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# New South Wales Auditor-General's Report

## Financial Audit

### **Volume Seven 2016**

Report on Law and Order, Emergency Services  
and the Arts

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## 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 Seven of my 2016 report.

A handwritten signature in black ink, appearing to read 'Margaret Crawford'.

**Margaret Crawford**

Auditor-General  
24 November 2016

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# Section One

Justice



# Executive Summary

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This report analyses the results of the financial statement audits of Justice cluster agencies for the year ended 30 June 2016. The table below summarises key observations and recommended actions.

## Financial performance and reporting

### Financial reporting

Unqualified audit opinions were issued for all agencies, except the Office of the NSW State Emergency Service. Where fully applied, early close procedures continue to promote earlier and better quality financial reporting.

### Financial performance

The cost of the NSW Police Force Death and Disability scheme for the year ended 30 June 2016 was six per cent of total NSW Police Officers' remuneration, which is higher than the 4.6 per cent statutory target.

## Financial controls

### Internal controls

We identified over 120 internal control issues, including 33 repeat issues, across the cluster. Recommendations should be actioned promptly and repeat recommendations avoided.

### Casino operations

The Independent Liquor and Gaming Authority does not obtain independent assurance over revenue from casino operations.

### Human resources

Agencies need to continue efforts to reduce excess annual leave balances and effectively manage sick leave.

### Asset management

The Department should ensure it has systems and controls to effectively maintain, manage and oversight its significant increase in capital projects.

## Governance

### Governance arrangements

The Department should have service level agreements in place, and provide written controls certifications to client agencies in accordance with Treasury requirements.

### Risk management

The cluster lead agency or relevant sub-group should implement an overarching risk management plan.

## Service delivery

### Adult inmate numbers

Overcrowding of the NSW prison system increased in 2015–16 and may worsen over the next two years.

### NSW District Court case backlog

The backlog of cases in the NSW District Court remains high, and the number of older cases is increasing.

## Financial performance and reporting

### Unqualified audit opinions were issued for most agencies' financial statements

Unqualified audit opinions were issued on the 2015–16 financial statements of all agencies within the Justice cluster, except for the Office of the NSW State Emergency Service (the Service). The audit opinion for the Service was qualified because effective controls over fundraising activities were not fully implemented and in operation for the entire year.

### The Department performed some early close financial reporting procedures late

The Department submitted its year-end financial information to Treasury and its financial statements to the audit team by the due date. However, some procedures, including providing audit work papers to the audit team, were only completed after the required dates for both the early close and final audits. This resulted in inefficiencies for both the Department and the audit team.

#### Recommendation

The Department should ensure it performs all financial reporting early close and year end procedures by the statutory deadlines.

### The annual cost per juvenile detainee remains high

The annual cost of a juvenile detainee increased from \$279,225 to \$348,401 (24.8 per cent) between 2011–12 and 2015–16. This is significantly above the 9.1 per cent increase in the Consumer Price Index over the same period.

#### Recommendation (repeat issue)

The Department should assess whether the cost of supervising and caring for juvenile detainees is reasonable given the downward trend in the number of detainees.

### The cost of Police Blue Ribbon insurance is higher than the statutory target

The cost of the NSW Police Force Death and Disability scheme for the year ended 30 June 2016 was six per cent of total NSW Police Officers' remuneration (eight per cent in 2015). This is still higher than the statutory target of 4.6 per cent. NSW Police advises a recent projection of premiums indicates the target may be achieved by 2019, if current injury and claim trends continue.

## Financial controls

### Many of the internal control issues reported to agencies were repeat issues

The 2015–16 audits identified 124 internal control issues, compared to 128 in 2014–15. Of these, 33 were repeat recommendations compared to 38 in the previous year.

#### Recommendation (repeat issue)

Management letter recommendations should be actioned promptly and repeat recommendations avoided.

### Independent assurance is not provided over revenue from casino operations

The Independent Liquor and Gaming Authority (the Authority) does not obtain independent assurance over revenue from casino operations.

#### Recommendation

The Authority should obtain assurance, independent from the casino operator, over the completeness and accuracy of the calculation of administered revenue payable to NSW Treasury for casino operations.

### More than a third of Justice cluster employees have excessive annual leave balances

At 30 June 2016, 15,762 (16,097 at 30 June 2015) or 36.0 per cent (37.1 per cent) of full time equivalent (FTE) employees had leave balances above the 30 day whole-of-government target.

#### Recommendation (repeat issue)

Agencies need to continue efforts to reduce employee excess annual leave balances to meet whole-of-government targets.

### Sick leave taken by the Department's staff continues to increase

Average sick leave taken by the Department's administrative employees increased 11.0 hours (21.2 per cent), and frontline employees by 4.8 hours (5.1 per cent) over the last three years.

#### Recommendation

The Department should strengthen efforts to effectively manage sick leave.

### Control weaknesses, and the scale of capital projects pose risks for the Department

The scale of the Department's capital projects and control weaknesses in the management and oversight of capital projects pose significant risks for the Department.

The Department is expected to spend \$1.3 billion on capital projects in 2016–17, an increase of over \$1.0 billion compared to the actual spend in 2015–16. A Department internal audit found significant control weaknesses in the management and oversight of its existing capital projects.

#### Recommendation

The Department should ensure it has systems and controls to effectively maintain, manage and oversight its significant increase in capital projects.

## Governance

### The Department continues to develop governance arrangements

The Department is progressing with the development of Department and cluster level governance arrangements recommended in last year's Auditor-General's Report to Parliament. Recent improvements include development of a Department level overarching Enterprise Risk Management Manual and Guide.

#### Recommendation

The Department should continue to develop and finalise Department and cluster level governance arrangements as a matter of urgency.

### The Department's shared service arrangements within the cluster can be improved

The Department provides financial services to other independently governed agencies within the cluster, but does not:

- have service level agreements in place for all
- always provide written controls certifications to client agencies in accordance with Treasury requirements.

#### Recommendation

The Department should establish and finalise service level agreements where it performs finance functions on behalf of independently governed agencies. It should provide annual written controls certifications to each of these entities.



### **Justice does not have an overarching risk assessment and management framework**

Each agency in the cluster has its own risk profile and approach to risk management, with oversight by respective Audit and Risk Committees. When reviewing governance frameworks, the lead agency should consider how risks are managed at an agency level and captured and then escalated to a cluster or sub-group level. This is especially relevant for risks impacting multiple agencies in the cluster.

#### **Recommendation**

The lead agency for the cluster or relevant sub-group should implement an overarching risk assessment and treatment plan.

### **Instances of alleged fraud and corruption have occurred in the Justice cluster**

During 2015–16, Justice cluster agencies, other than NSW Police, referred 18 (16 in 2015) instances of suspected fraud and corruption to the NSW Independent Commission Against Corruption (ICAC). NSW Police referred 37 (eight in 2015) instances to the Police Integrity Commission.

#### **Recommendation**

Agencies should consider whether instances of alleged fraud and corruption resulted from weaknesses in the internal controls framework and, if so, take steps to address the weaknesses.

## **Service delivery**

### **Overcrowding in the NSW prison system has worsened**

Overcrowding in the NSW prison system worsened in 2015–16, with increases in operational capacity not keeping pace with increases in inmate numbers. The average daily design capacity occupancy rate was 122 per cent (112 per cent in 2014–15).

### **Overcrowding of the NSW prison system may worsen over the next two years**

Capital investment is expected to increase prison design capacity by 6,709 beds over the next four years. However, overcrowding is expected to remain high or slightly worsen over the next two years while prisons are being expanded or constructed.

#### **Recommendation**

The Department should consider if planned capital investment is sufficient to efficiently and effectively manage inmates over the next two to three years.

### **Forward planning of criminal justice system requirements needs to improve**

The criminal justice system is complex and decisions about Justice cluster resources should take into account the impacts the activities of individual components have on the wider criminal justice system. Making these decisions in isolation can adversely impact the ability of inter-related functions to meet their objectives and operate effectively.

#### **Recommendation**

Decisions about Justice cluster resources should take into account the activities of inter-related components of the criminal justice system, such as the impact NSW Police activity has on the courts and prison capacity.

### **Inmates awaiting trial cost an estimated \$80.8 million in 2015–16**

The number of inmates on remand awaiting trial in the NSW District Court is estimated to be costing the State \$221,000 per day or \$80.8 million per annum (\$60.0 million in 2014–15) and contributes to prison overcrowding.

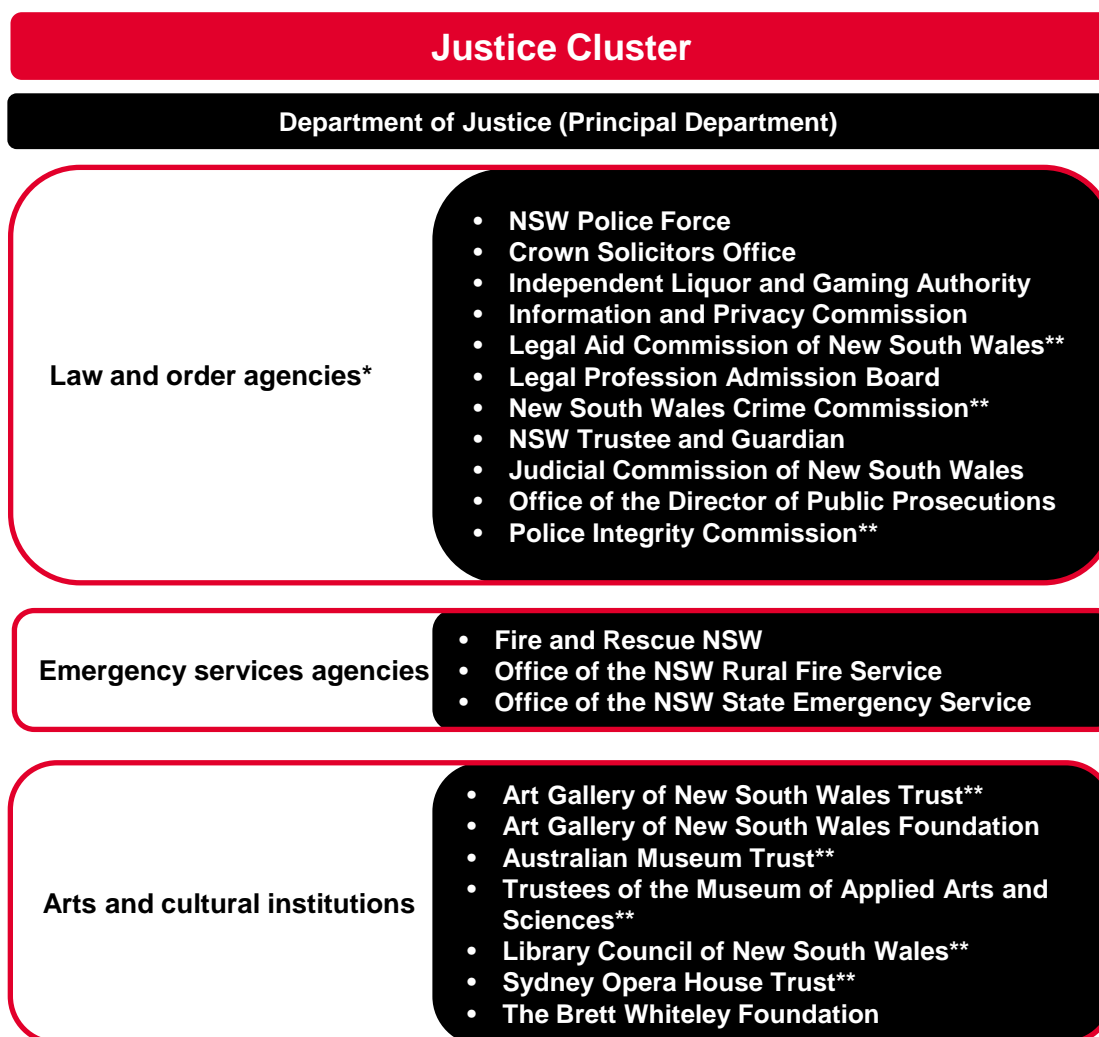
The backlog of cases in the NSW District Court remains high, and the number of older cases is increasing. In the year to 30 June 2016, the number of cases older than 12 months increased 20 per cent to 507 and those older than 24 months increased 68 per cent to 124.

# Introduction

This report provides Parliament and other users of the Justice cluster agencies' financial statements with audit results, observations, conclusions and recommendations for:

- Financial Performance and Reporting
- Financial Controls
- Governance
- Service Delivery.

The commentary in this report covers the following cluster agencies:



\* The law and order agencies comprise all Justice cluster agencies other than those in the emergency services and arts and cultural institution groups.

\*\* Refers to the consolidated entity.

The Department of Justice (the Department), led by the Secretary, is the lead agency in the cluster.

## Snapshot of the cluster

A snapshot of the financial results of the Justice cluster for the year ended 30 June 2016 is shown below.

<b>Employee related expenses</b>	<b>\$5.7 billion</b>
<b>All other expenses</b>	<b>\$6.7 billion</b>
<b>Total expenses</b>	<b>\$12.4 billion</b>
<b>Net result</b>	<b>\$271 million deficit</b>
<b>Assets</b>	<b>\$17.3 billion</b>
<b>Liabilities</b>	<b>\$2.6 billion</b>
<b>Capital investment</b>	<b>\$564 million</b>

## Changes to the cluster from 1 July 2015

The Justice cluster was impacted by Administrative Arrangements (Administrative Changes – Public Service Agencies) Order (No 2) 2015, effective from 1 July 2015, as follows:









- the Ministry for Police and Emergency Services was abolished and its functions, assets, liabilities and staff transferred to the Department
- responsibility for the Office of Liquor, Gaming and Racing, and Arts policy, including Screen NSW and Arts NSW, transferred to the Justice cluster
- the Independent Liquor and Gaming Authority, Art Gallery of New South Wales, Australian Museum Trust, Library Council of New South Wales, Trustees of the Museum of Applied Arts and Sciences and the Sydney Opera House Trust transferred to the Justice cluster
- the Professional Standards Council transferred to the Department of Finance, Services and Innovation.










Other restructures during 2015–16 included:











- the Police Integrity Commission was transferred to the Justice cluster under the Administrative Arrangements (Administration of Acts—General) Order 2015
- staff employed by the Independent Liquor and Gaming Authority transferred to the Department from 1 November 2015, under the Administrative Arrangements (Administrative Changes—Liquor and Gaming) Order 2015.



## Status of 2015 recommendations




Last year's Auditor-General's Report to Parliament on the Justice cluster included 29 recommendations for cluster entities to improve financial management, internal controls, and governance. The current status of each recommendation is shown below.

Recommendation	Current status
<b>The Department should:</b>	
 Perform revaluations early enough so the process is completed before the early close deadline. Agencies should quality review the revaluation results before including them in financial statements and early close work papers.	The Department addressed this recommendation during the year.
 Assess whether the increasing cost of supervising and caring for juvenile detainees is reasonable given the sustained fall in numbers.	The Department advises the Juvenile Justice division of the Department is reforming custodial services. This includes reviewing bed numbers and staffing levels, while maintaining safety, security and duty of care for children and young people in custody. Refer to the Financial Performance and Reporting chapter.
 Continue to improve the accuracy of its fixed asset register and ensure assets are safeguarded and properly recorded.	The Department addressed this recommendation during the year.
 Ensure its governance arrangements are finalised and implemented.	The Department is progressing the development of cluster level governance arrangements, but more work is required. Refer to the Governance chapter.
 Continue to benchmark its arrangements against the Audit Office's Governance Lighthouse Checklist and other relevant better practice guides.	The Department advises its draft governance framework is built on the key principles and components in the Governance Lighthouse Checklist. The Department updated its draft governance framework during the year, but this requires more work before it is implemented. Refer to the Governance chapter.
 Continue to integrate policies, operations and systems across the Department's divisions and offices, and where appropriate, to other agencies in the cluster.	The Department is still integrating policies, operations and systems across its divisions and offices. Refer to the Governance chapter.
 Establish a centralised gifts and benefits register as required by the Public Service Commissioner's standards.  Designate a senior manager to regularly review the register, to ensure compliance with policies and procedures.  Consider publishing the register on the Department's website.	The Department has centralised its gifts and benefits register. It is managed and reviewed centrally. The Department advises it has no plans to publish the register on its website as it contains employees' personal information. Refer to the Governance chapter.
 Fully implement the Victims Support Scheme Reporting and Quality Assurance Framework.	The Department advises it fully implemented the Framework in 2015–16. It covers all Victims Services, not just the Victims Support Scheme, and is the basis for measuring, monitoring and responding to the quality, efficiency and effectiveness of Victim Services. Refer to the Governance chapter.

Recommendation	Current status
<b>The Department should:</b>	
 Consider preparing an overarching risk assessment and treatment plan covering all law and order agencies.	<p>The Department is still to fully implement a risk management framework that escalates key risks to those charged with governance. Levels of risk maturity vary across the Department. Refer to the Governance chapter.</p>
 Improve its forward planning of prison infrastructure requirements.	<p>The Department advises it has sought Expenditure Review Committee funding to build new capacity to accommodate the expected increase in prisoners. Refer to the Service Delivery chapter.</p>
 Ensure the State's publicly managed correctional centres are subject to the same oversight, performance management and reporting as privately managed centres. Use the results of the contestability and benchmarking project to identify efficiencies and reassess performance measures used to oversight public and private prisons (repeat issue).	<p>Benchmarking is yet to be implemented at individual publicly managed correctional centres, but preparation work was completed.</p> <p>The Department has developed a benchmarking plan, which it expects to implement over the next two years.</p> <p>Refer to the Service Delivery chapter.</p>
<b>Law and order agencies should:</b>	
 Ensure audit recommendations are actioned promptly and repeat recommendations avoided.	<p>Some issues reported to management in previous years have not been addressed. Refer to the Financial Controls chapter.</p>
 Design and configure SAP user access to achieve appropriate segregation of duties, and proactively review and resolve segregation of duties violations on a timely basis.	<p>No further issues were identified during our 2015–16 audits.</p>
 Reduce increasing employee excess annual leave balances to meet whole-of-government targets (repeat issue).	<p>The number of employees with excess annual leave balances increased in some agencies and fell in others. At 30 June 2016, 13,032 employees (12,899 employees at 30 June 2015) in law and order agencies exceeded the whole-of government target. Refer to the Financial Controls chapter.</p>
 Strengthen efforts to effectively manage sick leave (repeat issue).	<p>Average sick leave taken per employee decreased in some agencies and increased in others. Refer to the Financial Controls chapter.</p>
 Reassess fraud controls against the Audit Office's Fraud Control Improvement Kit, released in February 2015.	<p>During 2015–16, Justice cluster agencies other than NSW Police referred 18 (16 in 2015) instances of suspected fraud and corruption to the NSW Independent Commission Against Corruption (ICAC). NSW Police referred 37 (eight in 2015) instances to the Police Integrity Commission. Refer to the Governance chapter.</p>
 Consider lessons learned from the LifeLink System post implementation review in future projects.	<p>Our 2015–16 audits did not identify any significant issues with major information technology projects. Refer to the Governance chapter.</p>

Recommendation	Current status
<b>The Crown Solicitor's Office should:</b>	
 Have a documented Disaster Recovery Plan to restore financial systems in the event of a disaster.	The Crown Solicitor's Office now has a documented Disaster Recovery Plan.
<b>The Minister for Justice and Police should:</b>	
 Engage with the Treasurer to determine how funds in the Crown Entity's Confiscated Proceeds Account should be used (repeat issue).	It is still unclear how the balance in the Crown Entity's Confiscated Proceeds Account is to be used. Refer to the Governance chapter.
<b>NSW Trustee and Guardian should:</b>	
 Identify meaningful performance indicators to measure the cost and quality of the services it provides to the community (repeat issue).	NSW Trustee and Guardian advises the recommendation had not been actioned, but will be when a new client information management system is implemented in 2017. The new system will enable identification and reporting against new indicators and targets. Refer to the Service Delivery chapter.
<b>Emergency services agencies should:</b>	
 Strengthen balance sheet budgeting processes.	Emergency services agencies continue to improve balance sheet estimations, which include volatilities in the timing of disaster operations.
 Address audit recommendations in a timely manner and focus on addressing repeat issues.	Twenty-two audit recommendations, most relating to control deficiencies, were reported to emergency services agencies. Of these, nine were repeat recommendations identified in previous audits.
 Take stronger action to meet the whole-of-government objective to reduce annual leave balances.	The number of employees with excess annual leave balances fell in two of the three emergency services agencies. At 30 June 2016, 2,490 employees (2,965 employees at 30 June 2015) exceeded the whole-of government target. Refer to the Financial Controls chapter.
 Continue initiatives to reduce sick leave to at least the government's target.	In 2015–16, average sick leave fell 5.2 per cent at Fire and Rescue NSW and 5.9 per cent at NSW Rural Fire Service. Refer to the Financial Controls chapter.
 Ensure all floodplain risk management plans adopted by agencies comply with the flood risk management process guidelines.	The NSW State Emergency Service does not have policing powers to enforce compliance. Local Council's have the lead responsibility for managing flood prone areas.
<b>The Office of the NSW State Emergency Service should:</b>	
 Implement sufficient effective controls over donation and fundraising activities to ensure the completeness of recording revenue.	The audit opinion for the Service's 2015–16 financial statements was qualified because effective controls over fundraising activities need to be fully implemented and operate for the entire year. Refer to the Financial Performance and Reporting chapter.
 Resolve significant matters urgently (repeat issue).	Other than controls over the completeness of fundraising revenues (refer above) significant matters have been addressed.

Recommendation	Current status
 Resolve its financial control deficiencies urgently.	The Office has resolved most financial control issues.
<b>The Library Council of New South Wales should:</b>	
 Improve its recording of items in the library collection for future valuations. This may require reconsideration of the methodology used in the revaluation process.	<p>The Library Council began implementing a new computerised collection management system in May 2016. The system records the location of collection items and quantities.</p> <p>The Library Council plans to introduce a five year rolling valuation methodology for its collection assets. This is expected to be in place for 30 June 2017 valuation.</p>

Status of 2015 recommendations		
 Fully addressed	 Partially addressed	 Not addressed



# Financial Performance and Reporting

Financial performance and reporting are important elements of good governance. Confidence in public sector decision making and transparency is enhanced when financial reporting is accurate and timely. Effective financial management and reporting by agencies helps key stakeholders, such as the NSW Government, make effective decisions and achieve desired outcomes efficiently.

This chapter outlines audit observations, conclusions and recommendations for financial performance and reporting of Justice cluster agencies.

## Financial reporting

### Observation

Unqualified audit opinions were issued for all cluster agencies' financial statements, except for the Office of the NSW State Emergency Service.

The Service's financial statements were qualified because effective controls over its fundraising activities were not fully implemented and in operation for the entire year.

The Department completed some procedures after the required dates for both the early close and final audits.

### Conclusion or recommendation

**Recommendation:** The Office of the New State Emergency Service needs to implement effective controls over its fundraising activities.

Early close procedures allow financial reporting risks and issues to be addressed early in the audit process.

**Recommendation:** The Department should ensure it performs all financial reporting early close and year end procedures by the statutory deadlines.

## Financial performance

### Observation

The annual cost of a juvenile detainee increased from \$279,225 to \$348,401 (24.8 per cent) between 2011–12 and 2015–16.

