opinion

I issued an unqualified audit opinion on the NSW Trustee and Guardian's (Trustee and Guardian) 30 June 2013 financial statements.

Compliance with Treasury's Early Close procedures

During the year, The Treasury issued TC 13/01 'Mandatory early close procedures for 2013'. This Circular aimed to improve the quality and timeliness of agencies' annual financial statements. In 2012-13, application of the circular was made mandatory for most government agencies. As a result, the Trustee and Guardian was required to perform early close procedures.

The Trustee and Guardian was broadly successful in performing the procedures, which helped it submit financial statements by an earlier due date. This in turn enabled the financial statements audit to be finalised within an earlier timeframe of eight weeks (nine weeks in 2011-12).

Operational Snapshot

The Trustee and Guardian provides:

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

All moneys held on behalf of clients are in trust funds (Common Funds) and invested.

References in this comment to Trustee Services relate to activities of the former Public Trustee NSW, while references to Financial Management relate to activities of the former Office of the Protective Commissioner.

Key Issues

Significant Internal Control deficiencies

Recommendation

The NSW Trustee and Guardian should continue to promptly action all internal audit findings within a timeframe agreed with the audit and risk committee.

The Trustee and Guardian's internal audits over the past few years have identified significant internal control deficiencies. Of the findings, 13 were carried over from 2011-12 for actioning, while 41 findings were identified in 2012-13 which required some 70 specific actions to address. At 1 July 2013, 51 action items were completed, and 32 were outstanding, of which 13 were overdue.

The Trustee and Guardian has an active internal audit function, which identifies and reports potential risks to safeguarding and managing client assets and finances, and the extent and nature of internal control deficiencies.

Internal audit work in 2012-13 included a follow-up review of all findings and related actions identified since 2009-10. The review found 30 of 59 high risk actions were either incomplete or partially completed, and 15 out of 23 moderate or low risk actions were incomplete or partially completed.

The extent and nature of internal control deficiencies which continue to be identified is concerning due to the potential risks to client assets

The main high risk areas where the findings have not yet been fully addressed include the following:

- the Property Branch requires processes and controls to be strengthened in management reporting, retention of documentation, engagement of external agents, valuation of client properties and stocktakes of the securities room to ensure client personal properties reflect their records. In relation to the engagement of external agents, Trustee and Guardian advises the establishment of panel arrangements for the provision of goods and services to clients has now commenced
- the Business Services Group requires a formal Service Level Agreement with the Department of Attorney-General and Justice. Internal audit also listed some system requirements that are still outstanding and which were noted in reports since 2009-10. Internal audit suggested they should be incorporated into Trustee and Guardian's new client management system which is currently being developed
- the Client Services Group needs to update policies and procedures regarding restricting access to clients' bank accounts, purchase of motor vehicles and property acquisitions. The review of all files subject to section 71 of the *NSW Trustee and Guardian Act 2009* also needs to be completed to ensure they are accurate, complete and valid. Section 71 gives the Trustee and Guardian the power to allow the client to manage their own estate
- Finance and Funds Management Group requires the Business Services Group to incorporate fee waivers in the new information technology system to allow senior management to analyse fee waivers
- Records Management Group should ensure that staff understand their responsibilities and provide them training in records management.

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

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

The variable nature of these transactions means they need more manual intervention than standard/regular payments. This makes establishing and maintaining a strong control environment more difficult, but more important.

The Trustee and Guardian advises that implementation of a new client information management system in 2014 will improve the control environment. It also advises that control improvements recommended by an expert in transactional banking fraud have been incorporated into the specifications of the new system.

Internal audit findings are reported regularly to the audit and risk committee, which actively monitors and follows up outstanding recommendations.

Ombudsman's Review

The NSW Ombudsman completed a review of issues relating to the administration of financial estates by Trustee and Guardian in December 2011. The Trustee and Guardian advises it has implemented improvements to the satisfaction of the Ombudsman in the identified key areas. It advised that progress with implementation is as follows:

Adequacy of Supervision and Support provided to Staff

The supervision policy has been updated and issued to staff, who are also receiving ongoing supervision training. Team meetings are scheduled and recorded each year. Internal audit will conduct random branch audits for compliance with the supervision requirements.

NSW Trustee and Guardian is making progress in addressing the Ombudsman's recommendations

Significant Delays in Identifying and Securing Client Assets and Establishing Relationships with Clients and their Families

Under the new arrangements, the intake team identifies and refers assets to the appropriate specialist teams through a risk management triage system, and establishes Trustee and Guardian's relationship with the client and their family. The number of overdue files (greater than six months) within the intake team had almost halved by the end of February 2013. Client file numbers and timeframes are now reviewed and reported on a monthly basis and monitored by management.

Inadequate Management of Financial Assets

The Trustee and Guardian valued client properties and reviewed and updated the property register to ensure it is accurate. The Trustee and Guardian performed a stocktake of personal effects on behalf of clients. The Trustee and Guardian has implemented procedures to perform regular valuations of properties and regular stocktakes of clients' personal effects.

Poor Documentation Management Processes

The Trustee and Guardian has a plan to train staff in records management requirements to address the identified deficiencies around its document management processes. It is also currently undertaking a records storage audit to determine requirements for now and into the future.

Potential Frauds Identified

The Trustee and Guardian is responsible for ensuring probity in processes on behalf of their financially managed clients. It performs procedures to ensure payments made on the clients' behalf are legitimate, as Trustee and Guardian's client base is especially vulnerable.

During the year, the Trustee and Guardian identified an anomaly in payment requests for financially managed clients living in homes managed by the Department of Family and Community Services – Ageing Disability and Homecare (ADHC). Pre-paid funeral plans were inappropriately signed by an ADHC employee on behalf of residents of the home. The Trustee and Guardian referred this matter to the Professional Standards unit at ADHC for investigation.

As a result, all other contracts were reviewed by the Trustee and Guardian for appropriateness, whereby other potential fraudulent activities were identified, relating to:

- a manager and an external accountant working in collusion at an ADHC group home, which was referred to the police
- an employee at a Jewish Care nursing home, where the matter was also referred to the police
- possible over-servicing identified by a chemist for residents of a nursing home. This is still under investigation
- attempted fraud at one of the banks, which is still under investigation.

Performance Information

The Trustee and Guardian advises that benchmarking against similar entities in other States is not possible as each State has different ways of charging clients and different applicable legislation, service standards and types. I am therefore unable to compare the Trustee and Guardian's performance information with similar entities in other jurisdictions.

A number of potential frauds were identified relating to the NSW Trustee and Guardian's clients

Client Satisfaction

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

Year ended 30 June	Actual				
	2013	2012	2011	2010	2009
Customer satisfaction index - Trustee Services	94	95	94	84	87
Customer satisfaction index - Financial Management	62	60	66	na	na
Complaints received – number	349	386	377	287	na

na Not available.

Source: NSW Trustee and Guardian (unaudited).

The Trustee Services customer satisfaction index has remained stable, and at a high level. The customer satisfaction index for Financial Management clients has increased marginally since last year.

Further analysis of the Financial Management index shows it increased from 52 to 58 per cent for directly managed clients and decreased from 68 to 66 per cent for privately financially managed clients. The Trustee and Guardian advises that strategies are being implemented to improve Financial Management customer satisfaction.

It also advises the difference in satisfaction ratings between Trustee Services and Financial Management clients is mainly due to Financial Management clients being required by an order of a court or tribunal to use the Trustee and Guardian, whereas Trustee Services clients voluntarily choose the Trustee and Guardian. Financial Management clients may be unhappy and/or do not understand the need for the order.

Complaints made to the Trustee and Guardian decreased during 2012-13. Over half the complaints related to delays in responses, decisions and the provision of information. A significant proportion of the complaints (222) came from the Financial Management area of operations.

Trustee Services Performance

The 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	
	2013	2013	2012	2013	2013	2012
Estate administration	1,600	1,691	1,521	450	563	497
Trust duties	800	1,050	805	50	54	43
Power of attorney services	79	55	62	26	19	31
Will making	10,000	9562	9,290	N/A	N/A	N/A

N/A not applicable.

Source: NSW Trustee and Guardian (unaudited).

In 2012-13, the number of new matters increased for all business categories except for Powers of attorney services which were below target and decreased by 11.3 per cent.

The value of Estates administration was 25.1 per cent above target and the value of Trust duties was eight per cent above target. The Trustee and Guardian attributes this to intensive advertising and marketing activities undertaken during the previous and the current years, which included campaigns to promote pre-planning instruments, community outreach programs and other key campaigns such as Seniors' Week.

The Trustee Common Fund represents funds from client matters arising from the Trustee and Guardian's role as executor, trustee or attorney.

Trustee clients' funds managed were:

Year ended 30 June	2013 \$'000	2012 \$'000
Common Fund investments	1,135,113	1,102,145
Real property	384,466	323,019
Other assets	406,076*	254,293
Total net assets directly managed	1,925,655	1,679,457

* Includes \$121 million of Trustee client investments held in the Financial Management Common Fund.

Source: NSW Trustee and Guardian (unaudited).

Financial Management Performance

Funds Managed

The Trustee and Guardian provides financial management services to people with impaired decision-making abilities, who are unable to manage their own affairs. The *NSW Trustee and Guardian Act 2009* outlines how the funds must be managed. All moneys must be kept in a trust fund (Common Fund) and invested.

The 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	2013 \$'000	2012 \$'000
Common Fund investments	1,294,383*	1,218,874
Real property	800,807	749,577
Other assets	504,675	442,739
Total net assets directly managed	2,599,865	2,411,190

* Includes \$121 million of Trustee client investments.