The increasing cost is mostly due to the downward trend in the average number of detainees, which fell by 17.3 per cent. Fixed and variable costs have not fallen by a similar proportion.

The cost of the NSW Police insurance scheme (the Blue Ribbon scheme) decreased from eight per cent to six per cent of total NSW Police Officers' remuneration in 2015–16, but remains above the statutory target of 4.6 per cent.

The Australian Museum Trust (the Museum) has about 18.4 million collection items, of which only 8.8 million items (48 per cent) were recorded in its electronic database at 30 June 2016.

### Conclusion or recommendation

The cost increase is significantly above the 9.1 per cent increase in the Consumer Price Index over the same period.

**Recommendation (repeat issue):** The Department should assess whether the cost of supervising and caring for juvenile detainees is reasonable given the downward trend in the number of detainees.

The Blue Ribbon Scheme cost \$13.0 million or 9.6 per cent less in 2015–16 following an improvement in claims experience and the Total and Permanent Disability incidence rate.

**Recommendation:** The Museum should complete recording its collections in the electronic database as soon as possible.

Once the database is complete, the Museum should complete a fair value assessment of its collection assets.

## Quality of financial reporting

### Unqualified audit opinions were issued for most agencies' financial statements

Unqualified audit opinions were issued on the 2015–16 financial statements of all agencies within the Justice cluster, except for the Office of the NSW State Emergency Service (the Service). The audit opinion for the Service was qualified because effective controls over fundraising activities did not operate for the entire year.

#### **Recommendation (repeat issue)**

**Effective controls need to be implemented over the fund raising activities of the Office of the NSW State Emergency Service to ensure all revenue collected is recorded.**

The opinion will continue to be modified until effective controls are operating over its fundraising activities. The opinion was modified as follows:

The Service has 234 units that can conduct fundraising activities. The Service worked towards implementing controls over its fundraising activities during the year. However, controls at the point of collection were not operative for the entire year. I am therefore unable to express an opinion on the completeness of donation and fundraising revenues for the year ended 30 June 2016. My 30 June 2015 report was similarly qualified.

### NSW Trustee and Guardian Common Fund financial statements finalised and audited

Last year's Auditor-General's Report to Parliament referred to delays in finalising and auditing the financial statements of the NSW Trustee and Guardian Financial Management and Trustee Common Funds (the Common Funds). In 2015–16, the 2011–12 to 2014–15 Common Fund financial statements were finalised and audit opinions issued. The audit of the 2015–16 financial statements is expected to be completed in early 2017.

The NSW Trustee and Guardian is trustee of the Common Funds.

### The quality of financial reporting by the Department needs to improve

The 2015–16 Justice cluster agencies' financial statements had 58 misstatements in them compared to 50 in 2014–15. The increase in misstatements occurred mainly in the Department, which had 17 misstatements in 2015–16 compared to seven in 2014–15.

Misstatements in other cluster agencies' financial statements fell slightly from 43 in 2014–15 to 41 in 2015–16.

The table below shows the number of misstatements detected during the financial statement audits of Justice cluster agencies over the last five years.

Reported misstatements					
Year ended 30 June	2016	2015	2014	2013	2012
<b>Principal department</b>					
Department of Justice	17	7	7	3	9
<b>Law and order agencies</b>					
NSW Police Force	--	2	2	3	5
Crown Solicitor's Office	2	--	2	N/A	N/A
Independent Liquor and Gaming Authority	4	10	4	18	11
Information and Privacy Commission	4	1	2	2	6
Legal Aid Commission of New South Wales	--	2	3	1	7
Legal Profession Admission Board	4	1	2	5	3
New South Wales Crime Commission	--	2	--	--	1
NSW Trustee and Guardian	3	3	1	3	4
Judicial Commission of New South Wales	2	--	1	--	2
Office of the Director of Public Prosecutions	--	--	--	1	1
Police Integrity Commission	--	--	1	4	1
<b>Total</b>	<b>19</b>	<b>21</b>	<b>18</b>	<b>37</b>	<b>41</b>
<b>Emergency services agencies</b>					
Fire and Rescue NSW	1	1	8	3	13
Office of the NSW Rural Fire Service	1	2	3	5	12
Bush Fire Co-ordinating Committee	--	--	--	--	1
Office of the NSW Emergency Service	3	3	12	8	15
<b>Total</b>	<b>5</b>	<b>6</b>	<b>23</b>	<b>16</b>	<b>41</b>
Art Gallery of New South Wales Trust	6	6	2	4	3
Art Gallery of New South Wales Foundation	2	2	--	2	1
Australian Museum Trust	2	--	--	2	4
Museum of Applied Arts and Sciences	2	1	4	6	3
Sydney Opera House Trust	1	3	1	--	1
Library Council of New South Wales	3	3	3	4	2
The Brett Whiteley Foundation	1	1	1	1	1
<b>Total</b>	<b>17</b>	<b>16</b>	<b>11</b>	<b>19</b>	<b>15</b>
<b>Total for cluster</b>	<b>58</b>	<b>50</b>	<b>59</b>	<b>75</b>	<b>106</b>

N/A Not applicable. Information not available as the agencies were not established as separate entities until 2013–14.

Source: Statutory Audit Reports.

Twenty four of the 2015–16 misstatements were greater than \$1.0 million. Four of these were greater than \$5.0 million. All material misstatements were corrected.

The number and dollar value of corrected and uncorrected misstatements in cluster agencies' financial statements over the past three years are shown in the table below.

Year ended 30 June	Number of misstatements					
	2016		2015		2014	
	Corrected	Uncorrected	Corrected	Uncorrected	Corrected	Uncorrected
Less than \$50,000	4	8	3	6	8	7
\$50,000 - \$250,000	8	4	6	6	4	9
\$250,001 - \$1,000,000	6	4	4	8	4	11
\$1,000,001 - \$5,000,000	12	8	3	9	5	9
Greater than \$5,000,000	4	--	4	1	2	--
<b>Total number of misstatements</b>	<b>34</b>	<b>24</b>	<b>20</b>	<b>30</b>	<b>23</b>	<b>36</b>

Source: Client service reports.

Of the 58 misstatements in 2015–16, 34 were corrected. It is important to correct material misstatements in the year they occur so users of the financial statements can rely on them as an accurate representation of an agency's financial performance and position.

A material misstatement relates to an incorrect amount, classification, presentation or disclosure in the financial statements that could reasonably be expected to influence the economic decisions of users.

## Timeliness of financial reporting

### Most financial statements were submitted and audits completed by statutory deadlines

The Audit Office completed the audits and issued the audit opinions on all cluster agencies' financial statements within statutory deadlines, except for the:

- Office of the NSW Emergency Service (the Service), which was delayed by two days due to the qualification referred to above
- Independent Liquor and Gaming Authority (the Authority) and Independent Liquor and Gaming Authority Staff Agency (the Staff Agency), which were signed on 25 October 2016.

The Staff Agency was abolished on 30 October 2015 but the financial statements not submitted until 25 July 2016, about seven months after the due date of 11 December 2015. The audit opinions were issued three weeks after the statutory deadline due to delays in providing supporting work papers to the audit team and the restructure of the Authority.

### Early close procedures helped improve the timeliness of financial reporting

Justice cluster agencies substantially complied with Treasury's early close requirements. All agencies submitted proforma financial statements on time, most reconciled key account balances, and performed monthly accruals and management reviews as required. Most agencies addressed issues raised in prior year Audit Office management letters.

Agencies were given one day less than last year to complete early close procedures and prepare proforma financial statements. The deadline for audit teams to report their findings was also reduced.

The table below shows the deadlines for early close procedures over the past three years.

Key audit completion dates			
Year ended 30 June	2016	2015	2014
Agencies provide results of early close procedures to the Audit Office no later than	26 April	27 April	27 May
Audit Office provides feedback on early close procedures by	27 May	29 May	30 June

Source: NSW Treasury Circulars.

Early close procedures are designed to bring forward year-end activities, such as valuing assets and resolving financial reporting issues, to reduce reporting timeframes and improve quality.

### **The Department performed some early close financial reporting procedures late**

#### **Recommendation**

**The Department should ensure it performs all financial reporting early close and year end procedures by the statutory deadlines.**

The Department submitted its year-end financial information to Treasury and its financial statements to the audit team by the due date. However, some procedures, including providing audit work papers to the audit team, were completed after the required dates for both the early close and final audits. This resulted in inefficiencies for both the Department and the audit team.

The Department advises it was impacted by the implementation of a new version of the SAP system, which began in October 2015. The SAP implementation is discussed in the Governance chapter.

### **The NSW Police Force participated in Treasury's hard close pilot with positive results**

NSW Treasury ran a hard close pilot with nine agencies in 2015–16 to determine if hard close procedures should be adopted on a wider basis across the NSW public sector. NSW Police was the only Justice cluster agency included in the pilot. The hard close procedures contributed to the year-end financial statement audit being completed eight days earlier than the previous year.

NSW Treasury will evaluate the outcomes of the pilot to determine if hard close procedures should be implemented more widely.

## **Financial performance key issues**

### **Law and Order**

#### **Department of Justice**

#### **Liability for victims' claims incurred but not yet reported cannot be reliably measured**

The Department's actuary estimated the liability for victims' claims incurred but not reported (IBNR) under Victims Support Services (VSS) at between \$160 million and \$405 million at 30 June 2016 (between \$140 million and \$340 million at 30 June 2015). The actuary referred to recent lodgements of child sexual assault and domestic violence claims as the main reason for the increase.

The liability is not included in the Department's 2015–16 financial statements because it cannot be reliably measured. This is partly because the scheme was reformed in June 2013. The reforms changed victims' benefits and allows claims to remain open for up to five years. As a result, the claims experience to date is not sufficient to reliably estimate the IBNR liability.

The Department will be able to reliably estimate the value of these claims and record the liability on its balance sheet when the VSS matures and more data becomes available.

An IBNR claim occurs when a crime has been committed, but the victim's claim has not been received, or if received has not been assessed and resolved by the Department.

Further information on victim support claims is in the Service Delivery section of this report.

### The cost per adult inmate continues to fall as their numbers increase

The average annual cost per adult inmate fell \$899 (about one per cent) to \$86,629 (\$87,528) between 2013–14 and 2014–15.

The annual net operating and capital cost per adult inmate in Corrective Services fell from \$104,289 in 2010–11 to \$86,629 in 2014–15, as shown in the table below.

The decrease in 2014–15 largely reflects fixed prison costs being spread over more inmates, and variable employee costs not increasing in proportion to the larger inmate population.

Annual cost per prisoner and average inmate numbers					
Year ended 30 June	2015	2014	2013	2012	2011
Annual cost per prisoner, all prisons (\$) <sup>#</sup>	86,629	87,528	91,006	108,503	104,289
Daily average inmate number, all prisons <sup>^</sup>	11,011	10,447	9,808	9,752	10,094

<sup>#</sup> Source: Department of Justice (unaudited).

<sup>^</sup> Source: Productivity Commission Report on Government Services 2016 (unaudited).

Costs per inmate in 2014–15 were 16.9 per cent less than 2010–11, and one per cent less than 2013–14, while average inmate numbers increased by 9.1 per cent and 5.4 per cent respectively.

The Department attributes the decrease in costs between 2011–12 and 2012–13 to decommissioning three prisons, 569 fewer staff and efficiency savings of \$10.0 million.

Data for 2015–16 was not available at the date of this report. Refer to the Service Delivery chapter for details on the capacity of adult prisons and the prison population.

### The annual cost per juvenile detainee remains high

#### Recommendation (repeat issue)

**The Department should assess whether the cost of supervising and caring for juvenile detainees is reasonable given the downward trend in the number of detainees.**

The annual cost of a juvenile detainee increased from \$279,225 to \$348,401 (24.8 per cent) between 2011–12 and 2015–16. This is significantly above the 9.1 per cent increase in the Consumer Price Index over the same period. Last year's Auditor-General's Report noted the annual cost increased 49.4 per cent between 2010–11 and 2014–15 and recommended the Department assess whether the cost was reasonable.

The Juvenile Justice division is reforming custodial services. This includes reviewing bed numbers and staffing levels, while maintaining safety, security and duty of care for children and young people in custody.

The increasing average annual cost over the last five years is mostly due to the downward trend in the average number of detainees. Numbers have fallen by 17.3 per cent, but fixed costs have not fallen by a similar proportion. Previous Auditor-General's Reports have noted that variable expenses, such as the cost of Juvenile Custodial staff, have also not decreased in proportion with the decline in detainee numbers.

The number of juvenile detainees increased slightly by six (2.1 per cent) in 2015–16 and the average cost fell by \$7,043 (two per cent).

Juvenile detainees and design capacity					
Year ended 30 June	2016	2015	2014	2013	2012
Average annual cost per juvenile detainee (\$)	348,401	355,444	293,223	283,605	279,225
No. of juvenile detainees in custody	292	286	314	324	353
Design capacity of detainee centres	374	412	396	431	501

Note: The average annual cost per juvenile detainee includes net operating expenses and capital costs.

Source: The Department (unaudited).

The net 38 bed (9.2 per cent) decrease in the design capacity of juvenile detainee centres in 2015–16 was mainly due to Kariong Juvenile Centre converting to an adult correctional centre in early 2016.

The design capacity has decreased by a further 30 beds since 1 July 2016 with Juniperina Juvenile Justice Centre converting to an adult correctional centre.

On average there were 82 spare beds (21.9 per cent of centre capacity) available in 2015–16. This has decreased to about 15 per cent since 1 July 2016.

### Each juvenile detainee cost \$268,815 more than an adult inmate in 2014–15

The average annual cost of a juvenile detainee is significantly higher than that of an adult. This is attributed to:

- higher levels of supervision to meet duty of care responsibilities and child protection requirements
- more staff for out of cell activities to re-engage juveniles in education and support their rehabilitation and re-entry to the community
- the cost of providing specialist programs to address offending behaviour through assessment, case management consultation, individual and group counselling and psychological services
- juvenile detainee centres housing less inmates than adult centres. A Youth Justice Centre houses 25 to 90 juveniles while an adult centre houses between 600 to 800 inmates
- out of cell time for juveniles of 16 hours compared to eight hours for most adults
- more frequent night checks, juveniles every 20 minutes, adults every four hours.

### Payments to victims of crime substantially exceed recoveries from offenders

Since 1989, \$1.8 billion has been paid to victims of crime, but only \$75.5 million has been recovered from the convicted offenders. Only \$22.2 million (\$21.9 million in 2014–15) of \$266 million in restitution debts at 30 June 2016 (\$258 million at 30 June 2015) is likely to be recovered.

The table below shows financial support paid to victims and recoveries from offenders over the last five years.

Financial support paid to victims and recoveries from offenders					
Year ended 30 June	2016	2015	2014	2013	2012
Payments to victims (\$m)	45.0	86.2	65.8	62.8	63.0
Restitution recovered from convicted offenders (\$m)	4.4	4.9	4.7	4.1	4.1
Restitution recovered from convicted offenders (%)	9.8	5.7	7.1	6.5	6.5
Number of new restitution debts raised	1,383	1,220	1,388	1,690	1,367
Value of new debts raised (\$m)	11.3	12.5	15.4	22.2	17.7
Restitution debts written-off (\$m)*	--	--	43	70	--

\* Debt write-offs in 2012–13 and 2013–14 were due to Section 17 of the *Limitation Act 1969*, which limits enforcement of judgement debts to 12 years after the judgement becomes enforceable.

Source: Department (unaudited).

Victims of violent crime are entitled to financial support, even if the offender is unknown or not convicted. Where offenders are convicted, restitution orders can be levied against them to recover the financial support paid to victims. Levies are paid into the Victims Support Fund.

### The NSW Police Force

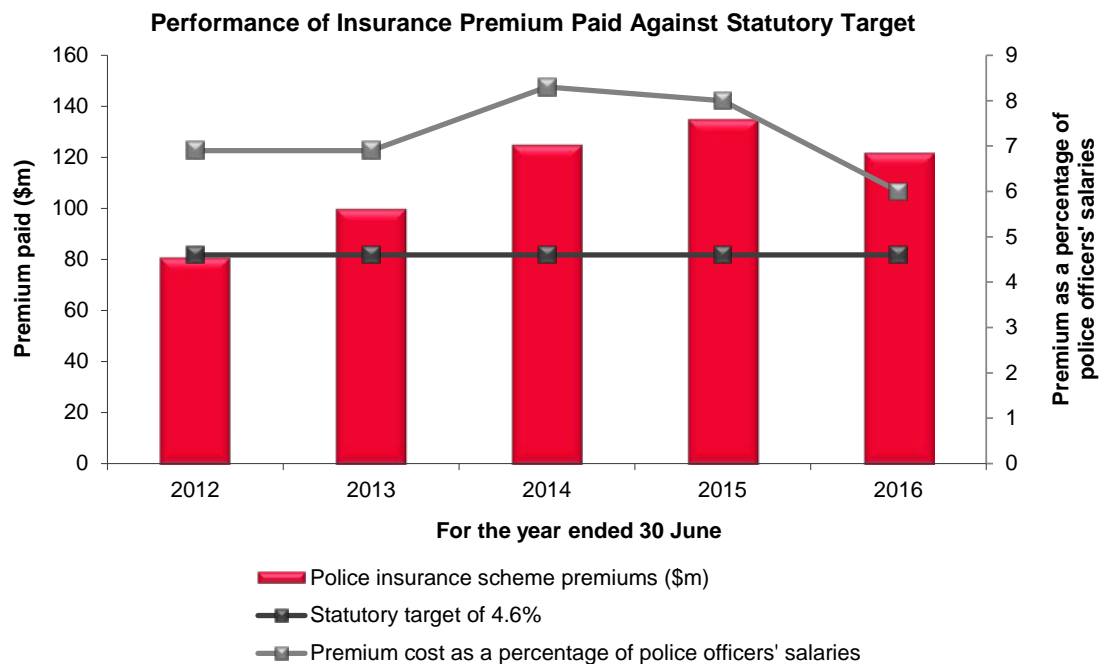
#### The cost of Police Blue Ribbon insurance is higher than the statutory target

The cost of the NSW Police Force Death and Disability scheme (Police Blue Ribbon scheme) for the year ended 30 June 2016 was six per cent of total NSW Police Officers' remuneration (eight per cent in 2015). This cost is higher than the statutory target of 4.6 per cent. NSW Police advises a recent actuarial projection of premiums indicates the target may be achieved by 2019, if current injury and claim trends continue.

An October 2016 Performance Audit Report 'Preventing and managing injuries' recommended NSW Police set a date to achieve the statutory cost target for this scheme. The full report is available at <http://www.audit.nsw.gov.au/publications/latest-reports/preventing-and-managing-worker-injuries>.

The cost of the Police Blue Ribbon Scheme premium fell 9.6 per cent to \$122 million in 2015–16 (\$135 million in 2014–15). The decrease was mainly due to improved claims experience and Total and Permanent Disability incidence rate. This decrease was partially offset by salary increases and additional police numbers sworn in during the year.

Despite the recent decrease, the cost of the scheme as a percentage of total NSW Police Officers' remuneration has remained above the statutory target rate of 4.6 per cent since 2012.



Source: NSW Police Force Financial Statements (audited).



The breakdown of NSW Police's insurance schemes over the past five years is shown below.

NSW Police's insurance schemes					
Year ended 30 June	2016 \$'000	2015 \$'000	2014 \$'000	2013 \$'000	2012 \$'000
Death and Disability net expense/(income) (old scheme)	(21,714)	(25,807)	(19,728)	58,649	220,741
Police Blue Ribbon Insurance Scheme expense (new scheme)*	122,140	134,757	124,698	99,927	80,248
Self-managed income protection expense	4,007	4,824	5,390	3,482	--
<b>Total death and disability net expense</b>	<b>104,433</b>	<b>113,774</b>	<b>110,360</b>	<b>162,058</b>	<b>300,989</b>

\* A component of the 2011–12 insurance premium relates to Total and Permanent Disability and death premiums paid under the old scheme.

Source: NSW Police Force (unaudited).

In 2015–16, the old Death and Disability scheme continued to recognise net income because recoveries exceeded payouts for the year. The recoveries were from officers who received Total and Permanent Disability payments and were required to pay back the Partial and Permanent Disability benefits they had received in previous years.

NSW Police received 55 recoveries from employees in 2015–16 (69 in 2014–15). The average value of each was \$409,000 (\$436,000), 6.2 per cent lower than the previous year. NSW Police Officers contribute up to 1.8 per cent of their salary towards the cost of the Blue Ribbon premium. The remainder is funded by NSW Police. Contributions by Police Officers in 2015–16 totalled \$26.2 million (\$24.0 million), 21.5 per cent (17.8 per cent) of the total premium.

Three insurance schemes cover death and disability for NSW Police Officers:

- Death and Disability Scheme (old scheme)
- Police Blue Ribbon Insurance Scheme (new scheme)
- Self-managed income protection (for officers not covered by the insurer).

Monitoring the performance of these schemes is important to ensure adequate funds are available to meet claims, premiums are kept at a reasonable level and NSW Police can budget to meet the costs. In 2011, a statutory target was determined which requires the cost of the Blue Ribbon scheme to fall below 4.6 per cent of NSW Police Officers' remuneration.

NSW Police has implemented measures in response to a 2014 performance audit on the 'Effectiveness of the New Death and Disability Scheme'. These are designed to help NSW Police achieve the statutory target by integrating its Workforce Improvement Program initiatives into current work practices. The Program supports the health and wellbeing of NSW Police employees. It focuses on managing the rehabilitation, retraining and deployment of injured NSW Police Officers.

### Paid income protection claims continue to grow

During 2015–16, the number of income protection claims increased to 467 (337 in 2014–15). The Blue Ribbon scheme paid \$10.3 million for claims in 2015–16 (\$5.3 million) with an average claim payment of \$22,049 (\$15,873).

Blue Ribbon Scheme income protection claims		
Year ended 30 June	2016	2015
Total income protection claim payments (\$)	10,296,798	5,349,364
Number of income protection claims paid	467	337
Average claim paid (\$)	22,049	15,873

Source: NSW Police Force (unaudited).

Total claim payments are expected to grow over the next few years as existing claims are paid and new claims are received. Claims are paid monthly and may extend to a maximum of seven years under this policy.

NSW Police's self-managed income protection scheme covers NSW Police Officers who did not meet the 'at work' test when the new scheme started on 20 January 2012. The scheme's cost decreased to \$4.0 million in 2015–16 (\$4.8 million in 2014–15).

The average claim paid was \$27,257 (\$28,543).

NSW Police's self-managed income protection scheme		
Year ended 30 June	2016	2015
Total income protection claim payments (\$)	4,006,802	4,823,729
Number of income protection claims paid	147	169
Average claim size paid (\$)	27,257	28,543

Source: NSW Police Force (unaudited).