Source: NSW Trustee and Guardian (unaudited).

Number of Clients

The 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. There were 13,910 protected persons at 30 June 2013, an increase of 5.8 per cent compared to the previous year. The number of directly managed clients increased by 5 per cent and the number of privately managed clients increased by 8.1 per cent.

Other Information

Project to Harmonise the Fund Manager, Custodial and Unit Registries of all Funds

In 2012, the Trustee and Guardian started a project to harmonise the fund custodian, fund manager, and unit registry functions of both the Trustee and Financial Management Common Funds. Transition of the Fund Custodian and Unit Registry was completed on 1 May 2013 while the Fund Manager transition was completed on 30 September 2013 for all funds, except for the Trustee Growth Portfolio. Given the nature and risks inherent in this investment portfolio, it will remain with the New South Wales Treasury Corporation until market movements become positive.

Client Management System Project

The Trustee and Guardian is implementing a new Client Management System (ISIS) to replace the Trustee Services' TEAMS system and the Financial Management Client Information System over a five year period.

It has a contract value of \$5.0 million which will be spent over five years. The project includes the supply of a Client Management System to support the Trustee and Guardian's and the Office of the Public Guardian's operations.

Some of the business improvements expected from the project are to:

- simplify the organisation's combined operations with a single, simple, and integrated client management system
- provide activity-based costing mechanisms so that Trustee and Guardian can meet the IPART fee review targets, and ensure charges are transparent and can be easily adjusted and verified
- provide a single client view for different clients in the organisation including Trustee Services, Financial Management, and Public Guardian. The Public Guardian's clients are to be logically separated
- provide better capability to manage clients' assets including property, investments, and personal assets and distribution of investment returns to clients and beneficiaries
- reduce or eliminate labour-intensive paper work, manual handlings, or the need for using other tools outside the system where feasible
- maximise the use of fraud detection or prevention capability.

The preliminary phase of the project has been completed. It involved developing a pilot to focus on a sample of requirements for the Trustee and Guardian to assess if the SAP Enterprise Resource Planning system could meet the full project requirements. The next phase is currently pending resolution of some issues and will continue to be implemented over the next four years.

Common Fund Financial Reports

The Trustee Common Fund and the Financial Management Common Fund are managed by the Trustee and Guardian on behalf of its clients. My audits of the financial statements of both funds for the years ended 30 June 2012 and 2013 are still in progress.

Due to the control deficiencies identified with the management of the Common Funds in previous years, my audits include extensive detailed testing to verify the validity of client payments. The increased level of audit testing, combined with difficulties in obtaining appropriate audit evidence to support the validity of some payments, have contributed to delays and increased costs of the audit process.

As noted under Key Issues above, the Trustee and Guardian continues to perform internal audit reviews and implement recommendations to address the control deficiencies.

Financial Information

Abridged Statement of Comprehensive Income

Year ended 30 June	2013 \$'000	2012 \$'000
Personnel services expenses	39,724	96,357
Depreciation and amortisation	2,907	3,092
Other expenses	15,700	15,595
Total expenses	58,331	115,044
Government contributions	13,057	13,332
Commissions and fees	56,400	55,168
Investment revenue	7,935	1,370
Other revenue	4,400	5,099
Total revenue	81,792	74,969
Other losses	--	14
Net result - surplus/(deficit)	23,461	(40,089)
Total comprehensive income/(expense)	23,461	(40,089)

The large decrease in personnel services expenses is due to an actuarial gain of \$19.3 million (2011-12 loss of \$39.3 million) on defined benefit superannuation plans as a result of a significant increase in the government bond rate used to calculate the liability.

Improved market conditions resulted in higher valuations for the investments held by Trustee and Guardian.

Abridged Statement of Financial Position

At 30 June	2013 \$'000	2012 \$'000
Current assets	52,574	56,445
Non-current assets	73,174	63,051
Total assets	125,748	119,496
Current liabilities	26,976	24,878
Non-current liabilities	58,414	77,721
Total liabilities	85,390	102,599
Net assets	40,358	16,897

The decrease in non-current liabilities is also mainly due to the actuarial valuation of superannuation plans mentioned above.

Trustee Services Activities

The Trustee and Guardian may act as a trustee; as an executor or administrator; as a 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 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 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:

- 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 Trustee and Guardian reports administratively to the Attorney-General via the Director General of the Department of Attorney-General and Justice.

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 the 2012-13 financial year was 2,770 which is a 4.6 per cent increase from 2011-12.

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).

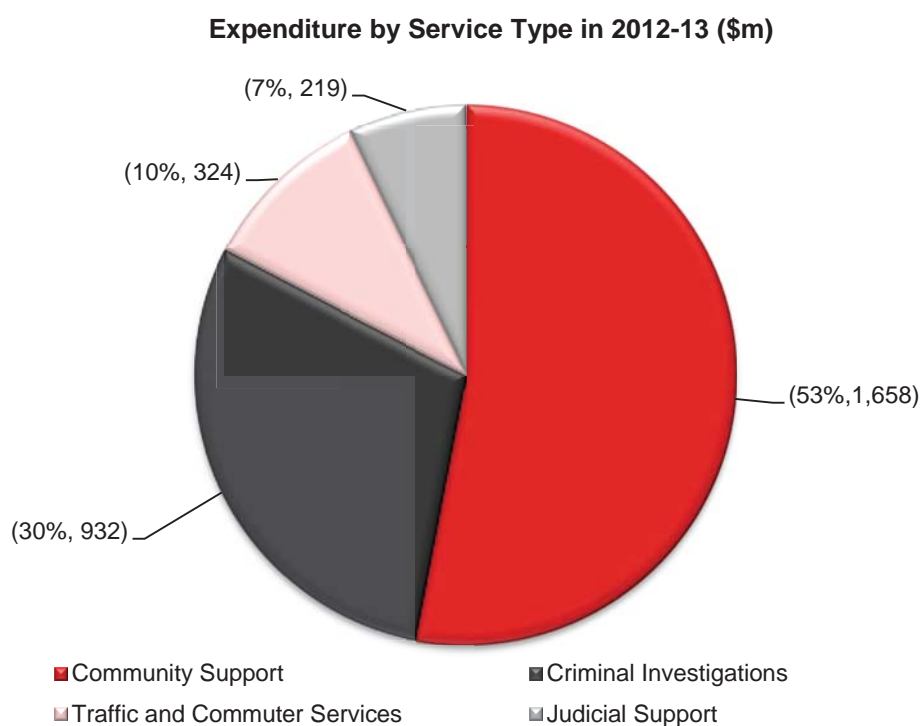
NSW Police Force

Audit Opinion

I issued an unqualified audit opinion on the NSW Police Force's (Force) 30 June 2013 financial statements.

Operational Snapshot

The Force spent \$3.1 billion in 2012-13 compared to \$3.2 billion in 2011-12. The breakdown of this expenditure is shown in the chart below.



Source: NSW Police Force Financial Statements 2013 (audited).

Consistent with previous years, the largest expense for the Force is in providing community support services. This includes responding to incidents, emergencies and public events and reducing incentives and opportunities to commit crime. In particular, the Force tackled frontline policing issues such as street offences, alcohol-related crime and antisocial behaviour. The Force established the Vikings Unit for high visibility policing and conducted Operation Unite 2012 which targeted local hotspots.

Key Issues

Death and Disability Scheme

The year ended 30 June 2013 was the first full year the Force operated under the new death and disability scheme as established by the *Police Amendment (Death and Disability) Act 2011*. This commercial insurance arrangement became effective on 20 January 2012 and replaced the partial and permanent disability (PPD) lump sum payment with an income protection benefit. This is capped at 75 per cent of the employee's pre-injury salary for a maximum of five years.

From 1 October 2013, the maximum income protection cover was extended to seven years for claims occurring after that date. This change is aimed at providing additional benefits to the most injured officers over a longer term. The income protection cover takes effect after workers' compensation statutory entitlements are paid for the first 39 weeks. Officers remain entitled to total and permanent disability (TPD) lump sum benefits.

Cost of Death and Disability

Total Death and Disability payments in 2012-13 were \$162 million (\$301 million in 2011-12).

The breakdown of Death and Disability payments over the past three years is shown below:

Year ended 30 June	2013 \$000	2012 \$000	2011 \$000
Death and Disability payments under the old scheme	58,649	220,741	165,010
Insurance premium *	99,927	80,248	29,929
Self Managed income protection payments	3,482	--	--
Total Death and Disability payments	162,058	300,989	194,939

* Insurance premiums for 2011 and a component of 2012 relate to TPD and death premiums paid under the old scheme.

Source: NSW Police Force (unaudited).

Total Death and Disability payments in 2012-13 reduced by 46.2 per cent from the previous year and 16.9 per cent over the past two years. This is mainly due to closure of the old Death and Disability scheme in 2012. Insurance premiums are higher in 2013 as this represents the first full year of premiums being paid under the new scheme.

Police Officers contribute up to 1.8 per cent of their salary towards the cost of the premium and the remainder is funded by the Force. Total contributions by Police Officers in 2012-13 were \$21.0 million representing over 21 per cent of the total premium paid during the year.

Premium rates are expected to increase to 10.1 per cent of officers' salaries from 1 October 2013 (8.7 per cent in 2012-13) following the extended income protection cover.

Death and Disability Liability

The Force's death and disability position was actuarially assessed as a net asset of \$15.9 million at 30 June 2013 compared to a \$60.7 million liability at 30 June 2012. The change is mainly due to the phasing out of the old death and disability scheme. No outstanding liability exists for PPD claims as these payments were finalised at 30 June 2013. A liability of \$10.1 million remains for potential total and permanent disability (TPD) claims under the former scheme. Recoveries are expected from officers who have lodged a TPD claim and are required to pay back the PPD benefit they received. Total recoveries expected to be received by the Force are estimated at \$62.1 million.