## Emergency services

### Fire and Rescue NSW Death and Disability Scheme

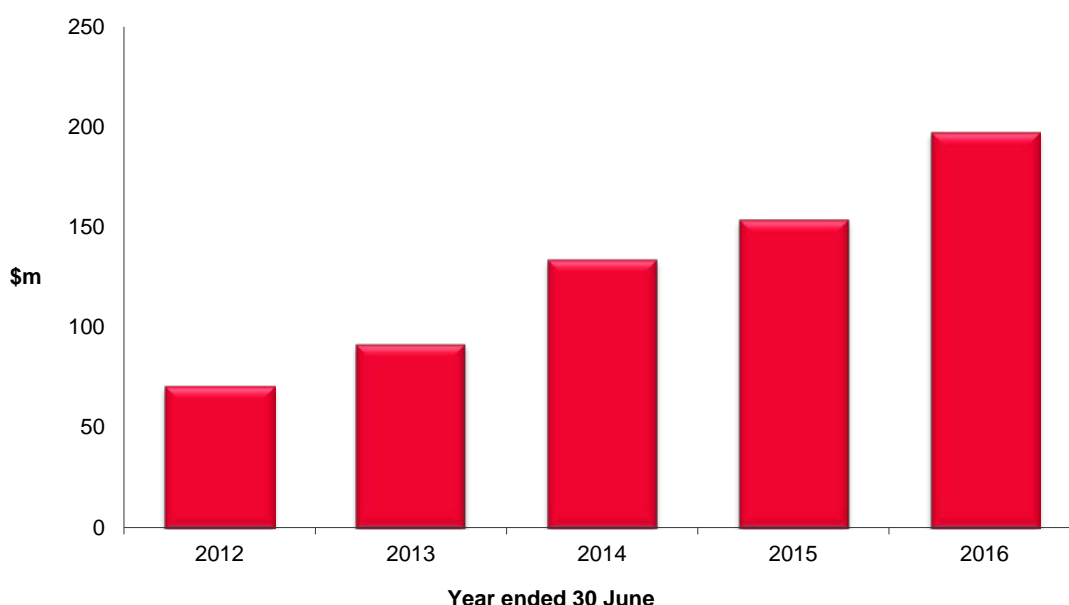
#### The death and disability liability increased by 28.6 per cent in 2015–16

The Fire and Rescue NSW Death and Disability Scheme's liability increased 28.6 per cent to \$198 million at 30 June 2016 (\$154 million). The liability increased by:

- \$26.7 million due to a lower discount rate used to calculate the liability
- \$16.2 million due to an additional injury year
- \$10.5 million due to revised actuarial assumptions.

Fewer claims in the year reduced the liability by \$8.1 million.

#### Fire and Rescue NSW Death and Disability Liability



Source: Fire and Rescue NSW Financial Statements (audited).

The Scheme was established in 2003, to fund death, total and permanent incapacity and partial and permanent incapacity benefits for permanent and retained firefighters. Partial and permanent incapacity payments are paid by Fire and Rescue NSW while death and total permanent incapacity payments are paid by the Crown Employees (NSW Fire Brigades Firefighting Staff Death and Disability) Superannuation Fund (Crown Fire Fund).

## Arts and culture

### Cultural, scientific and heritage collection assets are proving difficult to value

#### Recommendation

**The Australian Museum Trust should complete a fair value assessment of collection assets held but not recognised by 30 June 2018. The assessment should be based on an appropriate methodology that identifies collection items that can be reliably quantified and valued. The valuation should be reviewed by relevant experts.**

At 30 June 2016, the Museum was not able to value 9.6 million collection items because they had not been identified and recorded in its electronic collections data base. The historical paper records which extend over 190 years, make it difficult to identify origin and estimated quantities.

The Museum currently adds about 60,000 of these collection items from historical records to its electronic collection database per year. At the current rate, it will take many years to complete the electronic database. In July 2016, the Museum commenced looking at an accelerated process to identify, quantify and value the remaining collection items by 30 June 2018.

The nature of the collection assets presents arts and cultural institutions with significant challenges in assessing the collections' fair values in accordance with Australian Accounting Standards and Treasury policies.

Valuing such assets requires detailed records and involves subjective judgements, estimations and personal assumptions because there are no active markets and/or reliable valuation techniques for most of the items.

Specific difficulties impact the accuracy and completeness of the valuations. They include having:

- to apply mass valuation techniques due to the sheer volume of items
- to use complex sampling techniques
- to collectively estimate the number of items held in non-uniform large containers
- many unidentified and unrecorded items
- items that are incapable of reliable measurement due to their unique nature, such as extinct species
- to estimate recollection costs, such as the costs of mounting an expedition or field trip to collect similar replacement specimens and the costs associated with preparing and documenting the items
- too few experts to undertake the revaluations.

### The Australian Museum Trust's electronic collections database should be completed

#### Recommendation

**The Australian Museum Trust should complete recording its collections in the electronic database as soon as possible.**

The Museum has approximately 18.4 million collection items. Of these only 8.8 million (48 per cent) were recorded in its electronic database at 30 June 2016.

The Museum estimates approximately 700,000 database records will be required to electronically record the remaining 9.6 million collection items to a level that will enable them to be valued.

## Key financial information

### Cluster agencies recorded a \$271 million operating deficit in 2015–16

Cluster agencies recorded a combined operating deficit of \$271 million in 2015–16 (combined surplus of \$51.0 million in 2014–15). The financial results included:

- a \$367 million deficit (\$40.0 million surplus) in law and order agencies
- a \$45.0 million surplus (\$41.0 million surplus) in emergency services agencies
- a \$51.0 million surplus (\$30.0 million deficit) in arts and cultural institutions.

Revenue in the cluster increased from \$11.4 billion in 2014–15 to \$12.1 billion in 2015–16, mainly from higher government contributions.

Cluster expenditure rose by \$1.1 billion, mainly due to:

- the Department spending \$864 million more to:
  - address overcrowding in the NSW prison system
  - provide additional resources to address the case backlog in the NSW District Court
  - provide more grant funding to other entities in the cluster impacted by the NSW District Court case backlog
  - write off of \$31.0 million in capital projects
  - fund additional costs from the reassessment of claims by victims of crime who transitioned between the old Victims Compensation Scheme and the new Victims Support Scheme. The actuary estimates the reassessment of victims' claims will cost \$139 million.
- insurance hindsight adjustment losses of \$106 million, including \$93.8 million for NSW Police
- increased maintenance costs of \$6.3 million at the Sydney Opera House Trust
- \$12.9 million in additional grant and subsidy payments by the Office of the NSW Rural Fire Service under the National Aerial Firefighting Contract
- additional depreciation expenses of \$9.0 million at the Trustees of the Museum of Applied Arts for the Parramatta relocation project.

The clusters' assets were valued at \$17.4 billion at 30 June 2016 compared to \$16.6 billion at 30 June 2015. The increase was primarily due to revaluation increases for property assets of \$494 million and capital investments of \$564 million. Total liabilities rose from \$2.1 billion at 30 June 2015 to \$2.6 billion at 30 June 2016.

Appendix Two summarises key financial information for each agency.

## Financial sustainability

### Self-funded agencies appear to be financially sustainable

Of the self-funded agencies in the Justice cluster, NSW Trustee and Guardian, Sydney Opera House Trust and the Brett Whiteley Foundation recorded losses in 2015–16. However, the liquidity ratios of all six entities remained above 1.0, which indicates they have sufficient funds to settle liabilities expected to fall due within the next 12 months.

The table below summarises the financial performance of the largely self-funded agencies against commonly accepted sustainability indicators for the year ended 30 June 2016.

Financial sustainability indicators					
	Net result- surplus/(deficit) \$'000	Net result as a % of total revenue	Liquidity	Self-funding %	Expense growth rate %
<b>Law and order agencies</b>					
Legal Profession Admission Board	292	10.7	2.0	100.0	12.8
NSW Trustee and Guardian	(30,069)	(32.9)	1.6	84.3	28.6
Crown Solicitor's Office	10,009	17.1	2.5	100.0	3.1
<b>Arts and cultural institutions</b>					
Art Gallery of New South Wales Foundation	19,860	88.9	122.7	100.0	27.3
Sydney Opera House Trust*	(8,428)	(5.8)	1.6	68.6	10.5
The Brett Whiteley Foundation	(49)	(116.6)	78.1	100.0	(10.8)

\* Consolidated.

Source: Financial statements (audited).

NSW Trustee and Guardian's deficit was due to a \$31.7 million actuarial loss (2015: \$9.4 million loss) on its defined benefit superannuation liabilities. NSW Trustee and Guardian's expense growth rate was 5.5 per cent after adjusting for the actuarial loss.

The Sydney Opera House Trust's deficit was mainly due to an increase in maintenance costs of \$6.3 million. Other operating expenditure also increased by \$4.5 million. This was driven by growth in artist fees, equipment hire and publicity and advertising expenses. Revenue only increased by \$2.0 million compared to the prior year.

The Brett Whiteley Foundation's loss was mainly due to falling returns on its investments.

We have not included an analysis of the financial sustainability of agencies mainly funded through state government grants because they rely on budget allocations to support their operations rather than self-generated revenue.

Appendix Four describes the financial statement indicators.

### Salary and wages, and other expenses increased more than inflation

Justice cluster base salaries and wages increased 6.8 per cent and other expenditure 18.8 per cent compared to the prior year. The growth in these costs exceeds the 1.0 per cent increase in the Consumer Price Index.

The table below shows base salaries and wages and other expenses of cluster agencies in the last two years.

Year ended 30 June	Salary and wages*			Other expenditure		
	2016 \$'000	2015 \$'000	Movement %	2016 \$'000	2015 \$'000	Movement %
<b>Principle department</b>						
Department of Justice	1,213,414	1,093,333	11.0	1,128,972	746,378	51.3
<b>Law and order agencies</b>						
Legal Aid Commission of New South Wales**	92,534	84,507	9.5	166,724	154,163	8.1
Office of the Director of Public Prosecutions	80,460	74,008	8.7	28,164	25,512	10.4
Judicial Commission of New South Wales	3,867	3,766	2.7	1,464	1,878	(22)
Legal Profession Admission Board	1,167	1,142	2.2	755	720	4.9
Crown Solicitor's Office	31,512	30,327	3.9	10,836	10,639	1.9
Information and Privacy Commission	3,169	2,872	10.4	1,858	1,819	2.1
NSW Trustee and Guardian	52,789	49,447	6.8	26,451	24,664	7.2
New South Wales Crime Commission**	13,854	13,790	0.5	7,090	6,821	3.9
NSW Police Force	1,981,149	1,881,386	5.3	621,512	632,353	(1.7)
Police Integrity Commission**	10,389	10,673	(2.7)	4,182	4,805	(13.0)
Independent Liquor and Gaming Authority**	7,982	7,436	7.3	2,615	2,574	1.6
<b>Total</b>	<b>2,278,872</b>	<b>2,159,354</b>	<b>5.5</b>	<b>871,651</b>	<b>865,948</b>	<b>0.7</b>
<b>Emergency services agencies</b>						
Fire and Rescue NSW	400,479	386,273	3.7	148,386	142,823	3.9
Office of the NSW Rural Fire Service	81,111	78,416	3.4	229,415	216,549	5.9
Office of the NSW Emergency Service	30,849	27,850	10.8	54,795	62,308	(12.1)
<b>Total</b>	<b>512,439</b>	<b>492,539</b>	<b>4.0</b>	<b>432,596</b>	<b>421,680</b>	<b>2.6</b>
<b>Arts and cultural institutions</b>						
Art Gallery of New South Wales Trust	19,218	18,032	6.58	21,655	24,137	(10.3)
Art Gallery of New South Wales Foundation	N/A	N/A	N/A	2,470	1,940	27.3
Australian Museum Trust	17,313	19,674	(12)	21,179	18,229	16.2
Trustees of the Museum of Applied Arts and Sciences	20,462	18,835	8.6	33,160	21,067	57.4
Library Council of New South Wales	24,101	21,977	9.7	61,057	61,938	(1.4)
Sydney Opera House Trust	53,265	50,059	6.4	98,687	86,759	13.7
The Brett Whiteley Foundation	N/A	N/A	N/A	91	102	(10.8)
<b>Total</b>	<b>134,359</b>	<b>128,577</b>	<b>4.5</b>	<b>238,299</b>	<b>214,172</b>	<b>11.3</b>
<b>Total for cluster</b>	<b>4,139,084</b>	<b>3,873,803</b>	<b>6.8</b>	<b>2,671,518</b>	<b>2,248,178</b>	<b>18.8</b>

\* Excludes superannuation, long service leave, workers compensation, payroll tax, fringe benefits tax and redundancy payments as these are outside the control of the agency.

\*\* Refers to the consolidated entity.

N/A The Art Gallery of NSW Foundation and the Brett Whiteley Foundation do not have any employee related expenses.

Source: Agencies financial statements (audited).

Part of the increase in base salaries and wages and other expenses related to the administrative changes, referred to in the introductory chapter of this report, and measures to address the District Court case backlog and prison overcrowding. Refer to Key Financial Information above for more detail.

### The NSW Trustee and Guardian's service fees are expected to fall

The NSW Trustee and Guardian implemented a new fee structure from 1 July 2016, following recommendations from the Independent Pricing and Regulatory Tribunal (IPART) in October 2015. Its fees for 2016–17 are expected to fall by four per cent under the new structure.

NSW Trustee and Guardian is being transformed to improve efficiency and financial viability. The transformation includes a new business model with a centralised Service Centre and revised branch and specialist services. The changes include:

- new Service Centres in Parramatta and Newcastle
- changes to the way branches operate, focusing on increasing the uptake of pre-planning instruments and business development
- a revised Specialist Service unit, called Service Advisory, focusing on providing core specialist services and managing panels of external service providers
- increased client engagement through Service NSW sites.

The NSW Trustee and Guardian is planning to close six metropolitan and regional branches by November 2016 and three more by February 2017.

The NSW Trustee and Guardian is expected to break-even over the next three years under the new operating model. However, delays in implementing the transformation plan may result in additional expenditure being incurred in 2016–17.

# Financial Controls

Appropriate financial controls help agencies ensure the efficient and effective implementation and administration of policies and use of resources. They are essential for quality and timely decision making to achieve desired outcomes.

This chapter outlines our 2015–16 audit observations, conclusions or recommendations for financial controls in Justice cluster agencies.

Financial controls	
Observation	Conclusion or recommendation
We identified over 120 internal control issues, including 33 repeat issues, across the cluster.	<b>Recommendation:</b> Management letter recommendations should be actioned promptly and repeat recommendations avoided.
The Independent Liquor and Gaming Authority (the Authority) does not obtain independent assurance over revenue from casino operations.	<b>Recommendation:</b> The Authority should obtain assurance, independent from the casino operator, over the completeness and accuracy of the calculation of administered revenue payable to NSW Treasury for casino operations.
More than a third of employees had excessive annual leave balances at 30 June 2016.	<b>Recommendation (repeat issue):</b> Agencies need to continue efforts to reduce excess annual leave balances to meet whole-of-government targets.
The Department's sick leave has increased 21.2 per cent per administrative employee, and 5.1 per cent per frontline employee, over the last three years.	<b>Recommendation:</b> The Department should strengthen efforts to effectively manage sick leave.
The Department does not have a system to identify and monitor backlog maintenance required for individual properties.	The Department's maintenance budget may not be directed to the areas of highest need. <b>Recommendation:</b> The Department should record, monitor and manage backlog maintenance by individual property.
The Department expects to spend \$1.3 billion on capital projects in 2016–17, an increase of over \$1.0 billion from 2015–16. A Departmental internal audit found significant control weaknesses in the management and oversight of its existing capital projects.	The scale of the Department's capital projects and control weaknesses in the management and oversight of capital projects pose significant risks for the Department. <b>Recommendation:</b> The Department should ensure it has systems and controls to effectively maintain, manage and oversight its significant increase in capital projects.

## Internal controls

### Some high risk control deficiencies were identified in the 2015–16 financial audits

The 2015–16 financial statement audits identified three high risk control deficiencies (six in 2014–15). These relate to the recording and valuation of collection assets and the completeness of donations and fundraising revenue.



Weaknesses in internal controls increase the risk of fraud and error. Generally, Justice cluster agencies' internal controls were appropriately designed and operated effectively to produce reliable and timely financial statements.

We report internal control weaknesses identified in the audit process and recommendations on how they should be addressed through letters to management and those charged with agency governance.

### Many of the internal control issues reported to agencies were repeat issues

#### Recommendation (repeat issue)

Management letter recommendations should be actioned promptly and repeat recommendations avoided.

The 2015–16 audits identified 124 internal control issues, compared to 128 in 2014–15. Of these, 33 were repeat recommendations compared to 38 in the previous year.

### Summary of audit recommendations by risk-assessment level

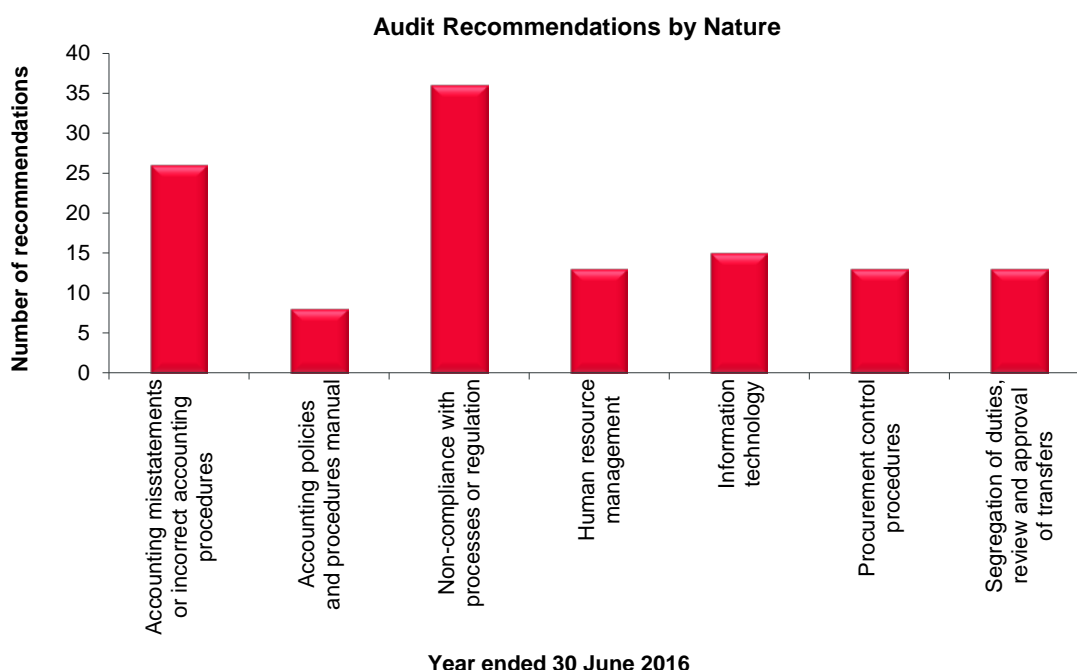
Audit recommendations by risk-assessment level						
Year ended 30 June	New	Repeat 2016	Total	New	Repeat 2015	Total
Extreme	2	1	3	2	4	6
Moderate	40	15	55	39	15	54
Low	49	17	66	49	19	68
<b>Total</b>	<b>91</b>	<b>33</b>	<b>124</b>	<b>90</b>	<b>38</b>	<b>128</b>

Source: Final and draft management letters issued to agencies by the Audit Office.

Agencies vary in size and complexity and the risk rating assigned to an audit finding depends on the importance of the issue to the agency. An issue may be rated as a high/extreme risk in one agency, but low risk in another.

The risk assessment matrix we use to rate issues in management letters is aligned to 'Treasury Policy Paper TPP12–03 'Risk Management Toolkit for the NSW Public Sector'. The risk rating considers consequence and likelihood. The more frequent an event/transaction combined with a high consequence, the higher the risk.

The nature of the audit recommendations is illustrated in the graph below.



Note: Allocation of audit findings to categories is on best fit. A finding and associated recommendation might cross over more than one category, but is only counted once.

The internal control weaknesses and key themes we identified are summarised below.

### **Non-compliance with processes or regulations – 36 recommendations**

Some cluster agencies do not have:

- a legislative compliance register to capture and report on compliance with key legislation as suggested by Treasury Policy Paper 14–05 ‘Certifying the Effectiveness of Internal Controls over Financial Information’
- a conflict of interest register to capture relevant details of conflicts that exist with agency staff to enable compliance with the Public Service Commissioner’s expectations
- a centralised contract register to capture all relevant details of contracts entered into as required by the *Government Information (Public Access) Act 2009*
- signed 2015–16 Service Level Agreements for financial services provided by external service organisations, as referred to in Treasury Policy Paper 14–05.

Further details on these matters are provided in the Governance chapter.

### **Accounting misstatements or incorrect accounting procedures – 26 recommendations**

These issues include:

- fixed assets not being capitalised on a timely basis
- collection asset recording and valuation matters
- preparing financial statements with misstatements and disclosure deficiencies.

### **Information technology - 15 recommendations**

Key control weaknesses include:

- password parameters not meeting best practice standards
- inadequate administration of user access to financial systems for terminated staff.

## Segregation of duties, review and approval of transfers – 13 recommendations

These matters include:

- non-compliance with financial delegations
- inadequate review of changes to supplier and employee details, such as bank details
- payroll reports not being independently checked.

## Procurement control procedures – 13 recommendations

These include issues with:

- payments processed without a purchase order
- inadequate payment approval processes.

## Independent Liquor and Gaming Authority

### No independent assurance over the calculation of revenue from casino operations

#### Recommendation

**The Independent Liquor and Gaming Authority should obtain assurance, independent from the casino operator, over the completeness and accuracy of the calculation of administered revenue payable to NSW Treasury for casino operations.**

The Independent Liquor and Gaming Authority (the Authority) has not previously obtained assurance, independent from the casino operator, that the calculation of administered revenue from casino operations is complete and accurate.

In 2015–16, \$290 million (\$256 million in 2014–15) in administered revenue was paid to NSW Treasury of which \$272 million (\$239 million) was calculated based on player turnover by the casino operator.

Administered revenue is currently monitored on a weekly basis and reconciled to information provided by the casino operator.

Administered revenue is payable to NSW Treasury under the *Casino Control Act 1992* and the Amended and Restated Casino Duty and Responsible Gambling Levy Agreement (the Agreement) between the State of New South Wales and the casino operator. Under the Act, the casino operator is liable for the payment of any duty and it is a condition of the licence that the operator must pay those amounts, with interest payable on any overdue amounts.

## Human resources

### Managing excessive annual leave

#### More than a third of Justice cluster employees have excessive annual leave balances

#### Recommendation (repeat issue)

**Agencies need to continue efforts to reduce employee excess annual leave balances to meet whole-of-government targets.**

Reducing excess annual leave continues to be challenging for the Justice cluster. Over a third of the cluster's employees have excess annual leave balances, despite a 2.1 per cent improvement on the prior year.

At 30 June 2016, 15,762 (16,097 at 30 June 2015) or 36 per cent (37.1 per cent) of full time equivalent (FTE) employees had leave balances above the 30 day whole-of-government target.

Cluster agencies efforts to reduce annual leave balances should include:

- regular monitoring of current and projected leave balances to the end of the financial year (e.g. quarterly)
- developing and agreeing leave plans with employees to reduce the balances over an acceptable timeframe.

The table below shows FTE employees with excess annual leave balances increased in the Department by 308 employees (9.1 per cent), but decreased in Fire and Rescue NSW by 463 employees (16.2 per cent).