Additionally, the liability includes a provision of \$35.6 million for officers in the Force's Transitional Self-Managed Fund who are not covered by the insurance policy. These officers will receive a payment funded by the Force similar to the income protection insurance. These officers were classified as not meeting the 'at work' test, as prescribed in the Income Protection policy, during the period between the closure of the former scheme and the date the new insurance policy became effective. The Force advised 1,357 sworn officers were off work due to sickness or injury when the new insurance arrangement started. This number had fallen to 902 at August 2013 mainly due to staff being medically discharged.

Death and Disability Claims

PPD claims paid under the former death and disability scheme have declined as the scheme is phased out, removing the entitlement to PPD benefits. The number of claims paid in 2012-13 fell to 132 (526 in 2011-12) and the amount paid fell to \$58.6 million (\$221 million).

Year ended 30 June	2013	2012	2011	2010
Death and disability net asset/(liability) (\$'000)	15,900	(60,700)	(284,000)	(190,200)
Total partial and permanent disability claim payments (\$'000)	58,649	220,741	165,010	123,980
Number of partial and permanent disability claims paid	132	526	415	282
Average claim size (\$'000)	na	480	458	422

na Not available.

Source: Net asset/(liability) and average claim size figures are obtained from an actuarial report. Remaining information obtained from NSW Police Force (unaudited).

During 2012-13, total income protection claims paid by the insurer under the new scheme amounted to \$133,471 with an average claim size of \$19,067.

Year ended 30 June	2013
Total income protection claim payments (\$)	133,471
Number of income protection claims paid	7
Average claim size paid (\$)	19,067

Source: NSW Police Force (unaudited).

The fall in average claim from approximately \$480,000 in 2012 under the old scheme to \$19,067 in 2013 under the insurance arrangement is mainly due to claims under the new scheme being paid as a monthly income stream instead of a lump sum payment. Payment of claims only began in October 2012 after the 39-week waiting period and do not represent the full quantum of the claim. Accordingly, claim payments in future years are expected to increase.

Claims paid by the Force for the Self-Managed Fund during 2013 amounted to \$3.5 million, making the average claim paid \$19,894. These represent claims by officers who did not meet the 'at work' test. There were more claims made from the Self-Managed Fund in comparison to claims from the insurer due to the officers in the Self-Managed Fund having pre-existing injuries or illnesses.

Year ended 30 June	2013
Total income protection claim payments (\$)	3,481,527
Number of income protection claims paid	175
Average claim size paid (\$)	19,894

Source: NSW Police Force (unaudited).

Police partial and permanent disability claim payments fell from \$221 million in 2011-12 to \$59.0 million in 2012-13

The Force paid an insurance premium of \$99.9 million in 2012-13 despite only \$133,471 in actual claims being paid during the year

The number of police officers deemed unfit for work fell by 61.6 per cent since October 2011

Workforce Improvement Program

In conjunction with the new scheme, the Force advises a framework has been developed and implemented to manage the rehabilitation, retraining and deployment of injured police officers. An on-line injury management system encompassing deployment of injured police officers has been implemented. This system will enhance capture of data in the injury management system to facilitate the implementation of pre-emptive injury mitigation measures.

The Force has also implemented the following injury management practices:

- increased the number of physical training instructors to 300
- trained and motivated injured officers to achieve better Return to Work outcomes
- reviewed task analysis, including a survey of officers' fitness
- updated numerous policies, Standard Operating Procedures and guidelines relevant to the facilitation of faster return to work
- developed a psychological pathways tool to help injury management staff negotiate Return to Work outcomes
- continued the WellCheck program to build resilience within squads in the program.

The Force advises the ratio of officers returning to work on suitable duties compared to those deemed unfit for work has improved over the past two years. The number of officers unfit for work has fallen by 61.6 per cent since October 2011.

Status	Aug 2013	Apr 2013	Oct 2011
Suitable duties	449	463	355
Unfit for work	242	209	630

Source: NSW Police Force Cost and Fairness Committee, Data Report September 2013 (unaudited).

The declining number of officers deemed unfit for work is partly due to the success of the Return to Work strategies and the change in organisational culture and incentives arising from the amended legislation.

The *Police Amendment (Death and Disability) Act 2011* requires the Auditor-General to review whether the provisions of section 199M and the injury management practices have improved the performance of the Force in securing the return of injured police officers to duty. The review is to be conducted within 12 months of the Act commencing or within a longer period approved by the minister on the Auditor-General's recommendation. The minister has approved the review being conducted within 24 months of the Act commencing. The review is currently underway.