Agency	Staff with annual leave >30 days	Staff with annual leave >30 days	Staff numbers
Year ended 30 June	2016	2015	Movement
<b>Law and order agencies</b>			
Department of Justice	3,684	3,376	308
NSW Police Force	8,904	9,067	(163)
Crown Solicitor's Office	54	45	9
Legal Aid Commission of New South Wales	103	117	(14)
NSW Trustee and Guardian	109	120	(11)
Office of the Director of Public Prosecutions	158	129	29
Other law and order agencies	21	45	(24)
<b>Total</b>	<b>13,033</b>	<b>12,899</b>	<b>134</b>
<b>Emergency services agencies</b>			
Fire and Rescue NSW	2,392	2,855	(463)
NSW Rural Fire Service	74	56	18
Office of the NSW State Emergency Service	24	54	(30)
<b>Total</b>	<b>2,490</b>	<b>2,965</b>	<b>(475)</b>
<b>Arts and cultural institutions</b>			
Art Gallery of NSW Trust	60	53	7
Australian Museum Trust	16	30	(14)
Trustees of the Museum of Applied Arts and Sciences	29	29	--
Library Council of NSW	28	23	5
Sydney Opera House Trust	106	98	8
<b>Total</b>	<b>239</b>	<b>233</b>	<b>6</b>
<b>Total for cluster</b>	<b>15,762</b>	<b>16,097</b>	<b>(335)</b>

Source: Provided by agencies (unaudited).

The implications of excessive leave balances include:

- possible work health and safety issues
- disruptions to service delivery when key employees take lengthy periods of leave
- employee fraud remaining undetected
- an increasing financial liability over time as salaries increase.

The Department and NSW Police are the highest employers of frontline staff in the cluster. Front line staff in NSW Police and the Department had over 80.0 per cent of the excess balances in these agencies at 30 June 2016. Their entitlements to annual leave exceed the usual 20 working days per annum.

NSW Police advise that they implemented a planned leave management system in August 2016 to manage excess leave.

Treasury Circular TC16/03 'Managing Accrued Recreation Leave Balances' requires agencies to manage accrued employee recreation leave balances to a maximum of 30 days or less on an ongoing basis, within the constraints of relevant industrial instruments and legislation.

NSW Police advise that they report against the categories of 'sworn' and 'unsworn', rather than frontline and administrative staff. This terminology is consistent with how NSW Police reports as an organisation to ensure there is no confusion between Police and Administrative Officers.

## Sick leave

### Sick leave taken by Justice cluster employees increased by 2.1 per cent

Sick leave taken by each Justice cluster FTE employee increased by 1.1 hours (2.1 per cent) in 2015–16. The total cost of sick leave was estimated at \$95.5 million in 2015–16 (\$90.4 million in 2014–15).

Effectively managing sick leave is challenging for many agencies. Each FTE employee in the cluster took an average of 53.3 hours sick leave in 2015–16 (52.2 hours in 2014–15). This is significantly more than the target of 45.06 hours referred to in the Memorandum of Understanding signed in settlement of the Crown Employees (Public Sector Salaries - 2008) Award. However, it is less than the 2014–15 public sector average of 61.4 hours per FTE employee referred to by the Public Service Commission.

### Sick leave taken by the Department's administrative staff continues to increase

#### Recommendation

**The Department should strengthen efforts to effectively manage sick leave.**

Sick leave taken by the Department's administrative employees increased 11.0 hours (21.2 per cent) per FTE employee over the last three years. The Department should strengthen efforts to manage administrative and frontline employee sick leave using the principles in NSW Treasury Circular TC 14/13 'Managing Sick Leave Policy'.

The table below shows sick leave taken by administrative staff in the biggest employer agencies in the Justice cluster, the Department and NSW Police.

Average sick leave hours per FTE			
Year ended 30 June	2016	2015	2014
Department of Justice	62.8	53.4	51.8
NSW Police Force	65.9	70.0	76.9

Source: Provided by agencies (unaudited).

Administrative employees' sick leave has decreased in NSW Police by 11.0 hours (14.3 per cent) over the last three years.

Last year's Auditor-General's Report to Parliament recommended Fire and Rescue NSW, the Office of the NSW State Emergency Service and NSW Rural Fire Service continue initiatives to reduce sick leave. In 2015–16, average sick leave fell by 5.2 per cent at Fire and Rescue NSW and 5.9 per cent at NSW Rural Fire Service.

Average sick leave hours per FTE			
Year ended 30 June	2016	2015	2014
Fire and Rescue NSW	58.6	61.8	62.8
NSW Rural Fire Service	52.9	56.2	50.2
Office of the NSW State Emergency Service	54.9	53.4	49.6

Source: Provided by agencies (unaudited).

Arts and cultural institution employees took on average 1.4 hours less sick leave in 2015–16. The average sick leave taken per FTE employee was 51.2 hours in 2015–16 (52.6 hours in 2014–15).

TC 14/13 'Managing Sick Leave Policy' allows agencies to adopt a range of strategies that suit the workplace to help address genuine illness and sick leave abuse by employees. The strategies include:

- using information management systems to monitor, measure and analyse sick leave data/information
- identifying options, strategies and support available to manage absences when they occur
- developing return to work plans and conducting effective return to work interviews.

### **Sick leave taken by frontline staff continues to increase**

Sick leave taken by frontline staff in the Department and NSW Police has increased by 4.8 hours (5.1 per cent) and 1.0 hour (1.6 per cent) respectively over the last three years.

Sick leave taken by the Department's frontline staff, mainly custodial officers within the corrective services and juvenile justice divisions, was 86.5 per cent above the Corrective Services NSW target of 53.2 hours.

Average sick leave hours per FTE			
Year ended 30 June	2016	2015	2014
Department of Justice	99.2	98.4	94.4
NSW Police Force	61.7	56.8	60.7

Source: Provided by agencies (unaudited).

A 2006 Auditor-General's report on 'Management of sick leave in NSW Police and Department of Corrective Services, Follow-up of 2002 Performance Audit' refers to a Corrective Services target of seven days sick leave per custodial officer. Based on a 7.6 hour day this equates to a target of 53.2 hours.

## **Workplace Health and Safety**

### **The Department of Justice**

#### **The Department's workers' compensation claims have increased by 15.5 per cent**

Prison officers from the Corrective Services NSW division of the Department are the employees most likely to be injured. They made 68.7 per cent of all claims in 2015–16 (56.9 per cent in 2014–15). Body stress is the most common injury and is caused by the use of force on inmates and injuries sustained during physical training exercises or while responding to incidents.

Workers' compensation claims			
Year ended 30 June	2016	2015	2014
Corrective Services division	471	338	489
Juvenile Justice division	148	164	119
Other divisions	67	92	110
Total number of claims	<b>686</b>	<b>594</b>	<b>718</b>

Source: Department of Justice (unaudited).

The Department is implementing the following initiatives to reduce workplace injuries to prison officers:

- pre-employment testing for new correctional officers to ensure they possess the physical and functional capabilities to perform the physical requirements of the job
- rolling out a Workplace Health and Safety Training package to inform staff and managers on how to manage safety in the workplace.

The Department paid \$26.5 million in workers' compensation insurance premiums in 2015–16 (\$29.3 million in 2014–15).

## NSW Police Force

### Lost hours due to workplace injuries in NSW Police continue to increase

NSW Police recorded average workplace injury leave for frontline staff of 57.9 hours per FTE employee in 2015–16 (53.7 hours in 2014–15), a 5.4 hour (10.3 per cent) increase over the last three years.

Workplace injury lost leave per FTE			
Year ended 30 June	2016	2015	2014
NSW Police	57.9	53.7	52.5

Source: NSW Police Force (unaudited).

NSW Police lost 112.9 hours per FTE employee in 2015–16 (106.2 hours in 2014–15) for sick leave and workplace injury leave across frontline and administrative staff.

Workplace injury leave includes workers' compensation leave and any other leave (other than sick leave) for workplace injuries.

### Performance audit on preventing and managing worker injuries

A performance audit on preventing and managing worker injuries in NSW Police and Fire and Rescue NSW, released on 13 October 2016, made the following key findings:

- NSW Police is benefiting from an improved focus on preventing and managing injuries since the last performance audit in 2014
- whilst the number of injured officers returning to work has increased, finding suitable duties for officers with long-term injuries remains a challenge
- workers compensation premiums and death and disability schemes peaked in 2013–14 and have since reduced
- NSW Police's death and disability scheme continues to remain above the statutory target.

The performance audit assessed how well NSW Police prevents worker injuries and manages the return to work of injured workers. In making this assessment, the audit examined:

- programs and practices to promote health and prevent injuries
- programs and practices to support injured workers to return to work
- workers compensation and death and disability scheme costs and outcomes.

## Asset management

### The Department of Justice

#### Control weaknesses, and the scale of capital projects pose risks for the Department

#### Recommendation

**The Department should ensure it has systems and controls to effectively maintain, manage and oversight its significant increase in capital projects.**

The scale of the Department's capital projects and control weaknesses in the management and oversight of capital projects pose significant risks for the Department.

The Department is expected to spend \$1.3 billion on capital projects in 2016–17, an increase of over \$1.0 billion compared to the actual spend in 2015–16. A 2015–16 internal audit found significant control weaknesses in the Department's management and oversight of its capital projects.

Weaknesses in procurement and capital management may also be highlighted when ICAC releases its Operation Yancey report on allegedly corrupt procurement processes within the Department's Asset Management Branch. Refer to Governance for details on Operation Yancey.

The expected increase in capital expenditure creates significant risk for the Department. The Department should ensure it has appropriate controls and systems in place to effectively maintain, manage and oversight the significant capital projects it is embarking on.

The internal audit focused on project governance, processes over key program functions and project monitoring and reporting. Key findings include:

- the financial management and governance framework for the capital program has been operating across multiple financial management systems, historic practices, significant manual processes, and a lack of clear responsibility and accountability for project and program management and reporting
- inconsistent processes exist across the Department, such as different project approval processes
- roles and responsibilities are not clearly defined resulting in duplication of activities and financial inaccuracy
- project reporting is inadequate. Key project information, such as approved budgets and actual spend, are not kept centrally.

The review made nine recommendations, including:

- considering the costs and benefits of implementing an Enterprise Asset Management System
- continuing the implementation of initiatives (refer below) to improve the governance and culture of capital asset management throughout the organisation
- having clear roles and responsibilities for service delivery, asset ownership and financial accounting
- ensuring consistent processes and accounting are applied across the capital program
- automating project reporting, where possible.

The Department is implementing strategies to address these matters, such as:

- a new governance structure for the Asset Management Services branch
- the implementation of one SAP system to streamline processes, and help in consolidating financial information and improving capital budgeting and project financial management
- plans to create a single team responsible for asset accounting.

### **The Department does not monitor backlog maintenance for individual properties**

#### **Recommendation**

**The Department should record, monitor and manage backlog maintenance by individual property.**

The Department does not have a system to track backlog maintenance required for individual properties across its correctional centres, courts and tribunals. This makes it difficult for the Department to develop an accurate and effective maintenance plan that focuses on areas of highest need.

The Department estimates backlog maintenance for:

- each Correctional Centre at between \$20,000 to \$30,000 based on a 2015 condition assessment of one Correctional Centre
- its courts and tribunal services properties at around \$220 million based on a 2015 assessment by an external firm.



### Some capital projects were completed behind time and over budget

The Department completed three capital projects with an estimated cost of \$10.0 million or more in 2015–16. Two of the projects were completed later than planned and cost \$3.2 million (two per cent) more than the revised budget.

Project description	Revised budgeted cost \$'000	Actual cost \$'000	Original estimated completion year	Year completed
Newcastle Justice Precinct	89,685	91,500	2015	2016
Coffs Harbour Justice Precinct	51,100	51,900	2016	2016
Wollongong Court House	17,500	18,100	2015	2016
<b>Total</b>	<b>158,285</b>	<b>161,500</b>		

Source: Department of Justice (unaudited).

The Department spent \$189 million on its capital program in 2015–16 (\$220 million in 2014–15).

The Department is currently managing three major projects each with an estimated cost of more than \$10.0 million. The table below shows costs to date are within budget, but one project is running behind time.

Project description	Revised budgeted cost \$'000	Costs to date at 30 June 2016 \$'000	Original estimated completion year	Revised completion year
New Children's Court House Surry Hills	37,835	12,046	2017	2017
Cook Freeze	12,800	377	2015	2017
Wagga Wagga Courthouse Redevelopment	20,600	17,800	2016	2016
<b>Total</b>	<b>71,235</b>	<b>30,223</b>		

Source: Department of Justice (unaudited).

At 30 June 2016, the Department had spent \$30.2 million on these projects (42.4 per cent of the revised budget).

## NSW Police Force

### NSW Police has three capital projects above \$10.0 million running behind schedule

Three of the NSW Police's ten capital projects above \$10.0 million are running behind schedule. The table below shows the projects' revised completion dates.

Project description	Original estimated completion year	Revised completion year	Original budgeted cost \$'000
Hazardous Materials Management Program	2017	2018	83,100
Policing for Tomorrow Fund	2018	2019	55,000
COPS Phase 3 Technical Migration	2017	2018	49,000

Source: NSW Budget Paper No. 2 – Infrastructure Statement.

NSW Police spent \$138 million on capital works in 2015–16 (\$138 million in 2014–15) from a budget of \$178 million. NSW Police advises the \$44.0 million underspend was mainly due to delays in major construction and Information, Communication and Technology projects. Funding for these projects has been rolled forward in line with the revised time profiles for completing the projects.

Over \$720 million is expected to be spent on capital projects over the next four years.

## Arts and cultural institutions

### Powerhouse Museum is to be relocated to Parramatta

In April 2016, the government announced the Powerhouse Museum will be relocated to Parramatta as part of its plan to build the Western Sydney Arts Precinct. The relocation is expected to be completed by 2022.

Following the government's announcement, the Museum reassessed the useful lives of the buildings at its Ultimo site to now only extend to 2022. This increased the depreciation expense for the year by \$9.1 million.

### Art Gallery of New South Wales' Sydney Modern project

The Sydney Modern project expects to expand the Art Gallery of New South Wales' facilities into the Domain to increase the display of art, cultural plaza and social spaces.

The project, with a budget of \$450 million and planned completion date of 2021, is being considered by government.

# Governance

Governance refers to high-level frameworks, processes and behaviours that ensure an entity performs by meeting its intended purpose, complies with legislative and other requirements, and meets probity, accountability and transparency expectations.

This chapter outlines audit observations, conclusions or recommendations related to governance of the Justice cluster in 2015–16.

Governance	
Observation	Conclusion or recommendation
<p>The Department is progressing with the development of Departmental and cluster level governance arrangements.</p> <p>Recent improvements include development of an overarching Enterprise Risk Management Manual and Guide.</p>	<p><b>Recommendation:</b> The Department should continue to develop and finalise Department and cluster level governance arrangements as a matter of urgency.</p>
<p>The Department provides financial services to other independently governed agencies, but does not have service level agreements in place for all.</p> <p>The Department also does not always provide written certifications to client agencies in accordance with Treasury requirements.</p>	<p><b>Recommendation:</b> The Department should establish and finalise service level agreements where it performs finance functions on behalf of independently governed agencies.</p> <p><b>Recommendation:</b> The Department should provide annual written certifications to each entity it performs finance functions for.</p>
<p>Each agency in the cluster has its own risk profile and approach to risk management. However, risks may have implications for other agencies in the cluster.</p> <p>The Department is still to fully implement a risk management framework that escalates key risks to those charged with governance.</p>	<p><b>Recommendation:</b> The lead agency for the cluster or relevant sub-group should implement an overarching risk assessment and treatment plan.</p> <p><b>Recommendation (repeat issue):</b> The Department should continue to implement risk management across the Department.</p>
<p>Incidents of alleged fraud and corruption have occurred in Justice cluster agencies.</p> <p>In 2015–16, 18 alleged fraud and corruption matters were referred to the NSW Independent Commission Against Corruption, and 37 NSW Police matters to the Police Integrity Commission.</p>	<p><b>Recommendation:</b> Agencies should consider whether instances of alleged fraud and corruption resulted from weaknesses in the internal controls framework and, if so, take steps to address the weaknesses.</p>

Good governance promotes public confidence in a government and its agencies, should improve service delivery and result in more efficient use of resources.

The governance framework for NSW public sector agencies is set out in legislation, regulations, policy documents, Treasury publications, Department of Premier and Cabinet publications and other directives. These include:

- *Public Finance and Audit Act 1983*
- *Government Sector Employment Act 2013*
- Treasurer's Directions
- Treasury Policy and Guidelines
- Department of Premier and Cabinet Memoranda and Circulars.

Policies, frameworks and controls are only effective if they are fully implemented and monitored. Without clear accountabilities and ongoing monitoring the planned objectives may not be met.

## Governance frameworks supporting service delivery

### The Department continues to develop governance arrangements

#### Recommendation

**The Department should continue to develop and finalise Department and cluster level governance arrangements as a matter of urgency.**

The Department is progressing the development of Departmental and cluster level governance arrangements as recommended in last year's Auditor-General's Report to Parliament, including:

- establishing a single Department-wide Audit and Risk Committee (ARC) in October 2015, replacing division-specific audit and risk arrangements
- creating an Audit and Risk Unit (ARU) to manage and lead these functions across the Department, provide administrative support to the new ARC, and develop and implement a Fraud Control Framework
- establishing a Justice Cluster Implementation Unit in June 2016, to oversee Justice reform programs
- developing a Department level overarching Enterprise Risk Management Manual and Guide (refer Risk Management below).

Other governance arrangements still being implemented include:

- finalising the internal audit service delivery model for the Department and other cluster agencies
- recruiting staff to fully establish the new ARU, referred to above
- updating governance arrangements to accommodate recent administrative changes to the Justice cluster - refer to the Introduction for details
- consolidating policies and procedures to ensure a consistent approach across the Department (refer below)
- finalising risk management and monitoring processes across the Department (refer below)
- developing Enterprise Risk, Internal Audit, Business Continuity, Fraud and Enterprise Compliance Programs.

The Department advises the new arrangements comply with the requirements of TPP 15–03 'Internal Audit and Risk Management Policy for the NSW Public Sector'.

Last year's Auditor-General's Report to Parliament recommended the Department benchmark its arrangements against the Audit Office's Governance Lighthouse Checklist and other relevant better practice guides. The Department advises its draft governance framework is built on the key principles and components in the Governance Lighthouse Checklist, a strategic early warning system to help agencies identify areas needing improvement. The Department updated its draft governance framework during the year, but this requires more work before it is implemented.

## The Justice cluster is integrating its policies, operations and systems

### Recommendation (repeat issue)

**The Department should continue to integrate policies, operations and systems across its divisions and offices, and where appropriate, other agencies in the cluster.**

The Department is still integrating policies, operations and systems across its divisions and offices. Progress in 2015–16 included:

- commencing the roll out of a new version of the SAP system across the Department and other cluster agencies (refer below)
- developing a legislative compliance and policy framework for the Department
- undertaking an inventory of key legislation and statutory requirements
- continuing consolidation of Human Resources policies
- continuing consolidation of guidance on procurement across the Department and establishing a procurement intranet page
- delivering 17 training sessions on the procurement process to 425 employees across 130 business units
- implementing Department-wide financial and administrative delegations from March 2016.

Previous Auditor-General's Reports to Parliament have recommended the integration of policies, operations and systems across the Department's divisions and offices, and recommended that, once complete and where appropriate, they be rolled out to other agencies in the cluster.

The Introduction to this report referred to changes made to the Justice cluster in 2015–16. For agencies and functions transferred into the cluster, the Department advises it has:

- incorporated their initiatives and priorities into the Justice Corporate Plan
- agreed the level of resources to transfer into the cluster
- started transferring agencies' corporate information technology (IT) systems to the Justice support IT systems.

To help integrate policies and systems across the cluster, the Department has established a monthly Chief Procurement Officer network to facilitate collaboration across all cluster agencies, including the rollout of government-wide initiatives.

### Quality assurance framework over Victims Services has been fully implemented

Last year's Auditor-General's report to Parliament recommended the Department fully implement the Victims Support Scheme Reporting and Quality Assurance Framework (the Framework). The Department advises it fully implemented the Framework in 2015–16, which covers all Victims Services, not just the Victims Support Scheme (VSS). It provides a basis for measuring, monitoring and responding to the quality, efficiency and effectiveness of Victim Services.

In June 2016, a statutory review of the *Victims Rights and Support Act 2013* commenced to determine whether the Act's policy objectives remain valid and its terms appropriate to secure its objectives, which include:

- recognising and promoting the rights of victims of crime
- establishing a scheme to provide support for victims of acts of violence
- enabling financial support paid and recognition payments made under the Victims Support Scheme to be recovered from those found guilty of the crimes
- giving effect to an alternative scheme under which a court may order a person it finds guilty of a crime to pay compensation to any victim of the crime
- imposing a levy on people found guilty of crimes to fund the Victims Support Scheme.

The *Victims' Rights and Support Act 2013* mandates a review of the scheme as soon as possible after three years (after June 2016) and after five years (after June 2018) from the date it commenced. A report with the review outcomes is to be tabled in both Houses of Parliament within 12 months of the review being finalised.

The VSS replaced the VCS from 3 June 2013. The focus of the VSS is to provide a package of practical and financial support, instead of lump sum compensation payments to victims - refer to the Service Delivery chapter for information on the performance of the VSS.

## Shared services

### Service level agreements are not always in place

#### Recommendation

**The Department should establish and finalise service level agreements where it performs finance functions on behalf of independently governed agencies.**

The Department provides financial services to other independently governed agencies, but does not have service level agreements in place for all. Some service level agreements are either outdated, were signed late or do not exist. Examples include:

- an agreement with NSW Trustee and Guardian, which expired in 2012, has not been renewed
- a 2015–17 human resources agreement with the Crown Solicitor's Office was only signed in May 2016, and a 2015–16 information technology agreement was only signed in February 2016, both well after the commencement date
- a formal agreement does not exist with the Legal Profession Admission Board.

As a service provider the Department should finalise service level agreements with recipient entities before they commence. Failure to do this increases the risk of disputes over the scope, cost, quality and timeliness of the services provided.

The Department provides information technology, financial, and human resources services to several agencies in the cluster. It advises that:

- new service level agreements will be established when the roll out of the new SAP system (refer below) is complete and processing volumes and costs in the new environment are known
- in the interim, it has developed a Service Catalogue specifying strategic, operational and client roles for the corporate services it provides.

Shared service arrangements are designed to achieve efficiencies and reduce costs by centralising service delivery in areas such as human resources, financial and information technology. Service level agreements help clarify roles, responsibilities, performance measures, pricing structures, service volumes and levels.

## The Department does not always provide controls certifications to client agencies

### Recommendation

**The Department should provide annual written controls certifications to each entity it performs finance functions for.**

The Department does not always provide written certifications to client agencies on the design and effectiveness of internal controls relating to and impacting the agency's financial reporting. As a result, some agencies using the Department as a service provider are not fully complying with Treasury Policy Paper TPP14–05 'Certifying the Effectiveness of Internal Controls over Financial Information'.

Under TPP 14–05, agencies must require service providers that perform their finance functions to provide an internal control certification each year. Finance functions include the recording, processing and reporting of financial data.

TPP 14–05 notes that, in some instances, client agencies may consider it appropriate to seek or request additional assurance in the form of an independent opinion on the design and operating effectiveness of controls in the service organisation as it relates to the agency's financial information and reporting.

## Conflicts of interest and gifts and benefits

### The Department has established a gifts and benefits register

Last year's Auditor-General's Report to Parliament recommended the Department:

- establish a centralised gifts and benefits register as required by the Public Service Commissioner's standards
- designate a senior manager to regularly review the register to ensure compliance with policies and procedures
- consider publishing the register on the Department's website.

The Department centralised its gifts and benefits register and updated its gifts and benefits policy in May 2016. The register is managed and reviewed centrally by the Ethics, Safety and Industrial Relations Unit and is reported to the Executive Director, Strategic Human Resources, quarterly.

The Department advises it has no plans to publish the register on its website as it contains employees' personal information.

### Justice cluster agencies do not all have a centralised conflict of interests register

### Recommendation

**Justice cluster agencies should maintain a centralised conflict of interests register.**

Some agencies in the cluster may not be effectively managing conflicts of interest. Conflicts are not being recorded in an accessible centralised register. Instead, declared conflicts are recorded in various minutes of meetings or noted in staff or work files.

The Public Service Commission expects all agency managers and executives to ensure real or perceived conflicts of interests are avoided or effectively managed. The absence of a centralised register listing current declarations makes it difficult for managers and executives to fulfil this responsibility.

A conflict of interest occurs when the private interests of a public official come into conflict with their duty to act in the public interest.

## Compliance management

### Some cluster agencies do not have a compliance management framework

#### Recommendation

All Justice cluster agencies should:

- have a compliance management framework
- maintain a compliance register, monitor compliance and report breaches to the audit and risk committee.

Some cluster agencies do not have a compliance management framework and processes to:

- proactively identify changes to legislation
- assess the risk of non-compliance with key legislation
- develop strategies to mitigate these risks.

This increases agencies' risk of breaching key legislative requirements.

An effective compliance management framework helps agencies avoid breaching laws and regulations if it has the following components:

- key policies and procedures to identify, monitor and report compliance obligations
- tools to ensure key compliance obligations are identified and assigned a risk rating, and appropriate mitigation strategies are implemented
- regular reporting to the audit and the risk committee on agency compliance with key legislation and regulations, including breaches and actions taken
- an effective communication strategy that ensures the compliance framework is clear and readily accessible to employees
- regular updates and monitoring of the compliance management framework.

Opportunities exist for agencies to leverage good practice compliance management frameworks established in other cluster agencies.

## Government Information (Public Access) Act 2009 (GIPA)

### Some agencies in the cluster are not fully complying with GIPA requirements

#### Recommendation

Agencies in the cluster should ensure they have an appropriately designed government contracts register that complies with Part 3 Division 5 of the *Government Information (Public Access) Act 2009*.

The contracts register should:

- include all relevant contracts valued at \$150,000 or more and material variations thereto on a timely basis
- be published on the government tenders website.



The Audit Office reviewed agency compliance with Part 3 Division 5 of the *Government Information (Public Access) Act 2009*. The review was performed on 13 agencies, including two in the Justice cluster. The evidence we gathered for the two Justice cluster agencies was sufficient to conclude they had materially complied with the requirements of Part 3 Division 5 of the GIPA Act. However, we identified instances of non-compliance with specific requirements, which resulted in a qualified review conclusion for each agency. We found the agencies had failed to:

- record all contracts valued at \$150,000 or more in the contract registers
- enter all qualifying contracts in the register within 45 working days of contracts becoming effective.

The results of this review were reported in the Auditor-General's 2016 Special Report 'Government agencies compliance with the GIPA Act'.

## Risk management

### Justice does not have an overarching risk assessment and management framework

#### Recommendation

**The lead agency for the cluster or relevant sub-group should implement an overarching risk assessment and treatment plan.**

Each agency in the cluster has its own risk profile and approach to risk management, with oversight by respective Audit and Risk Committees. However, the risks may have implications for other agencies in the cluster.

When reviewing governance frameworks, the lead agency should consider how risks are managed at an agency level and then captured and escalated to a group level. The group could be at the cluster level or a sub-group level, such as law and order agencies, emergency services agencies, or arts and cultural institutions.

This is especially relevant for risks impacting multiple agencies in the cluster. For example, the criminal justice system is made up of various inter-related functions within the law and order agencies. A change in the system that impacts the number of arrests can have implications for the NSW Police Force, the courts, the Office of Director of Public Prosecution, the Legal Aid Commission, prison system, and Justice Health. If the associated risks to all impacted agencies are not identified and managed, they may not be effectively mitigated and result in undesirable outcomes.

Effective risk management can improve decision making, protect reputations and lead to significant efficiencies and cost savings. By embedding risk management directly into processes, agencies can derive additional value from risk management programs. The more mature an agency's risk management is, the stronger its culture in balancing the tension between value creation and protection.

## The Department of Justice

### The Department is still to fully implement a risk management framework

#### Recommendation (repeat issue)

**The Department should continue to implement risk management across the Department.**

Opportunities for the Department to enhance its risk management practices, include:

- ensuring the overarching Enterprise Risk Management Manual and Guide is practically and consistently applied across the Department
- expressing the level of risk acceptable to the Department in a risk appetite statement, that clarifies risk tolerance levels throughout the organisation
- ensuring all key divisions, branches and/or work areas are captured in a risk register, to ensure risk management is occurring across the Department's many diverse functions
- ensuring the risk tolerances applied in risk registers across the Department are consistent with the Department's risk appetite
- ensuring risks are assigned to risk owners
- assessing current risk reporting and escalation processes - the Department currently relies on manual processes, such as spreadsheets and standalone registers, to record and track risks and ensure risks at lower levels are escalated to higher level risk registers
- establishing a process for the Audit and Risk Unit to monitor risk management across the Department, to ensure risks are being managed in accordance with the Manual and Guide, within the Department's risk tolerances, and key risks elevated.

The Department is still to fully implement a risk management framework that escalates key risks to those charged with governance. Levels of risk maturity vary across the Department.

The Department progressed its risk management in the second half of 2015–16 by appointing additional staff in the Audit and Risk Unit (refer above) and by developing an overarching Enterprise Risk Management Manual and Guide.

## **NSW Police Force**

### **NSW Police has sound risk management processes**

NSW Police has sound risk management processes supported by a framework that follows best practice and is aligned with ISO 31000. Risk management is strongly supported by the Commissioner and his executive team. NSW Police's risk register identifies strategic and operational risks and has assigned risk owners and responsibilities.

NSW Police does not have a risk appetite statement that clarifies risk tolerance levels throughout the organisation.

Treasury Policy Paper TPP 15–03: 'Internal Audit and Risk Management Policy for the NSW Public Sector' requires an agency to establish and maintain an appropriate risk management framework and related processes.

A mature risk management process should:

- foster an embedded risk aware culture
- align strategic and business decision making processes with risk management activities
- improve resilience in dealing with adversity
- increase agility in pursuing new opportunities.

Agencies need to evaluate the costs and benefits of risk management capability to achieve a desirable balance between risk and reward. Some agencies may need more sophisticated risk management processes than others to suit the size and complexity of their activities.

## Fraud control

### Instances of alleged fraud and corruption have occurred in the Justice cluster

#### Recommendation

**Agencies should consider whether instances of alleged fraud and corruption resulted from weaknesses in the internal controls framework, and if so, address the weaknesses.**

During 2015–16 Justice cluster agencies, other than NSW Police, referred 18 (16 in 2015) instances of suspected fraud and corruption to the NSW Independent Commission Against Corruption (ICAC). NSW Police referred 37 (eight in 2015) instances to the Police Integrity Commission.

Reported instances of fraud and corruption included:

- inappropriate use of agency owned resources
- invalid timesheet entries
- misleading information provided to court
- financial reward received for advocating training
- appointing a friend as a security contractor.

### ICAC's investigation into a procurement fraud in the Department of Justice continues

Previous Auditor-General's Reports to Parliament referred to an alleged incident of fraud within the Department, referred to as Operation Yancey. It involves allegedly corrupt procurement processes by a former Asset Management Branch Assistant Director of capital works in awarding contracts to refurbish NSW courthouses in 2013. ICAC is still to report the outcome of its investigation.

The Department has responded to the alleged corruption by:

- implementing a 20 point plan to strengthen controls in the procurement area
- implementing a fraud control plan across the Department
- restructuring its Asset Management branch and adding a governance unit
- training Asset Management staff on the Department's Procurement framework.

The Department advises the roll out of a new version of the SAP system (refer below) will improve governance and oversight through its inbuilt workflow capability.

### ICAC's investigation into alleged corrupt payments in the Rural Fire Service

ICAC investigated alleged corrupt payments for the supply of catering and other products to the NSW Rural Fire Service (RFS) between 2009 and 2015. ICAC examined whether the RFS payments to catering companies were induced by RFS employees' representations, which they knew were false or misleading, or by those employees concealing facts from the RFS they had a duty to disclose.

ICAC found one Officer had engaged in serious corrupt conduct. It made four corruption prevention recommendations to help the Rural Fire Service prevent this conduct from reoccurring in the future.

## Other governance matters

### The Department is implementing a new SAP system

In October 2015, the Department began implementing a new version of the SAP system throughout the Department and other cluster agencies. The system, which is being progressively rolled out, is expected to be fully implemented by 31 December 2017.

An external firm reviewed the project management and governance of the first stage of the roll out and found this satisfactory overall. Minor findings from the review included:

- change management needs to be improved for future rollouts
- the governance model had evolved to provide a satisfactory governance framework for future rollouts, including the formation of steering committees
- lessons learned need to be communicated and resolved before future rollouts
- non-financial benefits need to be identified and included in the benefits realisation plan.

Last year's Auditor-General's Report to Parliament recommended agencies' future projects consider lessons learned from the post implementation review of the LifeLink System. Our 2015–16 audits did not identify any significant issues with major information technology projects.

### It is still not clear how the confiscated proceeds from criminals should be used

#### Recommendation (repeat issue)

**The Minister for Justice and Police should engage with the Treasurer to determine how funds in the Crown Entity's Confiscated Proceeds Account should be used.**

It is still unclear how the balance in the Crown Entity's Confiscated Proceeds Account (the Account) is to be used. The Minister for Justice and Police should engage with the Treasurer to determine how the funds in the Account should be used.

The balance in the Account decreased by \$1.3 million (1.1 per cent) in 2015–16, and totalled \$121.3 million at 30 June 2016.

Balance in the confiscated proceeds account					
Year ended 30 June	2016	2015	2014	2013	2012
	\$'000	\$'000	\$'000	\$'000	\$'000
Opening balance	122,635	113,314	108,865	97,646	88,843
Receipts	30,196	22,849	20,535	23,734	14,345
Payments	(31,520)	(13,528)	(16,086)	(12,515)	(5,542)
Closing balance	121,311	122,635	113,314	108,865	97,646

Source: The Crown Entity's financial statements (audited).

Under section 32 of the *Criminal Assets Recovery Act 1990* (the Act) the funds in the Account can be used to 'aid law enforcement, victim support programs, crime prevention programs, programs supporting safer communities, drug rehabilitation or drug education as directed by the Treasurer in consultation with the Minister'.

Section 32(3)(c) of the Act, requires 50 per cent of proceeds assessment orders and unexplained wealth orders to be paid to the Victims Support Fund. However, confiscation proceeds from asset forfeiture orders are not required to be paid into the fund.

The Department advises the Account is available for its statutory purposes if the Treasurer and the Minister for Justice and Police agree.

# Service Delivery

Government outcomes can be achieved by delivering the desired mix of services through the public, private or not-for-profit sectors. Service delivery reform is most successful if there is clear accountability for service delivery outcomes, decisions are aligned to the government's strategic direction, and performance is monitored and evaluated.

This chapter outlines our audit observations, conclusions and recommendations for the service delivery of agencies in the Justice cluster for 2015–16.

Service Delivery	
Observation	Conclusion or recommendation
Domestic violence reoffending increased from 14.8 per cent in 2013–14 to 15.9 per cent in 2014–15.	The reoffending rate is 6.7 per cent above the Premier's priority target to reduce the rate of domestic violence reoffending to 9.2 per cent by 2019.
In the year to 30 June 2015, 48.1 per cent of released prisoners had returned to prison and 52.9 per cent to Corrective Services, within two years of release.	These rates are respectively 2.3 per cent and 2.6 per cent higher than in 2013–14 and the trend is contrary to the State priority of reducing adult re-offending by five per cent by 2019.
Between 31 December 2011 and 31 December 2015, the number of crimes has trended down in most crime categories, except for sexual assault, which has increased in each of the last five years.	The downward trend in most crime categories indicates the cluster is effectively achieving the State's priority to prevent and reduce crime.
Overcrowding of the NSW prison system increased in 2015–16 and may worsen over the next two years. Overcrowding of correctional centres can negatively impact all aspects of custodial life, and ultimately result in higher re-offending rates.	<b>Recommendation:</b> The Department should consider if planned capital investment is sufficient to efficiently and effectively manage inmates over the next two to three years.
Making decisions about Justice cluster resources in isolation can adversely impact the ability of inter-related functions to meet their objectives and operate effectively.	<b>Recommendation:</b> Decisions about Justice cluster resources should consider the activities of the inter-related components of the criminal justice system, such as the impact NSW Police activity has on the courts and prison capacity.
The backlog of cases in the NSW District Court remains high, and the number of older cases is increasing. There were 1,164 inmates on remand and awaiting trial in the NSW District Court at 30 June 2016.	Based on the 2014–15 average cost per day, holding inmates on remand while they await trial cost the State an estimated \$80.8 million in 2015–16, and is contributing to prison overcrowding.

## Measuring and reporting on performance

A key objective of public sector reform is to improve performance and create a culture of accountability. Performance reporting against benchmarks and targets is an effective measure of the success of these reforms.

### Premier and State Priorities

The NSW Premier issued 'NSW Making it Happen' in September 2015, comprising 30 Priorities - 12 Premier's and 18 State priorities.

Priorities relevant to the Justice cluster comprise:

- the Premier's priority to reduce domestic violence perpetrators from re-offending within 12 months by five per cent by 2019
- the State priorities:
  - for Local Government Areas to have stable or falling reported violent crime rates by 2019
  - to reduce adult re-offending by five per cent by 2019
  - to reduce road fatalities by at least 30 per cent from 2011 levels by 2021 - this is a collaborative priority between the NSW Police Force and partner agencies
  - to increase attendance at cultural venues and events in NSW by 15 per cent by 2019.

Targets have been established to measure the government's progress in achieving each priority.

### The domestic violence reoffending rate is significantly higher than the Premier's target

The rate of domestic violence perpetrators reoffending within 12 months increased between 2010–11 and 2014–15, from 13.1 per cent to 15.9 per cent. At 30 June 2015, the rate was 6.7 percentage points higher than the NSW Premier's priority target of 9.2 per cent. It is unclear whether the unfavourable trend to 2014–15 is due to greater public awareness and reporting of incidents and/or a real increase in domestic assaults.

Domestic violence re-offending rates						
	Target %	Actual %	Actual %	Actual %	Actual %	Actual %
Year ended 30 June	2019*	2015	2014	2013	2012	2011
Rate of domestic violence perpetrators reoffending within 12 months	≤ 9.2	15.9	14.8	14.9	14.7	13.1

\* The 2019 Premier's priority target is the 2013 calendar year reoffending rate of 14.2 per cent less 5 per cent.

Source: NSW Bureau of Crime Statistics and Research (BOCSAR).

In 2015–16, the rate of repeat domestic violence assaults fell 0.4 per cent according to NSW Police.

Domestic violence assault rates				
	Target %	Actual %	Actual %	Actual %
Year ended 30 June	2016*	2016	2015	2014
Repeat domestic violence assault victims	≤ 13.6	15.1	15.5	15.3
Legal actions for domestic violence assaults	≥ 60.0	65	63	61.4

\* Target sourced from NSW Police Force Corporate Plan 2012–2016 (unaudited).

Source: NSW Police Force (unaudited).

NSW Police advises that the NSW Government's 'It Stops Here' campaign launched in 2013–14, is improving victims' access to support services by opening more local coordination points, which facilitate local responses. In August 2016, the NSW Government launched the 'NSW Domestic and Family Violence Blueprint for Reform 2016–2021: Safer Lives for Women, Men and Children'. This is a five year plan to reform the domestic violence system in New South Wales, and includes directions and actions to:

- prevent domestic and family violence
- intervene early in vulnerable communities
- support victims
- hold perpetrators accountable
- deliver quality systems
- improve the system.

Further information can be found at: <http://domesticviolence.nsw.gov.au/publications/blueprint>.

The 2016–17 State Budget allocates \$44.0 million over the next four years to help meet the Premier's target. Measures include GPS tracking of high risk offenders, behavioural change programs for higher-risk perpetrators and establishment of NSW Police Domestic Violence High Risk Offender Teams across the State.

### Local Government Area violent crime trends are contrary to the State Priority

Local Government Areas (LGAs) with stable or falling violent crime rates fell two percentage points to 94.5 per cent at 30 June 2016 (96.5 per cent at 30 June 2015).

In August 2016, NSW Police submitted a State Priority Implementation Plan: Reducing Violent Crime to the Minister for Police and Justice, which contains actions and initiatives to meet the State priority of reducing violent crime.

Quarterly BOCSAR crime statistics are used to measure progress against the State priority. These show violent crime trends by LGA in the final month of a 24 month period.

### The rate of adult re-offending is increasing

Contrary to the State priority of reducing adult reoffending by five per cent by 2019, the rate has continued to increase.

The rate of prisoner reconviction after release from custody within 12 months rose to 36.7 per cent in the year ended 31 December 2014. The rate has increased 2.3 per cent over the five years since 2010.

Prisoner reconviction after release from custody					
Year ended 31 December	2014	2013	2012	2011	2010
Percentage of reconviction	36.7	36.0	34.7	34.2	34.4

Note: Results for re-offending are reported in calendar years and are not available for 18 months. The most recent available reporting period is calendar year 31 December 2014.

Source: Department (unaudited).

The rate of prisoner reconviction after release from a non-custodial penalty within 12 months increased to 17.5 per cent in the year ended 31 December 2014. The rate has increased 2.8 per cent over the five years since 2010.

Prisoner reconviction following a non-custodial penalty					
Year ended 31 December	2014	2013	2012	2011	2010
Percentage of reconviction	17.5	16.4	15.9	14.7	14.7

Note: Results for re-offending are reported in calendar years and are not available for 18 months. The most recent reporting period is calendar year 31 December 2014.

Source: Department (unaudited).



The most recent 2014–15 Productivity Commission data on reoffending shows the rate of released prisoners returning to prison or Corrective Services NSW within two years increased 2.3 per cent to 48.1 per cent and 2.6 per cent to 52.9 per cent respectively. These rates remain above the respective national averages of 44.3 and 51.1 per cent.

Per cent of individuals returning to:	National %	NSW %	National %	NSW %	National %	NSW %	National ** %	NSW %
Year ended 30 June	2015		2014		2013		2012	
Prison	44.3	48.1	42.1	45.8	40.3	42.7	39.3	42.5
Corrective Services NSW*	51.1	52.9	48.2	50.3	46.4	47.9	46.1	46.9

\* Includes prison sentence or community corrections order.

\*\* Australian Capital Territory not provided.

Source: Productivity Commission's Report on Government Services 2016 (unaudited).

The Report on Government Services 2016 notes that 'Repeat offender data are difficult to interpret. A low proportion of repeat offenders may indicate an effective justice system discouraging repeat offending. However, a high proportion of repeat offenders may indicate more effective policing.'

In August 2016, the Minister for Corrections announced a \$237 million strategy to reduce reoffending. The strategy targets persistent domestic violence defendants and other high risk offenders. For the first time, it will include inmates serving sentences of six months or less. A 2006 NSW Auditor-General's Report on 'Prisoner Rehabilitation, Department of Corrective Services' reported there were no offence-based programs for short term inmates even though they account for more than half the inmates released each year.

The Department has adopted the following performance measures for the State priority:

- percentage of adult offenders released from custody who are reconvicted for offences committed within 12 months
- per cent of adult offenders receiving a non-custodial penalty who are reconvicted for offences committed within 12 months.

### New South Wales' road fatalities increased by one per 100,000 people in 2015–16

New South Wales' road fatalities increased by one death per 100,000 people to 4.7 in 2015–16. This exceeded NSW Police's road fatality target of  $\leq 4.3$  and is contrary to the State priority target of reducing road fatalities by at least 30 per cent from 2011 levels by 2021.

NSW road fatalities				
Year ended 30 June	Target 2016*	Actual 2016	Actual 2015	Actual 2014
Road fatalities (per 100,000 population)	$\leq 4.3$	4.7	3.7	4.4

\* Targets sourced from NSW Police Force Corporate Plan 2012–2016 (unaudited).

Source: NSW Police Force (unaudited).

NSW Police is working collaboratively with partner agencies by enabling the free flow of traffic and promoting road safety through education, innovation and targeted enforcement.

### Preliminary data indicates attendance at cultural venues and events has increased

Preliminary monthly attendance data for Cultural Institutions and State Significant Organisations increased 9.9 per cent in 2015–16. However, complete data to measure performance against the State priority will not be available until later in 2016.

The target is to increase attendances at cultural venues and events by 15 per cent. This equals about 16 million attendees by 2019, compared to a 2014–15 baseline of just under 14 million attendees.



The Department has determined the following cultural venues and events will contribute to the performance measure:

- the Cultural Institutions (Art Gallery, Australian Museum, Museum of Arts and Applied Sciences, Sydney Opera House, State Library)
- State Significant Organisations (Carriageworks and Museum of Contemporary Art Australia)
- Arts and Culture NSW supported selected events (festivals), Western Sydney venues and major Screen NSW events
- Sydney Living Museums
- Destination NSW attendance at a range of events it supports, including Vivid Sydney.

## Other measures of performance

### Department of Justice

#### Most crime categories have trended down since 2011

The downward trend in most crimes in New South Wales since 2011 is better than the national trend, except for sexual assault, which increased 22.5 per cent in New South Wales compared to 14.8 per cent nationally. Sexual assault in New South Wales increased in each of the last five years and is the only crime to increase overall since 2011.

Between 2014 and 2015, seven crimes fell in New South Wales compared to four nationally.

The New South Wales trend indicates the cluster is achieving the State's law and order priorities.

Crime numbers						
Year ended 31 December	% inc/(dec) since 2011	2015	2014	2013	2012	2011
<b>NSW</b>						
Murder	(23.5)	65	76	84	64	85
Attempted murder	(46.8)	33	32	48	36	62
Manslaughter	(100.0)	--	--	--	9	3
Assault	(8.5)	65,140	65,576	68,963	68,745	71,165
Sexual assault	22.5	8,603	8,192	8,121	7,628	7,024
Kidnapping/abduction**	(37.2)	257	305	305	348	409
Robbery	(45.0)	2,930	3,850	4,723	5,100	5,327
Unlawful entry with intent	(25.7)	43,316	46,221	49,902	58,228	58,269
Motor vehicle theft	(32.2)	13,032	14,110	15,114	17,198	19,208
Other theft	(10.9)	135,407	138,254	147,627	154,335	151,977
<b>National</b>						
Murder	(4.8)	236	243	245	243	248
Attempted murder	(19.1)	152	152	162	161	188
Manslaughter	(21.9)	25	26	26	44	32
Assault*	--	--	--	--	--	--
Sexual assault	(14.8)	21,380	20,739	20,025	19,448	18,616
Kidnapping/abduction**	(22.6)	523	550	596	638	676
Robbery	(34.3)	8,966	9,893	11,711	13,161	13,650
Unlawful entry with intent	(11.8)	184,529	181,982	194,529	215,009	209,146
Motor vehicle theft	(8.0)	51,614	50,182	52,508	58,559	56,074
Other theft	1.5	508,738	485,374	493,540	512,352	501,295

\* National data on assaults is 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 reporting of all incidents, even if not investigated. This information is used for intelligence purposes.