Allocation of Police Officers

There is a difference between actual full-time equivalent (FTE) police officers and authorised positions in various regions. At 30 June 2013, there were 16,022 FTE police officers compared with 16,176 authorised positions, a shortfall of 154. Of the 16,022 FTE officers, 367 were on permanent modified duties. An officer on modified duties is still available for operational work or other core policing functions, with tasks modified to meet individual circumstances. The Force advises that police numbers fluctuate by several hundred throughout the year as a result of natural attrition and new graduates from the NSW Police Academy.

The Force advises 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. The Force is currently operating at 99 per cent police strength.

Difference between authorised and actual FTE	Authorised FTE	Actual FTE	Difference FTE	Total on permanent modified duties FTE
Central Metropolitan	2,345	2,292	(53)	32
North West Metropolitan	2,138	2,082	(56)	21
Northern	1,913	1,976	63	51
South West Metropolitan	2,110	2,052	(58)	29
Southern	1,417	1,421	4	28
Western	1,125	1,148	23	11
Police Transport Command	401	319	(82)	1
Traffic and Highway Patrol Command	1,295	1,185	(110)	3
Corporate Services	462	525	63	61
Specialists Operations	1,690	1,675	(15)	105
Other	1,280	1,347	67	25
NSW Police Officers at 30 June 2013	16,176	16,022	(154)	367

* Includes Major Events and Incidents Group, and Other Non Region Commands.

FTE: Full-time Equivalent

Source: NSW Police Force (unaudited).

Most police rostered hours were deployed in providing community support and criminal investigations. This is consistent with the higher levels of expenditure reported for these services, discussed earlier in this report.

Allocation of Police Officers Hours by Service Type	Percentage of Rostered Hours
Service Groups¹	
Community support	49.3
Criminal Investigation	20.3
Traffic and commuter services	9.8
Judicial support	6.2
Other	
Support functions ²	14.4
Total	100.0

1 The service groups represent the NSW Police Force budget programs.

2 Support functions include administrative functions such as education and training, finance, human resources, information technology.

Source: NSW Police Force (unaudited).

Performance Information

Statistics on rates of crime, crime investigations and crime rejection are included in the Law and Order Overview in this volume. Other areas of performance specific to the Force are included below.

Road Safety

Drink Driving

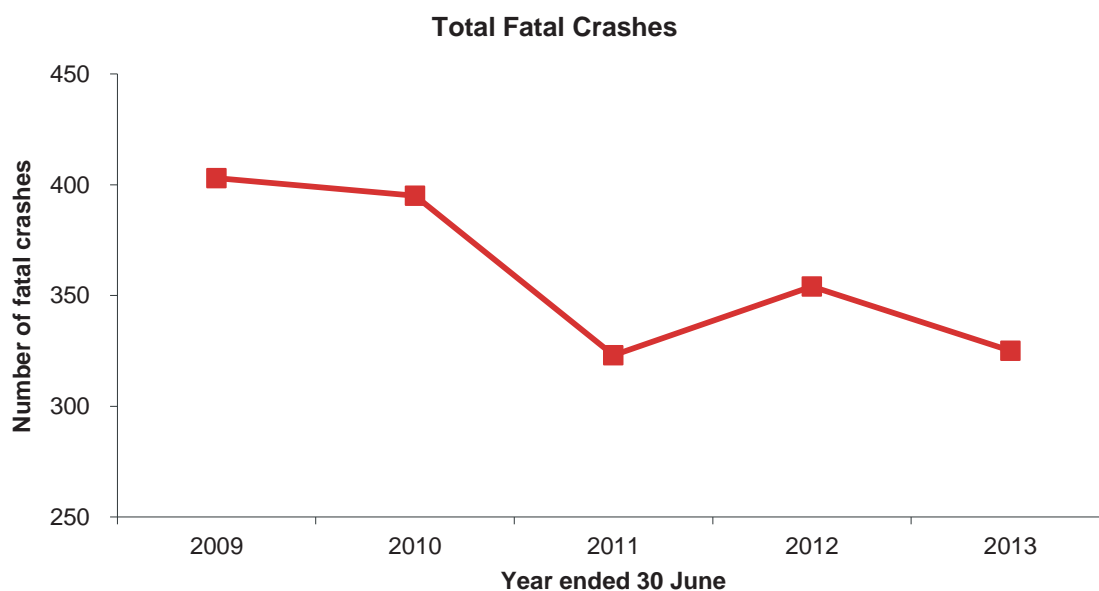
Alcohol related driving charges fell by 0.7 per cent to 20,258 in 2012-13. This is due in part to the Force increasing random breath tests in New South Wales from 4.4 million in 2011-12 to 4.8 million in 2012-13. The Force advised this was possible due to a restructuring of traffic policing by the Force and an increase in the authorised strength of the Highway Patrol, which resulted in more highway patrol vehicles and officers rostered for core duties during the year.