Source: Australian Bureau of Statistics (unaudited). The Bureau acknowledges not all crimes are reported or recorded by police in the various jurisdictions. This impacts comparability of recorded crime levels between states.

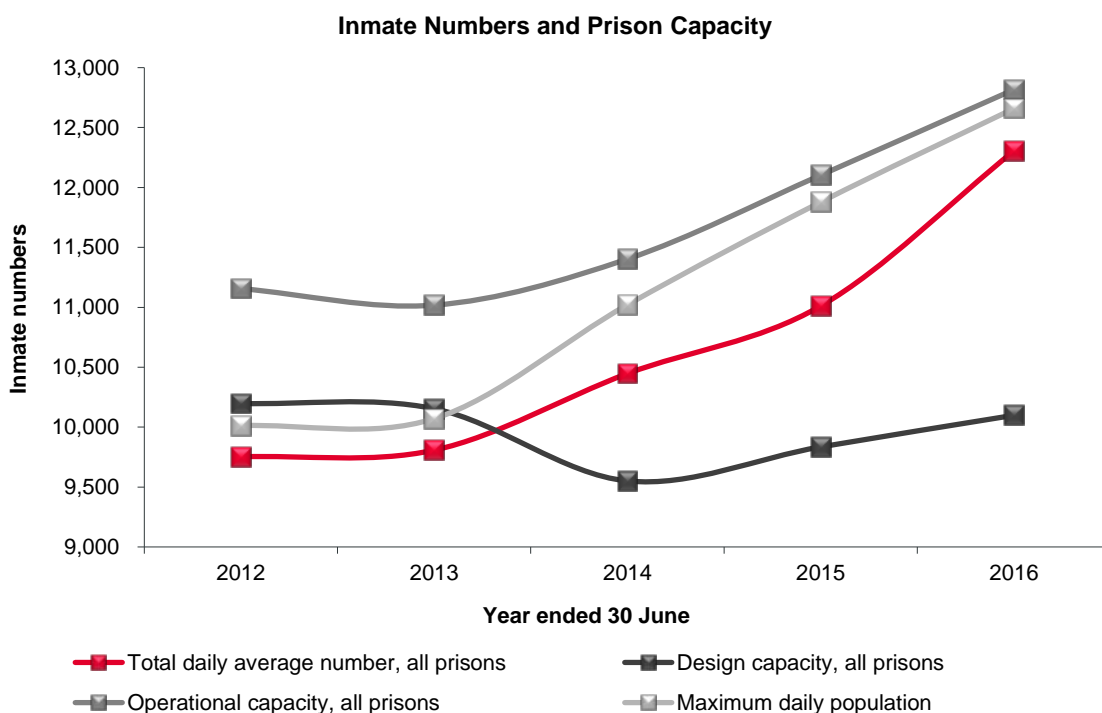
## Overcrowding in the NSW prison system has worsened

Overcrowding in the NSW prison system worsened in 2015–16, with increases in operational capacity not keeping pace with increases in inmate numbers. Department data shows average daily inmate numbers increased by 1,294 to 12,305 in 2015–16 (11,011 in 2014–15) while average daily prison operational capacity increased by 714 beds to 12,817. However, the system's capacity was only designed to cater for 10,099 (9,829) inmates.

According to the Productivity Commission, the average daily design capacity occupancy rate for the NSW prison system was 122 per cent (112 per cent) compared to a national rate of 106.1 per cent in 2014–15.

At 30 June 2016, the operational vacancy rate, as opposed to the design capacity rate, of NSW prisons was 1.2 per cent (4.1 per cent at 30 June 2015). This is significantly less than the 5 per cent buffer previously referred to by the Commissioner of Corrective Services NSW, as being needed for the efficient and effective management of the inmate population.

The graph below shows the design and operational capacity of all prisons compared to daily average inmate numbers in the NSW prison system.



The Department advises the operational vacancy rate decreased further to 0.64 per cent at 30 September 2016 after the number of inmates increased to 12,783.

Design capacity is the number of beds prisons were originally built to hold. Operating capacity is the number that can be accommodated while maintaining program and service levels. According to the Inspector of Custodial Services (the Inspector), when referring to design capacity in assessing prisoner crowding, the 'elasticity of operational capacity allows overcrowding to be made opaque to inquiry'. Bed capacity can be changed by, for example, installing more beds in existing cells without increasing resources and services. The Inspector acknowledges design capacity also has definitional problems.

## Inmate access to some resources and services has deteriorated

Inmate access to some resources and services has not kept pace with increases in prisoners according to data from the Justice Health and Forensic Mental Health Network (Justice Health). Data shows the ratio of full time equivalent nursing staff to inmates has fallen 29.7 per cent from 3.7 in 2012 to 2.6 in 2016, and nursing waiting times have increased from 50 days to 82 days over the same period.

However, the waiting time for an inmate to access a General Practitioner (GP) has fallen by 11 days from 37 days in 2012 to 26 in 2016. Justice Health attributes the decrease to initiatives implemented around 2013. These included more GP clinical sessions, stratifying GP clinics to higher need areas, and introducing Nurse Practitioners instead of medical staff to triage patients and hold clinics.

Average out-of-cell hours for prisoners fell to 7.8 hours in 2015–16, compared to 8.0 hours in 2014–15. The Productivity Commission's Report on Government Services 2016 shows New South Wales had the lowest time out-of-cells of any Australian jurisdiction in 2014–15. The national average was 10.1 hours over the same period.

While out-of-cell hours fell, the ratio of employed to eligible inmates increased to 80.4 per cent, the highest rate recorded in the last five years. This was mainly due to increased internal work opportunities within the Department, including working in the Prefabricated Modular Cell manufacturing program, and making and installing beds and security fencing in correctional centres.

Nurse to inmate ratios, nurse waiting times, average out-of-cell hours and employed inmate rates are indicators of the Department's performance in providing safe, secure and humane custodial environments, and programs that reduce the risk of re-offending and maximise the chances of successful reintegration into the community.

The table below shows changes in these indicators over the last five years.

Inmate access to resources and services					
Year ended 30 June	2016	2015	2014	2013	2012
Ratios of FTE nursing staff to inmates in correctional centres (how many nursing staff per 100 inmates) <sup>#</sup>	2.6	2.7	3.0	3.2	3.7
Waitlist times in days for inmates to access custodial health services by GP's <sup>#</sup>	26	29	26	28	37
Average number of hours out-of-cell an inmate receives each day					
- Open custody	10.1	10.3	10.5	18.2	19.1
- Secure custody	6.5	6.7	6.9	6.9	7.0
Total average out-of-cell hours <sup>^</sup>	7.8	8.0	8.2	11.0	11.4
Employed inmates <sup>^</sup>	5,676	5,442	5,440	5,170	5,435
Eligible inmates employed % <sup>&lt;</sup>	80.4	76.2	79.7	72.4	76.0

<sup><</sup> The Department applied a different methodology to measure out-of-cell hours from 2013–14 onwards. This is the main reason for the significant reduction in hours in 2013–14 compared to 2012–13.

<sup>#</sup> Source: Justice Health and Forensic Mental Health Network (unaudited).

<sup>^</sup> Source: Department of Justice (unaudited).

Another relevant indicator is the extent of inmate access to support programs and services. The NSW Audit Office has started a performance audit on the availability, efficiency and effectiveness of programs provided in adult prisons that aim to reduce reoffending. The report is expected to be tabled in Parliament in March 2017.

The Inspector of Custodial Services' April 2015 report 'Full House: the growth of the inmate population in NSW' found prisoner access to some resources and services was not commensurate with the increase in the inmate population. The Inspector concluded this has the potential to compromise quality of life for inmates and undermine rehabilitation outcomes.

### Overcrowding of the NSW prison system may worsen over the next two years

Planned increases in prison bed capacity through capital investment programs are not forecast to keep pace with growth in inmate numbers over the next two years.

#### Recommendation

**The Department should consider if planned capital investment is sufficient to efficiently and effectively manage inmates over the next two to three years.**

Capital investment is expected to increase prison design capacity by 6,709 beds over the next four years. However, overcrowding is expected to remain high or slightly worsen over the next two years while prisons are being expanded or constructed. A Department commissioned projection of prisoner numbers predicts they will grow by around 1,200 each year until 2020.

Average inmate numbers and prison design capacity				
Year ended 30 June	2017	2018	2019	2020
Forecast average daily number of inmates <sup>#</sup>	13,505	14,705	15,905	17,105
Expected design bed capacity based on existing prison capacity investment plans <sup>^</sup>	10,902	12,102	13,352	16,782
Forecast surplus / (shortfall) in design capacity	(2,603)	(2,603)	(2,553)	(323)
Implied design capacity occupancy rate %	124	122	119	102

<sup>#</sup> Based on the average daily number of adult inmates in the NSW prison system in 2015–16 plus the forecast increase of 1,200 prisoners per annum.

<sup>^</sup> Based on the design capacity of prisons at 30 June 2016 plus expected additional design capacity from capital investment.

Source: Prepared using information provided by the Department of Justice (unaudited).

The Department advise it has a comprehensive strategy to address the growth in demand, including approved funding of \$3.8 billion for the Prison Bed Capacity Program. The program provides funds for short term surge capacity beds ensuring new inmates are placed, as well as medium term and long term building programs.

Last year, we reported that forward planning of prison infrastructure requirements needs to improve to avoid shortfalls in prison beds. The Department advises that Expenditure Review Committee funding has been sought to build new capacity to accommodate the expected increase in prisoners.

### The Department has strategies to manage fluctuations in inmate numbers

The Department advises that Corrective Services NSW (CSNSW) is implementing strategic measures to manage growth in the inmate population, which has placed extreme pressure on existing infrastructure. Strategies implemented to deliver increased bed capacity include:

- doubling up existing inmate cells
- tripling up existing inmate cells
- operating Court Cell complexes to meet demand
- converting Kariong Correctional Centre from a 50 bed minimum security facility to a 99 bed medium security facility
- commissioning 160 beds using modular cell accommodation
- recommissioning mothballed inmate accommodation at Grafton, providing 200 beds
- recommissioning Berrima Correctional Centre to a 75 bed minimum security facility
- repurposing the Nunyara Community Offender Support Program (COSP) centre to a 72 bed minimum security correctional centre

- repurposing Wollongong COSP centre to a 60 bed minimum security correctional centre
- repurposing Juniperina Juvenile Justice Centre to a 95 bed maximum security correctional centre for female adults
- constructing two short term correctional centres at Wellington and Cessnock, providing 800 maximum security beds for male adults, expected to be operating by mid-2017
- commissioning a variation for the new Grafton Correctional Centre from 600 to 1700 beds, expected to be operating by 2019.

The doubling or tripling of inmates in cells was previously impacted by the NSW Public Health Regulation 2012 (the Regulation), which stipulated minimum space requirements for shared accommodation. The Regulation was amended on 1 July 2016 to exempt correctional centres from minimum floor area requirements for rooms and cubicles in premises to be used for sleeping accommodation.

### Forward planning of criminal justice system requirements needs to improve

#### Recommendation

**Decisions about Justice cluster resources should take into account the activities of the inter-related components of the criminal justice system, such as the impact NSW Police activity has on the courts and prison capacity.**

The criminal justice system is complex and decisions about Justice cluster resources should take into account the impacts the activities of individual components have on the wider criminal justice system. Making these decisions in isolation can adversely impact the ability of inter-related functions to meet their objectives and operate effectively.

For instance, the level of activity in NSW Police significantly impacts the resource needs of downstream activities, such as the courts and prison system. If the courts and prison system are not sufficiently resourced to process additional matters brought by NSW Police, the backlog in cases or the prison system's capacity to manage extra inmates and over-crowding may deteriorate further.

For optimal forward planning:

- the complex inter-relationships between the different functions of the criminal justice system need to be fully understood
- the impact of decisions made by one function should be actively considered by all the functions that may be impacted
- cluster level resourcing decisions should consider and forecast each component's resourcing needs to ensure they can continue to meet their objectives and operate effectively.

BOCSAR's April 2015 brief 'The 2015 NSW prison population forecast' refers to the inter-relationship of functions in the criminal justice system. It points out that many factors affect the size of the prison population, including levels of crime, the number of arrests, the proportion refused bail, the proportion given a prison sentence, and the average length of prison sentences. While most, if not all of these factors are hard to predict, many are strongly influenced by decisions within the criminal justice system.

The April 2014 BOCSAR report 'Why is the NSW prison population growing?' notes:

- the management of demand for correctional resources requires close liaison between the NSW Police Force and those responsible for criminal justice policy and correctional administration
- forecasting models need to be supplemented with tools that allow administrators to explore the potential impact of policies likely to affect the demand for prison accommodation.

Last year's Auditor-General's Report recommended forward planning of prison infrastructure requirements needs to improve, and noted that BOCSAR was developing a modelling tool to enable this to occur. The Department advises BOCSAR has built a Prison Simulation Model, which allows it to model the impact of policy changes on the remand and sentenced prison population. It has conducted five simulations using this model.

The Department is piloting a Justice impact assessment process, designed to estimate the qualitative and quantitative impact of proposed major changes to the criminal justice system. This includes the impact changes in NSW Police Force practices have on downstream activities, such as court services and the prison population.

### The proportion of prisoners on remand for more than 30 days has increased

The number of remand receptions has increased by 1,968 or 16.9 per cent since 2011–12 as has the proportion of prisoners on remand for 30 days. This proportion increased to 57.2 per cent in 2015–16 (53 per cent in 2014–15), an increase of 13.2 per cent since 2011–12.

Annual remand receptions					
Year ended 30 June	2016	2015	2014	2013	2012
Remand receptions	13,623	12,136	12,488	11,994	11,655
On remand 30 days or more	7,796	6,428	6,188	6,177	5,133
Percentage on remand 30 days or more	57.2	53.0	49.6	51.5	44.0

Source: Department (unaudited).

In 2014–15, the direct cost for a remand inmate in a secure prison was \$190 (\$194 in 2013–14) per day compared to \$181 (\$182) for all inmates across all prisons. Remand inmates are resource intensive because they require screening, significant monitoring, escorts and security surrounding visits.

Remanded inmates, who are subsequently convicted, have fewer opportunities to participate in rehabilitation programs, especially when sentences are backdated. Most intensive custodial programs target only sentenced inmates, which negatively impacts efforts to reduce rates of re-offending.

The Department advises:

- it ran a remand addiction program in 2015–16 for 230 inmates in six custodial locations across the State, and this program will continue in 2016–17
- it is implementing a program for Domestic Violence inmates on remand in 2016–17
- it is awaiting funding approval for additional programs.

The Department advises that long term offenders with time to participate in intensive programs (usually several months in duration) are usually facing trial having entered a not guilty plea. Intensive custodial programs generally require the offender to make disclosures about their offending and to undertake offence mapping exercises. This is not appropriate for offenders who have not been proven guilty, who are maintaining their innocence and/or may in fact be innocent. Remand inmates can participate in shorter programs that are not offence specific.

## Benchmarking is yet to be implemented at individual correctional centres

### Recommendations

**The State's publicly managed correctional centres should be subject to the same oversight, performance management and reporting as privately managed centres (repeat issue).**

**The Department should continue to implement the recommendations in the Auditor-General's March 2016 report on 'Performance frameworks in custodial centre operations'.**

The Department is yet to implement key performance indicators (KPIs) and benchmarks for individual publicly managed correctional centres. This will enable comparison of public and privately operated correctional centres.

The Department advises that preparation work has however been completed in accordance with government set timelines. This work includes:

- a benchmarking implementation plan developed in consultation with local management at two 'pilot' correctional centres. The implementation of the plan is expected to continue over the next two years
- a Quarterly Performance Report (QPR) developed at Corrective Services NSW (CSNSW) and individual correctional centre levels. The QPR reflects the objectives of the Departmental Strategic Plan, CSNSW Business Plan and Premier's priorities. The QPRs provide direct and relevant indications on the performance of correctional centres and CSNSW to the Commissioner, the Secretary and Minister for Corrections on a quarterly basis. The QPR helps enhance strategic management, public accountability and resource allocation
- the QPR has detailed KPI's and performance metrics that allow comparison of public and privately operated correctional centres across a range of operational, governance and administrative areas.

Last year's Auditor-General's Report to Parliament recommended the State's publicly managed correctional centres should be subject to the same oversight, performance management and reporting as privately managed centres. It also recommended the Department use the contestability and benchmarking project's results to identify efficiencies and reassess performance measures to oversight public and private prisons.

The Auditor-General released a report on 'Performance frameworks in custodial centre operations' in March 2016. The report found the effectiveness of CSNSW's performance framework was limited because organisational KPIs do not cascade to the public correctional centre level. The Report included recommendations for the Department and is available at:

<http://www.audit.nsw.gov.au/publications/latest-reports/performance-frameworks-custodial-centre-ops>

## Inmates awaiting trial cost an estimated \$80.8 million in 2015–16

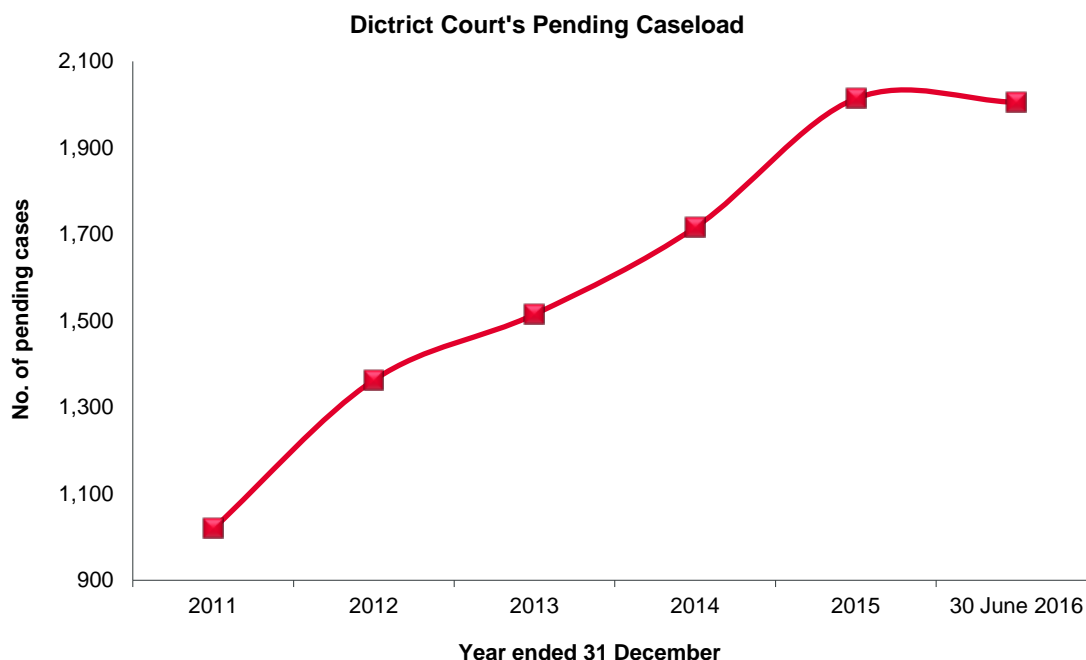
The backlog of cases in the NSW District Court remains high. The Department reports that at 30 June 2016, 1,164 inmates (800 inmates at 30 June 2015) were on remand awaiting trial in the District Court. Based on a direct cost for secure inmates of \$190 per person per day this is estimated to be costing the State \$221,000 per day or \$80.8 million in 2015–16 (\$60.0 million in 2014–15) and is contributing to prison overcrowding.

According to the Department, the delays have other unintended consequences, such as unnecessary hardship for victims and the accused. The delays also undermine confidence in the justice system, and increase case costs and the risk of witnesses forgetting evidence or not being contactable.



The pending case load in the District Court fell from 2,061 cases in July 2015 to 2,005 in June 2016, but the age of the cases increased. The Department advises the number of cases older than 12 months increased 20 per cent from 422 at 30 June 2015 to 507 cases at 30 June 2016. The number of cases older than 24 months increased 68 per cent from 74 to 124.

The graph below shows the number of pending cases in the District court over the last six years. This is the difference between registered trials and finalised trial cases each year.



Source: Department of Justice.

According to the national standard in the 2016 Report on Government Services, no more than 10 per cent of pending cases should be more than 12 months old. Twenty five per cent, 507 of the 2,005 cases pending in the NSW District Court at 30 June 2016 are older than 12 months. This is two and a half times the national standard.

The District Court has determined 1,000 pending cases is an acceptable level. The backlog of 2,005 cases at 30 June 2016 is almost double this target.

The Department attributes the increase in cases to:

- a rise in charges for strictly indictable offences, such as aggravated assault, drug offences and burglary break and enter
- an increase in the average duration of trials because they are more complex, for example, the number of new sexual assault cases committed for trial has risen 42 per cent from 356 in 2011–12 to 506 in 2015–16
- growth in the number and proportion of cases that proceed to trial.

#### **The NSW District Court case backlog fell in 2015–16 after peaking at 2,079 cases**

The Department attributes the drop to 2,005 pending cases from a peak of 2,079 in January 2016 to:

- the District Court scheduling more than 70 sitting-weeks of additional trials to June 2016
- special call-overs in Wagga Wagga and Newcastle, where the backlogs are particularly acute, to identify matters that can be resolved quickly with an early guilty plea
- pre-trial conferencing for trials set to last longer than 20 days to achieve earlier resolutions
- 187 additional weeks of court sittings in 2015–16.



The Department is working with the Chief Judge of the District Court and a working group on measures to address the issues causing the current backlog. At the end of July 2016, 113 additional weeks have been scheduled for the 2017–18 financial year.

Funding measures to address the backlog include:

- a \$20.0 million package, Faster Access to Justice, announced in December 2015, allocated across the Department, the Office of the Director of Public Prosecutions, the Legal Aid Commission of NSW and Public Defenders Office
- a total of \$6.4 million allocated to the Department over 18 months; \$2.2 million in 2015–16 and \$4.2 million in 2016–17
- a further \$39.0 million, announced in June 2016, over the next two years to fund three more District Court judges and two more public defenders.

The Office of the Director of Public Prosecutions advise that its budgeted staffing numbers increased by about 20 per cent in 2015–16 to deliver on the additional sitting weeks and targeted call over initiatives funded by the Fast Access to Justice initiative. However reaching the budgeted staffing numbers has been difficult with the amount of recruitment creating significant churn within the Office. The staffing churn results in a lag while vacant positions are filled, which is one of the reasons for the increase in recreation leave balances above 30 days, referred to in the Financial Controls chapter.

### Reassessed victims' claims will cost an estimated \$124 million over three years

On 2 August 2015, the NSW Attorney General announced victims of crime, who transitioned between the Victims Compensation Scheme (VCS) and the Victims Support Scheme (VSS), could have their claims reassessed from 1 September 2015. Applicants had to apply to have claims reassessed before 31 August 2016. The Department estimates the reassessments will result in additional payments to victims of \$124 million over three years.

The VSS replaced the VCS from 3 June 2013. It provides a package of practical and financial support and smaller lump sum compensation payments to victims than the former VCS.

### The cost and time taken to determine victims' claims has fallen significantly

The cost and time taken to determine victims' claims under the VSS has fallen significantly since it replaced the VCS. In 2015–16, an average VSS claim cost \$2,177, excluding counselling, and took 98 working days to determine. An average VCS claim cost \$10,434 and took 32 months to determine.

The Department advises that 35,250 victims of crime applied for various types of support under the VSS between 3 June 2013 and 30 June 2016.

Refer to Governance for details about the recently implemented VSS Reporting and Quality Assurance Framework.

## The NSW Police Force

### NSW Police Force is operating at full strength

The NSW Police Force's authorised strength increased 0.8 per cent in 2015–16 to 16,692 (16,565 in 2014–15). With 16,627 police officers at 30 June 2016, it is operating at 99.6 per cent (98.5 per cent) of its authorised strength.

	Authorised strength	Actual strength	Difference between authorised and actual strength
NSW Police Officers at 30 June 2016	16,692	16,627	(65)

Strength: Number of police officer positions.

Source: NSW Police Force (unaudited).

NSW Police monitors police numbers, which fluctuate by several hundred throughout the year due to natural attrition, attestations from the NSW Police Academy, separations, transfers and promotions.

The table below compares authorised and actual police officer numbers across the operational areas of NSW Police at 30 June 2016. The biggest deficits were in the South West Metropolitan, Central Metropolitan and North Western Metropolitan areas.

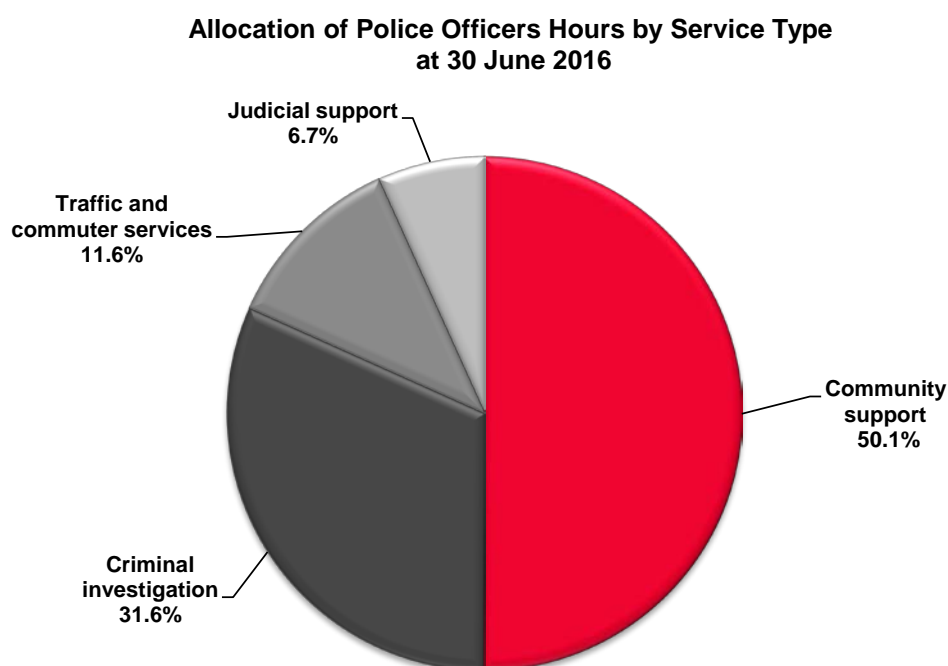
Region / branch	Authorised strength	Actual strength	Difference between authorised and actual strength
Central Metropolitan	2,336	2,240	(96)
North West Metropolitan	2,131	2,044	(87)
Northern	2,000	2,069	69
South West Metropolitan	2,106	1,998	(108)
Southern	1,417	1,437	20
Western	1,136	1,124	(12)
Police Transport Command	610	563	(47)
Traffic and Highway Patrol Command	1,345	1,297	(48)
Corporate Services	461	555	94
Specialist Operations	1,776	1,825	49
Other	1,374	1,475	101
<b>NSW Police Officers at 30 June 2016</b>	<b>16,692</b>	<b>16,627</b>	<b>(65)</b>

Strength: Number of police officer positions.

Source: NSW Police Force (unaudited).

The 'Other' region/branch in the table above primarily includes the Commissioner's office, field operations, State crime command, major events and incidents group, awards unit and operations response unit.

Most police rostered hours were deployed in community support and criminal investigations. Community support services include responding to incidents, emergencies and public events, and reducing incentives and opportunities to commit crime. The graph below shows the allocation of police officer hours by service type.



Source: NSW Police Force (unaudited).

Just over 50 per cent of police officer hours were spent on community support in 2015–16 (50.7 per cent in 2014–15). This and police hours spent on other service types were consistent with 2014–15.

## All NSW crime investigation clearance rates are lower than the national average

Clearance rates for all New South Wales crime categories were lower in 2015 than the national average. In 2014, NSW Police clearance rates for homicide and other thefts were better than the national average.

Crime	% of investigations finalised in 30 days				% of investigations finalised in 30 days involving proceedings against offenders			
	NSW	National average	NSW ranking	NSW ranking	NSW	National average	NSW ranking	NSW ranking
Year ended 31 December	2015	2015	2015	2014	2015	2015	2015	2014
Homicide	62.4	73.4	5/7	4/7	87.3	94.7	3/7	4/7
Robbery	33.5	38.6	6/8	7/8	87.8	86.8	4/8	8/8
Unlawful entry with intent	7.2	11.3	7/8	7/8	86.7	83.9	5/8	7/8
Motor vehicle theft	7.9	19.0	7/8	7/8	80.3	74.1	4/8	4/8
Other theft	12.6	16.3	5/8	1/8	74.9	76.1	4/8	8/8

Source: Australian Bureau of Statistics (unaudited).

Police effectiveness in crime investigations is measured by the proportion of investigations finalised within 30 days of the offence becoming known.

## Crime rejection rates increased for most crime categories

Crime rejection rates increased across each crime category between 2014–15 and 2015–16. These incidents divert NSW Police resources from addressing genuine crimes.

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

Crime categories	Crimes rejected	Total crimes reported	Percentage rejected %	Crimes rejected	Total crimes reported	Percentage rejected %
	2016			2015		
Year ended 30 June						
Robbery	287	2,670	10.7	285	3,496	8.2
Stolen vehicle	1,283	15,493	8.3	1,209	17,199	7.0
Steal from person	441	6,005	7.3	442	6,553	6.7
Assault – non domestic violence	1,871	33,872	5.5	1,681	33,394	5.0
Sexual Assault	304	5,535	5.5	254	5,071	5.0

Source: NSW Police Force (unaudited).

NSW Police records the status of incidents as either accepted or rejected. An incident is rejected when there is evidence it did not occur.

Most rejected incidents for robbery and stealing from persons resulted from improbable or false reports of stolen money, usually where victims attempted to recover ill-spent losses, such as gambling. Rejected incidents for stolen vehicles were mostly due to owners forgetting where their cars were parked or not realising a relative had the car.

Local area commands actively monitor rejection rates for most crime categories. The Performance Improvement and Planning Command regularly reviews rejection rates exceeding five per cent.

## NSW Trustee and Guardian

### Client returns were close to benchmark for six of ten investment portfolios

NSW Trustee and Guardian managed funds exposed to domestic listed property securities and international equities continue to perform strongly. In 2015–16, one-year client returns for six of the ten portfolios were either equal to or marginally better than benchmark. Marginally lower returns were achieved by the remaining four funds.

	One Year Client returns %	One Year Benchmark return %	One Year Difference return %	Five Year Client returns %	Five Year Benchmark return %	Five Year Difference return %
<b>Year ended 30 June 2016</b>						
<b>Financial management portfolios</b>						
Access Fund	2.2	1.7	0.5	2.9	2.6	0.3
Australian Cash	2.0	1.7	0.3	2.9	2.6	0.3
Australian Cash Plus	2.1	1.7	0.4	3.7	3.2	0.5
Australian Fixed Interest	6.3	6.5	(0.2)	6.2	6.2	--
Australian Shares	0.4	0.4	--	6.9	6.9	--
Australian Listed Property Securities	23.5	24.1	(0.6)	17.5	17.6	(0.1)
International Bond	8.0	8.8	(0.8)	7.2	7.2	--
International Share	(1.4)	(1.5)	0.1	12.8	12.3	0.5
<b>Trustee portfolios</b>						
Primary Portfolio	2.1	1.5	0.6	2.7	2.6	0.1
Growth Portfolio	--	0.1	0.1	9.1	10.0	(0.9)

Note: Standard industry benchmarks for the relevant asset class are used for each fund. Benchmark and client returns are net of the NSW Trustee and Guardian's investment management fee of 0.5 per cent.

Source: NSW Trustee and Guardian Annual Reports (unaudited).

The NSW Trustee and Guardian manages client funds through the following Common Funds:

- the 'NSW Trustee and Guardian Common Fund – Financial Management' (the Financial Management Fund) holds the funds of clients whose financial affairs are directly managed by the NSW Trustee and Guardian or a private manager. This Fund comprises an Access Fund, which is an interest bearing working account for client transactions, and seven diversified investment funds. Custodial and investment management services are provided by the private sector.
- the 'NSW Trustee and Guardian Common Fund – Trustee' (the Trustee Fund) operates two portfolios of investments for client funds received by the NSW Trustee and Guardian as executor, trustee or attorney. The primary portfolio invests in high quality cash deposits and short term money market securities. The growth portfolio aims for 70 per cent investment in the Indexed Australian Shares Sector Trust, and 30 per cent in the Indexed International Shares Sector Trust. The growth portfolio is managed by New South Wales Treasury Corporation.

Client funds are invested across a range of funds to spread risk and provide opportunities for suitable short or long term investment and security. A fund performance report is provided for each investment class. Separate funds are maintained for Financial Management and Trustee clients because they are subject to different taxation requirements.

### The NSW Trustee and Guardian only uses a limited number of performance indicators

#### Recommendation (repeat issue)

**The NSW Trustee and Guardian should identify and use meaningful performance indicators to measure and report the cost and quality of the services provided to the community.**

The NSW Trustee and Guardian should identify and use meaningful performance indicators to measure and report the cost and quality of the services provided to the community. These should include measures such as the cost per trust managed, the time taken to identify and secure client assets, and customer satisfaction and complaints.

This recommendation was made in the 2014–15 Auditor-General's Report to Parliament. The NSW Trustee and Guardian advised that the recommendation had not been actioned, but will be when a new client information management system is implemented in 2017. The new system will enable identification and reporting against new indicators and targets.

Meaningful performance indicators and targets help to drive the efficiency and effectiveness of an organisation's operations, and hold management and those charged with governance to account.

The NSW Trustee and Guardian only uses and reports indicators which measure its activities rather than its performance. It believes benchmarking against similar entities in other states is not possible as each state charges clients differently and operates under different legislation, service standards and types.

## Emergency services

### Hazard reduction

#### Completed hazard reduction works increased in 2015–16

Total hectares of completed hazard reduction works increased 87.6 per cent in 2015–16 compared to 2014–15.

The NSW Rural Fire Service attributes the increase to excellent weather conditions during the peak burning period in 2015–16. The burning programme is highly sensitive to weather conditions. Poor weather conditions resulted in lower treated areas in the previous two years.

The results of hazard reduction works are shown below.

Hazard reduction						
Year ended 30 June	Five year average	2016	2015	2014	2013	2012
Total hectares of hazard reduction works completed	202,895	285,401	152,157	157,222	281,483	138,211
Number of properties protected by hazard reduction works across all bush fire prone land tenures	134,790	120,320	116,977	124,414	146,292	165,945

Source: NSW Rural Fire Service published figures (unaudited).

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

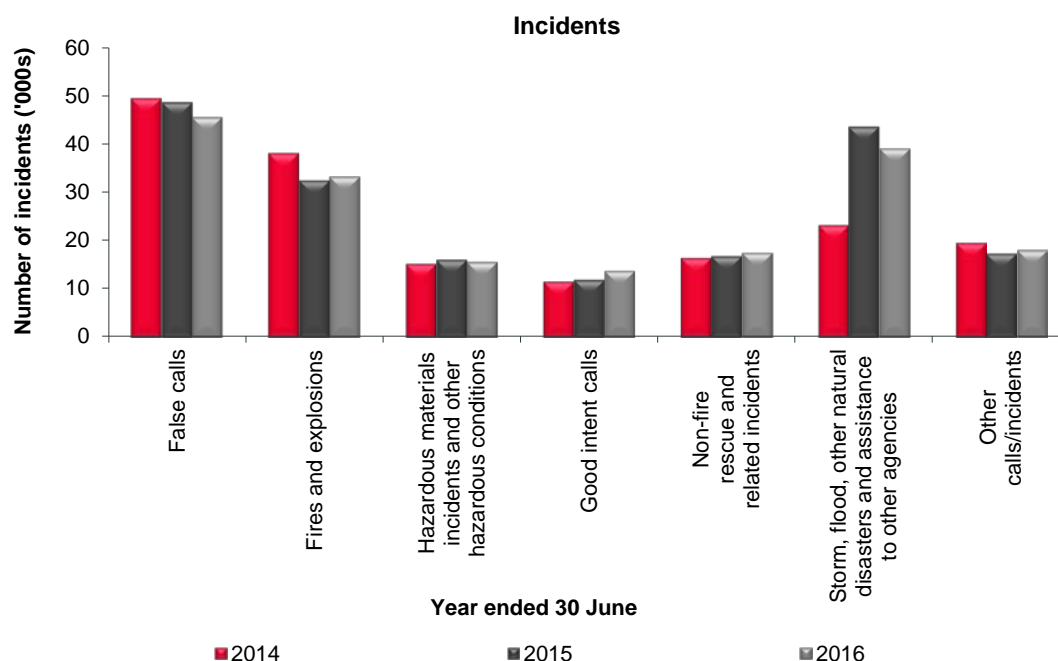
The Service carries out and/or coordinates hazard reduction activities to minimise the threat of damage to life, property, infrastructure and environmental, economic, cultural, agricultural and community assets by reducing or removing bush fire fuel. Hazard reduction does not completely prevent bush fires, 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 hazard reduction activities through two measures: the annual average area treated by hazard reduction (in hectares), and the number of properties protected by hazard reduction works across all bush fire prone land.

### Incidents

Total demand for emergency services fell two per cent to 173,917 incidents in 2015–16 (187,282 in 2014–15). This is largely attributed to a six per cent decrease in false calls and an 11 per cent decrease in requests for assistance in storm, flood, and other natural disasters, and for assistance to other agencies. This was offset by a 15 per cent increase in good intent calls.

Emergency service agencies have responded to the incidents shown in the graph below over the last three years.



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

### Fire and Rescue NSW's incident response times deteriorated slightly in 2015–16

Response times for the first fire engines to arrive at an incident deteriorated slightly in 2015–16. Fire and Rescue NSW introduced Mobile Data Terminals (MDTs) in fire appliances that more accurately record response times. Information from MDTs shows the average 'in transit' time for fire appliances at stations to arrive at the scene increased, but the average 'in transit' time for mobile fire appliances decreased.

Response time is the interval between the Fire and Rescue NSW dispatch centre receiving a call and the firefighting vehicle arriving at the scene.

The table below shows response times for the first fire engines to arrive at an incident over the last five years.

Year ended 30 June	Five year average	Response time in minutes and seconds				
		2016	2015	2014	2013	2012
50%	7:30	7:32	7:14	7:30	7:30	7:46
90%	11:56	11:56	11:30	12:12	12:10	11:55

Source: Fire and Rescue NSW (unaudited), five year calculated average (unaudited).

## NSW State Emergency Service's incident response times improved in 2015–16

Response times for road crash rescues, vertical rescues and community first responder incidents improved in 2015–16. The Service advises response times vary depending on the location of the incident, especially in the more remote areas.

Incidents	Response time in minutes and seconds 2016		Response time in minutes and seconds 2015	
	Fastest response	Slowest response	Fastest response	Slowest response
Year ended 30 June				
Road crash rescue	2:00	32:00	2:00	81:00
Vertical rescue	7:00	54:00	10:00	96:00
Community first responder	2:00	67:00	2:00	75:00

Source: Office of the NSW State Emergency Service (unaudited).

## NSW Rural Fire Service continues to improve fire containment

The percentage of bushfires contained to 10 hectares or less increased to 90.9 per cent in 2015–16, 5.5 per cent better than the five year average and 16.8 per cent better than in 2011–12. This result has improved year on year over the last five years.

Percentage of bushfires contained						
Year ended 30 June	Five year average	2016	2015	2014	2013	2012
Percentage of bush fires contained to ten hectares or less	85.4	90.9	90.4	88.1	83.3	74.1

Source: NSW Rural Fire Service five year calculated averages (unaudited).

In any one year, the size and distribution of bush fires varies depending on the coincidence of extreme bush fire weather conditions and ignitions, and the capacity of response agencies to quickly detect and safely contain such ignitions.

The proportion of bush fires contained to small fires by preventing them from becoming potentially damaging fires indicates the agencies' detection and suppression capabilities are effective.

## Total full time staff numbers are increasing

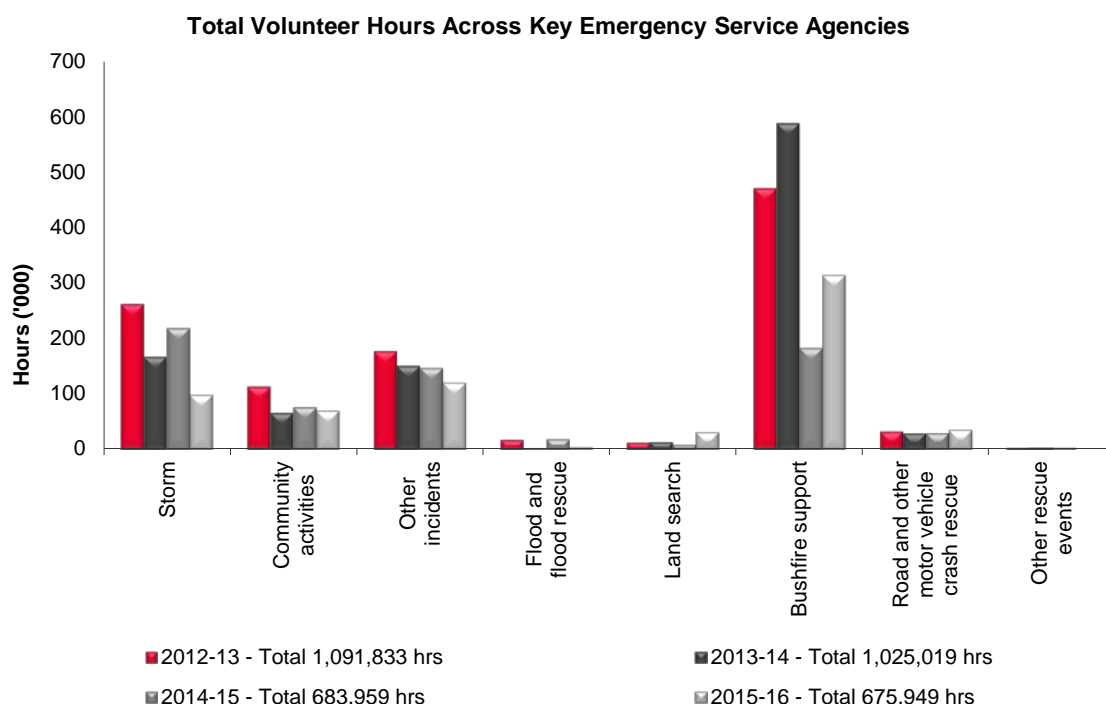
Over the last three years, the number of full time staff has increased across the emergency services agencies. Fire and Rescue NSW attributes the increase to full time firefighters graduating from the FRNSW Training Academy. The increase in NSW Rural Fire Service was due to vacant positions being filled and part time staff returning to full time employment. The Office of the State Emergency Service received funding for new permanent positions in 2015–16 under a 'reform package'.

NSW emergency service agencies use a range of people to achieve their objectives, as shown below.

Staff numbers in emergency services												
Year ended 30 June	Full-time			Retained (part-time)			Volunteers			Total		
	2016	2015	2014	2016	2015	2014	2016	2015	2014	2016	2015	2014
Fire and Rescue NSW	3,986	3,903	3,887	3,327	3,336	3,380	6,318	6,812	7,015	13,631	14,051	14,282
NSW Rural Fire Service	856	824	822	--	--	--	73,192	74,516	73,746	74,048	75,340	74,568
Office of the State Emergency Service	361	336	287	--	--	--	8,852	8,809	8,743	9,213	9,145	9,030
<b>Total</b>	<b>5,203</b>	<b>5,063</b>	<b>4,996</b>	<b>3,327</b>	<b>3,336</b>	<b>3,380</b>	<b>88,362</b>	<b>90,137</b>	<b>89,504</b>	<b>96,892</b>	<b>98,536</b>	<b>97,880</b>

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

The number of volunteers fell in 2015–16. The primary reduction in volunteer numbers was removal of inactive members from the data base. The data highlights the importance of volunteers as a key resource in providing emergency services. The organisation's workforce plans for volunteers help ensure they achieve their objectives.



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

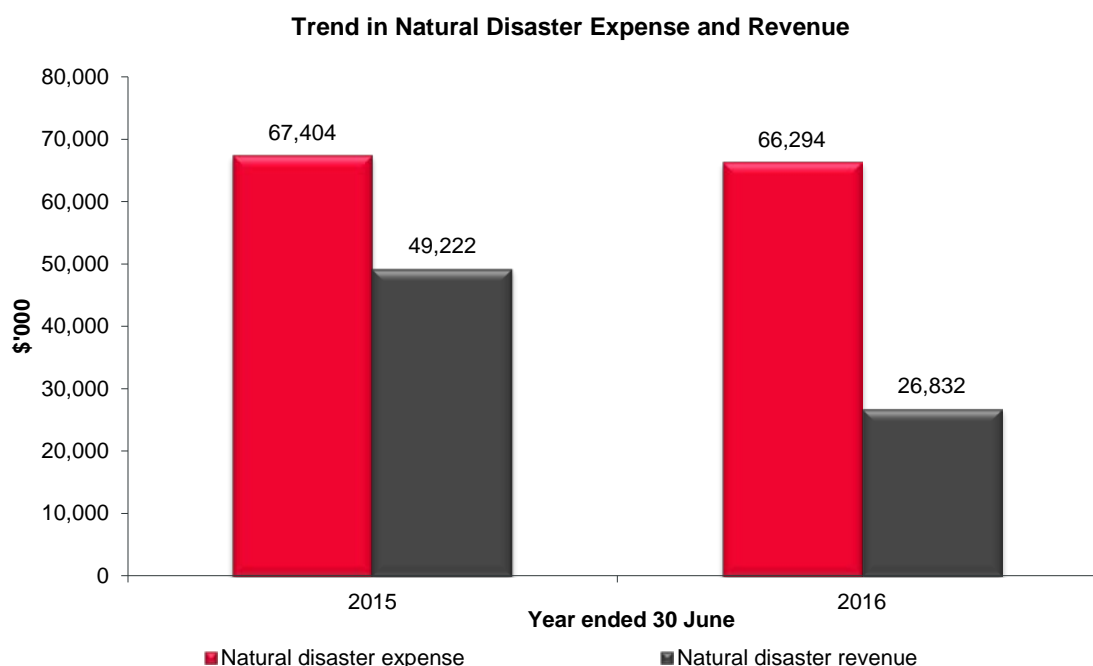
Volunteer hours devoted to storms fell 54.8 per cent in 2015–16 reflecting fewer storm incidents. The hours devoted to bushfire support increased by 72.3 per cent, NSW Rural attributes this to improvements in data capture with the Brigade Incident Reporting System (BIRS) being available for the whole year.