Long-term strategies to address alcohol impaired drivers include 'Drink Drive' specific operations conducted at local, regional and state wide levels. These operations aim to detect and deter drink drivers while reinforcing with road users that Random Breath Testing is an ongoing road safety priority of the Force.

Fatal Crashes

Total fatal crashes have fallen by 19.4 per cent over the past five years, from 403 in 2008-09 to 325 in 2012-13. The fall in incidents is mainly due to a 'whole-of-government' approach to addressing road trauma, with the Force delivering on-road policing activities to detect and deter unsafe and inappropriate road user behaviours.

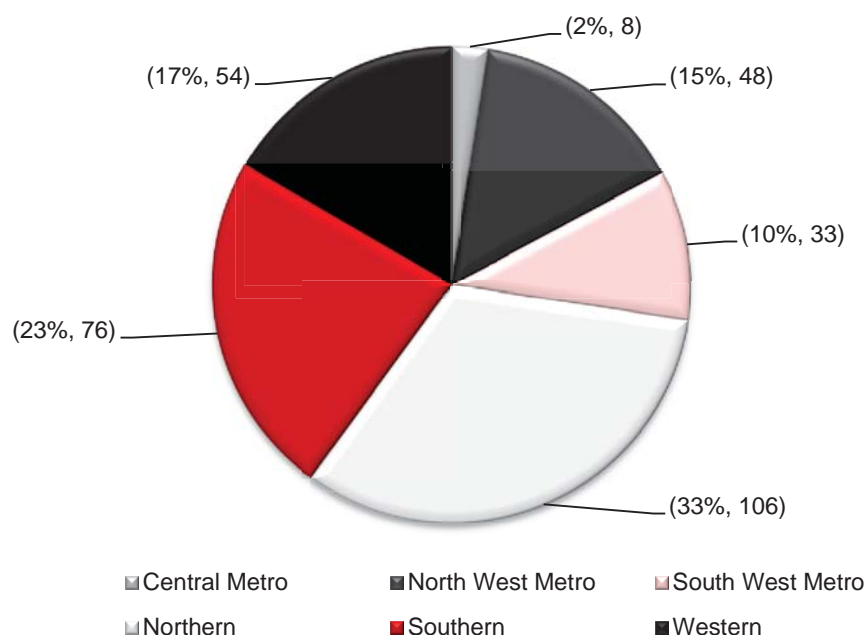
The Force receives funding from Transport for NSW's Centre for Road Safety which allows for greater enforcement activity, typically around holiday periods. Statewide traffic operations include 'Slow Down', 'Go Slow' and 'Drink Drive'. The Force also conducts five Compliance Operations throughout each year.



Source: NSW Police Force (unaudited).

The chart below shows the Northern region of New South Wales accounts for 33 per cent of the State's total fatal crashes (28 per cent in 2011-12). The concentration of crashes in this region is due to several factors associated with the large geographical area of extensive road networks, most of which are in rural environments. These roads have higher travel speeds, variable road conditions and potentially more fatigued drivers on long trips. There are limited alternative modes of transport, increasing exposure to risk on the roads, and emergency services may be limited or take longer to reach crash incidents in remote places. The Force is familiar with these issues and has ongoing operations conducted in rural areas.

Number of Fatal Crashes by NSW Region



Source: NSW Police Force (unaudited).

Urgent Response Calls

Urgent response calls are events where there is an imminent threat to life or property. These can include calls to Triple Zero (000), calls to police stations, or radio calls from police in the field. The Force received 120,783 urgent response calls during 2012-13 (119,254 in 2011-12), an increase of 1.3 per cent from the previous year.

The Force's benchmark is to attend to 80 per cent of urgent response calls within a target time of 12 minutes. Performance in 2012-13 was slightly below this target at 78.1 per cent mainly due to many country commands that manage large geographical areas not meeting the target. Response times are affected by the availability of officers, travel distance required particularly in large country commands, and the fact that many country police stations do not operate all hours. To improve its performance the Force continues to monitor response time treatment actions at a region level.

Urgent response calls	2013	2012	2011	2010	2009
Number of urgent response calls	120,783	119,254	113,749	120,082	125,446
Target time (min)	12	12	12	10	10
Calls attended to within target time (%)	78.1	78.0	80.0	74.0	78.0

Source: NSW Police Force (unaudited).

Other Information

Property Management

Last year's Report to Parliament recommended the Force, the State Property Authority and the private sector property management service provider continue to work together to resolve current property management issues and to support the implementation of a new property management model.

From 1 July 2013, the Force entered into new contracts with a service provider and contract manager. The successful tenderers were Brookfield Johnson Controls Pty Ltd and GHD Pty Ltd respectively.

Annual Leave

Managing excessive annual leave balances remains a challenge for the Force. While it has significantly improved management of this issue, over 2,800 sworn officers had each accrued more than 342 hours of annual leave and over 300 unsworn officers had each accrued more than 280 hours of annual leave at 30 June 2013. However, the total number of officers with excessive leave balances fell by 27.8 per cent in 2013.

Year ended 30 June	2013	2012	2011
Sworn officers with accumulated leave >342 hrs	2,872	4,090	4,183
Unsworn officers with accumulated leave >280 hrs	347	368	429
Total	3,219	4,458	4,612

Source: NSW Police Force (audited).

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 workplace health and safety issues.

Amalgamation of Local Area Commands

The Force commenced the first stage of Local Area Command (LAC) amalgamations aimed at enhancing service levels and boosting the number of officers on the front line. The Force advises there will be no loss of authorised strength and no police stations will be closed. By 10 November 2013, eight Sydney metropolitan LACs will be merged into four new LACs. A further 12 LACs will be merged into six which is planned to be completed by 1 January 2015.

Financial Information

Abridged Statement of Comprehensive Income

Year ended 30 June	2013 \$'000	2012 \$'000
Employee related expenses	2,515,220	2,571,541
Depreciation and amortisation	136,497	125,611
All other expenses excluding losses	482,000	466,152
Total expenses	3,133,717	3,163,304
Government contributions	3,162,801	3,310,157
All other revenue	106,778	87,808
Total revenue	3,269,579	3,397,965
(Losses)/gains	(4,832)	2,184
Net result-surplus	131,030	236,845
Other comprehensive income – asset revaluations	33,426	15,992
Total comprehensive income	164,456	252,837

The decrease in employee related expenses was mainly due to a significant reduction in long service leave expense as a result of applying a lower on-cost factor.

Total revenue decreased mainly due to \$147 million in lower government contributions received in 2012-13 when compared to the previous year. This was partially offset by an increase in other revenue derived from insurance recoveries relating to officers who received death and disability TPD payments and were required to pay back any PPD payments they previously received.

Abridged Statement of Financial Position

At 30 June	2013 \$'000	2012 \$'000
Current assets	186,178	205,777
Non-current assets	1,712,834	1,647,380
Total assets	1,899,012	1,853,157
Current liabilities	478,208	579,994
Non-current liabilities	230,414	247,229
Total liabilities	708,622	827,223
Net assets	1,190,390	1,025,934

Non-current assets increased mainly due to a revaluation increment on land and buildings, as well as increased capital works expenditure offset by depreciation expense for the year. In addition, other non-current debtors increased by \$26.0 million due to recoveries expected from officers who have lodged a total and permanent disability (TPD) claim.

The decrease in total liabilities reflects a \$76.0 million reduction in the death and disability scheme liability and a \$37.0 million reduction in payables.

Abridged Service Group Information

The Force's net result on a service group basis is detailed below:

Year ended 30 June	2013		2012	
	Total comprehensive income \$'000	Actual net assets \$'000	Total comprehensive income \$'000	Actual net assets \$'000
Community support	(1,553,489)	671,549	(1,490,729)	620,975
Criminal investigation	(873,404)	230,888	(843,004)	151,872
Traffic and commuter services	(286,563)	139,531	(305,075)	76,094
Judicial support	(205,575)	49,794	(228,528)	60,901
Not attributable	3,083,487	98,628	3,120,173	116,092
Total all service groups	164,456	1,190,390	252,837	1,025,934

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.

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	Year ended
Attorney-General		
Information and Privacy Commission	www.ipc.nsw.gov.au	30 June 2013
Judicial Commission of New South Wales	www.judcom.nsw.gov.au	30 June 2013
Legal Profession Admission Board	www.lawlink.nsw.gov.au/lpab	30 June 2013
NSW Trustee and Guardian Common Fund – Trustee	www.tag.nsw.gov.au	30 June 2011
Minister for Police and Emergency Services		
Bush Fire Co-ordinating Committee	www.rfs.nsw.gov.au	30 June 2013
New South Wales Crime Commission	www.crimecommission.nsw.gov.au	30 June 2013
New South Wales Crime Commission Division	www.crimecommission.nsw.gov.au	30 June 2013
Office of the New South Wales Crime Commission	www.crimecommission.nsw.gov.au	30 June 2013
Premier		
Police Integrity Commission	www.pic.nsw.gov.au	30 June 2013
Police Integrity Commission Division	www.pic.nsw.gov.au	30 June 2013

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Australian Institute of Asian Culture and Visual Arts Limited, The	Vol 9 2012
Australian Museum Trust	Vol 9 2012
Australian Plant DNA Bank Limited	Vol 2 2012
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Board of Studies Casual Staff Division	Vol 5 2013
Board of Surveying and Spatial Information	Vol 5 2012
Board of Vocational Education and Training, NSW	Vol 5 2013
Border Rivers-Gwydir Catchment Management Authority	Vol 6 2012
Brett Whiteley Foundation, The	Vol 9 2012
Building Professionals Board	Vol 5 2012
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