### Natural disaster expenditure fell due to fewer bushfires

Seven declared disasters occurred in 2016, mostly due to 81 flood and storm events in Local Government Areas (LGAs).



The number of natural disasters declared for bushfires fell in 2015–16 compared to 2014–15. This contributed to \$1.1 million less in natural disaster expenditure, as shown below.



Source: Financial statements of Fire and Rescue NSW, NSW Rural Fire Service, Office of the NSW State Emergency Service, and the Department of Justice (formerly the Ministry for Police and Emergency Services) (audited).

Natural disasters are events such as bushfires, floods or storms that cause significant damage or loss of life. They are declared when damage to public assets and associated recovery costs exceed \$240,000. Declaration of natural disasters allows emergency service agencies to recover associated costs from the Crown Entity. The Crown Entity can recover some of these costs from the Australian Government if the criteria in the Natural Disaster Relief and Recovery Arrangements Determination are met.

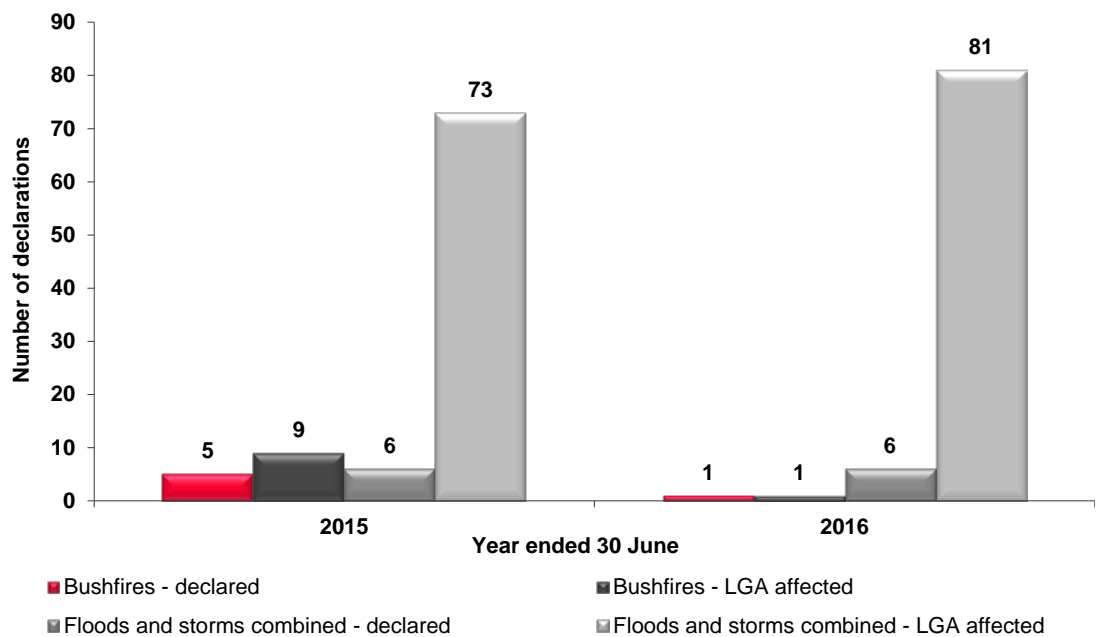
Over the last five years, emergency service agencies have spent \$447 million on natural disasters and recouped \$343 million from the NSW and Australian Governments.

The table below shows natural disasters declared for the last two years and the number of LGAs affected by each disaster type.

Year ended 30 June	No. of declarations		No. of local government areas (LGA) affected for each event type	
	2016	2015	2016	2015
Bushfires	1	5	1	9
Floods and storms	2	2	47	25
Floods	1	2	11	11
Storms	2	2	21	37
Snow storm	1	--	2	--

Source: Ministry for Police and Emergency Services website (unaudited). Note: If an LGA was affected more than once during the year by a disaster, the LGA was counted multiple times.

### Natural Disasters Declared and Local Government Areas Affected



Source: Emergency New South Wales website (unaudited). Note: If an LGA was affected more than once during the year then the LGA is counted multiple times.

During 2015–16, LGAs were affected by natural disasters 82 times. Over the last two years, LGAs were mostly affected by flood and storm related disasters. This is because river systems flow through many LGAs and the spread of floods is intrinsically difficult to contain. Bushfire related disasters tend to occur in rural areas, and have historically been contained to some degree by emergency service agencies' fire containment strategies.

# Section Two

Appendices

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# Appendix One - Recommendations

The table below summarises the recommendations from the Auditor-General's Volume Seven Report to Parliament covering law and order agencies in the Justice cluster for the year ended 30 June 2016.

## Financial and performance reporting

### Fund raising activities

Effective controls need to be implemented over the fund raising activities of the Office of the NSW State Emergency Service to ensure all revenue collected is recorded (repeat issue).

### Timeliness of financial reporting

The Department should ensure it performs all financial reporting early close and year end procedures by the statutory deadlines.

### Cost of juvenile detainees

The Department should assess whether the cost of supervising and caring for juvenile detainees is reasonable given the downward trend in the number of detainees (repeat issue).

### The Australian Museum Trust 's collection assets

The Australian Museum Trust should complete a fair value assessment of collection assets held but not recognised by 30 June 2018. The assessment should be based on an appropriate methodology that identifies collection items that can be reliably quantified and valued. The valuation should be reviewed by relevant experts.

The Australian Museum Trust should complete recording its collections in the electronic database as soon as possible.

## Financial controls

### Internal control issues

Management letter recommendations should be actioned promptly and repeat recommendations avoided (repeat issue).

### Revenue from casino operations

The Independent Liquor and Gaming Authority should obtain assurance, independent from the casino operator, over the completeness and accuracy of the calculation of administered revenue payable to NSW Treasury for casino operations.

### Annual leave balances

Agencies need to continue efforts to reduce employee excess annual leave balances to meet whole-of-government targets (repeat issue).

### Sick leave balances

The Department should strengthen efforts to effectively manage sick leave.

### Asset management

The Department should ensure it has systems and controls to effectively maintain, manage and oversight its significant increase in capital projects.

The Department should record, monitor and manage backlog maintenance by individual property.

## Governance

### Governance arrangements

The Department should continue to develop and finalise Department and cluster level governance arrangements as a matter of urgency.

### Integration of policies, operations and systems

The Department should continue to integrate policies, operations and systems across its divisions and offices, and where appropriate, other agencies in the cluster (repeat issue).

### Service level agreements

The Department should establish and finalise service level agreements where it performs finance functions on behalf of independently governed agencies.

### Controls certifications

The Department should provide annual written controls certifications to each entity it performs finance functions for.

### Conflicts of interest register

Justice cluster agencies should maintain a centralised conflict of interests register.

### Compliance management

All Justice cluster agencies should:

- have a compliance management framework
- maintain a compliance register, monitor compliance and report breaches to the audit and risk committee.

### Compliance with the *Government Information (Public Access) Act 2009*

Agencies in the cluster should ensure they have an appropriately designed government contracts register that complies with Part 3 Division 5 of the *Government Information (Public Access) Act 2009*.

The contracts register should:

- include all relevant contracts valued at \$150,000 or more and material variations thereto on a timely basis
- be published on the government tenders website.

### Risk management

The lead agency for the cluster or relevant sub-group should implement an overarching risk assessment and treatment plan.

The Department should continue to implement risk management across the Department (repeat issue).

### Fraud control

Agencies should identify where instances of alleged fraud and corruption resulted from weaknesses in internal controls, and address the weaknesses.

### Crown Entity's Confiscated Proceeds Account

The Minister for Justice and Police should engage with the Treasurer to determine how funds in the Crown Entity's Confiscated Proceeds Account should be used (repeat issue).

## Service delivery

### Growth in adult inmate numbers

The Department should consider if planned capital investment is sufficient to efficiently and effectively manage inmates over the next two to three years.

### Forward planning of criminal justice system

Decisions about Justice cluster resources should take into account the activities of the inter-related components of the criminal justice system, such as the impact NSW Police activity has on the courts and prison capacity.

### Oversight of publicly managed correctional centres

The State's publicly managed correctional centres should be subject to the same oversight, performance management and reporting as privately managed centres (repeat issue).

The Department should continue to implement the recommendations in the Auditor-General's March 2016 report on 'Performance frameworks in custodial centre operations'.

### NSW Trustee and Guardian performance indicators

The NSW Trustee and Guardian should identify and use meaningful performance indicators to measure and report the cost and quality of the services provided to the community (repeat issue).

# Appendix Two - Financial Information

	Total assets		Total liabilities		Total revenue		Total expense		Surplus/(Deficit)	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
<b>Principal department</b>										
Department of Justice	5,005	4,506	845	596	6,454	5,874	6,624	5,760	(170)	114
<b>Law and order agencies</b>										
NSW Police Force	1,905	1,914	918	785	3,472	3,429	3,637	3,494	(165)	(65)
Crown Solicitor's Office	59	49	50	35	58	49	48	47	10	2
Independent Liquor and Gaming Authority	11	9	3	3	18	13	16	11	2	2
Information and Privacy Commission	2	3	1	1	5	6	6	5	(1)	1
Legal Aid Commission of New South Wales*	99	106	106	82	273	254	283	258	(10)	(4)
Legal Profession Admission Board	8	6	4	2	3	3	2	2	1	1
New South Wales Crime Commission*	8	10	2	2	23	24	24	24	(1)	--
NSW Trustee and Guardian	151	144	147	112	91	89	121	95	(30)	(6)
Judicial Commission of New South Wales	1	2	1	1	5	6	6	6	(1)	--
Office of the Director of Public Prosecutions	16	18	17	19	130	115	130	120	--	(5)
Police Integrity Commission*	3	5	2	2	15	18	17	18	(2)	--
<b>Total</b>	<b>7,268</b>	<b>6,772</b>	<b>2,096</b>	<b>1,640</b>	<b>10,547</b>	<b>9,880</b>	<b>10,914</b>	<b>9,840</b>	<b>(367)</b>	<b>40</b>
<b>Emergency services agencies</b>										
Fire and Rescue NSW	960	838	327	273	690	676	702	674	(12)	2
NSW Rural Fire Service	164	126	59	55	360	340	326	312	34	28
Office of the NSW State and Emergency Service	87	62	17	15	115	106	92	95	23	11
<b>Total</b>	<b>1,211</b>	<b>1,026</b>	<b>403</b>	<b>343</b>	<b>1,165</b>	<b>1,122</b>	<b>1,120</b>	<b>1,081</b>	<b>45</b>	<b>41</b>
<b>Arts and cultural institutions</b>										
Art Gallery of New South Wales Trust*	1,632	1,592	12	13	72	68	46	46	26	22
Art Gallery of New South Wales Foundation**	56	36	--	--	23	5	2	2	21	3
Australian Museum Trust*	723	771	5	8	47	46	46	43	1	3
Trustees of the Museum of Applied Arts and Sciences*	517	507	7	5	65	57	58	125	7	(68)
Library Council of New South Wales*	3,487	3,483	13	13	96	99	92	93	4	6
Sydney Opera House Trust*	2,468	2,451	53	40	146	144	154	140	(8)	4
The Brett Whiteley Foundation**	2	2	--	--	--	--	--	--	--	--
<b>Total</b>	<b>8,885</b>	<b>8,842</b>	<b>90</b>	<b>79</b>	<b>449</b>	<b>419</b>	<b>398</b>	<b>449</b>	<b>51</b>	<b>(30)</b>
<b>Total for Justice cluster</b>	<b>17,364</b>	<b>16,640</b>	<b>2,589</b>	<b>2,062</b>	<b>12,161</b>	<b>11,421</b>	<b>12,432</b>	<b>11,370</b>	<b>(271)</b>	<b>51</b>

\* Consolidated financial statements.

\*\* Unaudited financial statements.

Source: Financial statements (audited).

## Appendix Three – Performance Against Budget

	Department of Justice		NSW Police Force		Crown Solicitor's Office		Independent Liquor and Gaming Authority	
	Actual \$m	Budget \$m	Actual \$m	Budget \$m	Actual \$m	Budget \$m	Actual \$m	Budget \$m
<b>Abridged statement of comprehensive income - year ended 30 June</b>								
Total expenses	6,624	6,385	3,637	3,330	48	51	16	14
Total revenue	6,454	6,404	3,472	3,351	58	52	18	14
Surplus/(deficit)	(170)	19	(165)	21	10	1	2	--
Total other comprehensive income/(expense)*	137	--	25	--	(10)	--	--	--
Total comprehensive income/(expense)	(33)	19	(140)	21	--	1	2	--
<b>Abridged Statement of financial position - at 30 June</b>								
Total assets	5,005	4,610	1,905	1,844	59	49	11	7
Total liabilities	845	550	918	693	50	33	3	2
Net assets	4,160	4,060	987	1,151	9	16	8	5
<b>Abridged statement of cash flows - year ended 30 June</b>								
Purchases of property, plant and equipment and intangibles	189	212	138	178	--	5	--	--

\* Includes transactions taken directly to equity, such as asset revaluation movements and actuarial movements on defined benefit superannuation plans.

Source: Financial statements (audited).

### Actual v Budget indicator

- Variance below 2 per cent of budget
- Variance between 2 and 5 per cent of budget
- Variance greater than 5 per cent of budget



	Information and Privacy Commission		Legal Aid Commission of New South Wales (consolidated)		Legal Profession Admission Board		New South Wales Crime Commission (consolidated)	
	Actual \$m	Budget \$m	Actual \$m	Budget \$m	Actual \$m	Budget \$m	Actual \$m	Budget \$m
<b>Abridged statement of comprehensive income - year ended 30 June</b>								
Total expenses	6	5	283	268	2	N/A	24	24
Total revenue	5	5	273	267	3	N/A	23	22
Surplus/(deficit)	(1)	(1)	(10)	(1)	1	N/A	(1)	(2)
Total other comprehensive income/(expense)*	--	--	(21)	--	--	N/A	--	--
Total comprehensive income/(expense)	(1)	(1)	(31)	(1)	1	N/A	(1)	(2)
<b>Abridged Statement of financial position - at 30 June</b>								
Total assets	2	2	99	102	8	N/A	8	8
Total liabilities	1	1	106	72	4	N/A	2	3
Net assets	1	1	(7)	30	4	N/A	6	5
<b>Abridged statement of cash flows - year ended 30 June</b>								
Purchases of property, plant and equipment and intangibles	--	--	4	4	--	N/A	2	2

\* Includes transactions taken directly to equity, such as asset revaluation movements and actuarial movements on defined benefit superannuation plans.

N/A Budget is not published in the financial statements.

Source: Financial statements (audited).

#### Actual v Budget indicator

- Variance below 2 per cent of budget
- Variance between 2 and 5 per cent of budget
- Variance greater than 5 per cent of budget

	NSW Trustee and Guardian		Judicial Commission of New South Wales		Office of the Director of Public Prosecutions		Police Integrity Commission (consolidated)	
	Actual \$m	Budget \$m	Actual \$m	Budget \$m	Actual \$m	Budget \$m	Actual \$m	Budget \$m
<b>Abridged statement of comprehensive income - Year Ended 30 June</b>								
Total expenses	121	94	6	6	130	127	17	20
Total revenue	91	89	5	7	130	127	15	19
Surplus/(deficit)	(30)	(5)	(1)	1	--	--	(2)	(1)
Total other comprehensive income/(expense)*	1	--	--	--	--	--	--	--
Total comprehensive income/(expense)	(29)	(5)	(1)	1	--	--	(2)	(1)
<b>Abridged statement of financial position - at 30 June</b>								
Total assets	151	142	1	2	16	15	3	4
Total liabilities	147	100	1	1	17	17	2	1
Net assets	4	42	--	1	(1)	(2)	1	3
<b>Abridged statement of cash flows - Year ended 30 June</b>								
Purchases of property, plant and equipment and intangibles	2	11	--	2	3	3	--	1

\* Includes transactions taken directly to equity, such as asset revaluation movements and actuarial movements on defined benefit superannuation plans.

Source: Financial statements (audited).

#### Actual v Budget indicator

- Variance below 2 per cent of budget
- Variance between 2 and 5 per cent of budget
- Variance greater than 5 per cent of budget

	Fire and Rescue NSW		NSW Rural Fire Service		Office of the NSW State Emergency Service		Art Gallery of New South Wales Trust (consolidated)	
	Actual \$m	Budget \$m	Actual \$m	Budget \$m	Actual \$m	Budget \$m	Actual \$m	Budget \$m
<b>Abridged statement of comprehensive income - Year Ended 30 June</b>								
Total expenses	702	680	326	361	92	97	46	45
Total revenue	690	674	360	326	115	105	72	62
Surplus/(deficit)	(12)	(6)	34	(35)	23	8	26	17
Total other comprehensive income/(expense)*	81	--	--	--	--	--	18	--
Total comprehensive income/(expense)	69	(6)	34	(35)	23	8	44	17
<b>Abridged statement of financial position - at 30 June</b>								
Total assets	960	891	164	65	87	66	1,632	1,415
Total liabilities	327	323	59	51	17	14	12	7
Net assets	633	568	105	14	70	52	1,620	1,408
<b>Abridged statement of cash flows - Year ended 30 June</b>								
Purchases of property, plant and equipment and intangibles	65	64	65	64	10	13	19	18

\* Includes transactions taken directly to equity, such as asset revaluation movements and actuarial movements on defined benefit superannuation plans.

Source: Financial statements (audited).

#### Actual v Budget indicator

- Variance below 2 per cent of budget
- Variance between 2 and 5 per cent of budget
- Variance greater than 5 per cent of budget

	Art Gallery of New South Wales Foundation**		Australian Museum Trust (consolidated)		Trustees of the Museum of Applied Arts and Sciences (consolidated)		Library Council of New South Wales (consolidated)	
	Actual \$m	Budget \$m	Actual \$m	Budget \$m	Actual \$m	Budget \$m	Actual \$m	Budget \$m
<b>Abridged statement of comprehensive income - Year ended 30 June</b>								
Total expenses	2	N/A	● 46	42	● 58	45	● 92	91
Total revenue	23	N/A	● 47	43	● 65	68	● 96	91
Surplus/(deficit)	21	N/A	● 1	1	● 7	23	● 4	--
Total other comprehensive income/(expense)*	--	N/A	(47)	--	--	--	--	--
Total comprehensive income/(expense)	21	N/A	● (46)	1	● 7	23	● 4	--
<b>Abridged Statement of financial position - at 30 June</b>								
Total assets	56	N/A	● 723	769	● 517	630	● 3,487	3,447
Total liabilities	--	N/A	● 5	6	● 7	6	● 13	18
Net assets	56	N/A	● 718	763	● 510	624	● 3,474	3,429
<b>Abridged statement of cash flows - Year ended 30 June</b>								
Purchases of property, plant and equipment and intangibles	--	N/A	● 5	6	● 17	30	● 20	23

\* Includes transactions taken directly to equity, such as asset revaluation movements and actuarial movements on defined benefit superannuation plans.

\*\* Unaudited financial statements.

N/A Budget is not published in the financial statements.

Source: Financial statements (audited).

#### Actual v Budget indicator

- Variance below 2 per cent of budget
- Variance between 2 and 5 per cent of budget
- Variance greater than 5 per cent of budget

	Sydney Opera House Trust (consolidated)		The Brett Whiteley Foundation**		Total Justice Cluster	
	Actual \$m	Budget \$m	Actual \$m	Budget \$m	Actual \$m	Budget \$m
<b>Abridged statement of comprehensive income - Year ended 30 June</b>						
Total expenses	154	N/A	--	N/A	● 12,432	11,685
Total revenue	146	N/A	--	N/A	● 12,161	11,726
Surplus/(deficit)	(8)	N/A	--	N/A	● (271)	41
Total other comprehensive income/(expense)*	13	N/A	--	N/A	179	--
Total comprehensive income/(expense)	5	N/A	--	N/A	● (92)	41
<b>Abridged Statement of financial position - at 30 June</b>						
Total assets	2,468	N/A	2	N/A	● 17,364	14,068
Total liabilities	53	N/A	--	N/A	● 2,589	1,898
Net assets	2,415	N/A	2	N/A	● 14,775	12,170
<b>Abridged statement of cash flows - Year ended 30 June</b>						
Purchases of property, plant and equipment and intangibles	20	N/A	--	N/A	564	N/A

\* Includes transactions taken directly to equity, such as asset revaluation movements and actuarial movements on defined benefit superannuation plans.

\*\* Unaudited financial statements.

N/A NA Budget is not published in the financial statements.

Source: Financial statements (audited).

#### Actual v Budget indicator

- Variance below 2 per cent of budget
- Variance between 2 and 5 per cent of budget
- Variance greater than 5 per cent of budget

## Appendix Four – Financial Indicators

Indicator	Formula	Description
<b>Net result - surplus / (deficit)</b>	<b>Net result from audited financial statements</b>	A positive result means that revenues were greater than expenses (i.e. a surplus), and a negative result that expenses were greater than revenues (i.e. a deficit). Deficits cannot be sustained in the long term. The net result is from the audited Statement of Comprehensive Income.
<b>Net result as a % of Total Revenue</b>	<b>Net result / total revenue</b>	This measures an agency's net result (defined above) during the year as a proportion of total revenue. A result less than zero indicates that expenses exceeded revenues, and a result greater than zero indicates that revenues exceeded expenses. The larger the percentage, the more significant the net result compared to total revenue. A negative result cannot be sustained in the long term. Net result and total revenue are sourced from the audited Statement of Comprehensive Income.
<b>Liquidity</b>	<b>Current assets / adjusted current liabilities</b>	This measures an agency's ability to pay existing liabilities in the next 12 months. A ratio of one or more means there are more cash and liquid assets than short-term liabilities. Current liabilities have been adjusted to exclude long-term employee benefit provisions and revenue in advance. Current assets and current liabilities are from the audited Statement of Financial Position.
<b>Self-funding %</b>	<b>Revenue from non-NSW Government sources / total revenue</b>	Measures the ability of an agency to fund its operations using cash generated by its own operations, rather than cash granted from the NSW Government. The higher the percentage, the lower the agency's reliance on NSW Government funding. Revenue from non-NSW Government sources and total revenue are from the audited Statement of Comprehensive Income.
<b>Expense growth rate %</b>	<b>(Total expenditure 2016 less total expenditure 2015) / total expenditure 2015</b>	This measures the rate of growth in expenditure for an agency in the current year, compared to the prior year. A positive rate indicates that expenses have increased compared to prior year, while a negative rate indicates that expenses have decreased compared to prior year.

# Appendix Five – Cluster Information

Agency	Website
<b>Principal department</b>	
Department of Justice	<a href="http://www.justice.nsw.gov.au/">http://www.justice.nsw.gov.au/</a>
<b>Law and order agencies</b>	
NSW Police Force	<a href="http://www.police.nsw.gov.au/">http://www.police.nsw.gov.au/</a>
Crown Solicitor's Office	<a href="http://www.cso.nsw.gov.au/">http://www.cso.nsw.gov.au/</a>
Independent Liquor and Gaming Authority	<a href="http://www.ilga.nsw.gov.au/">http://www.ilga.nsw.gov.au/</a>
Information and Privacy Commission NSW	<a href="http://www.ipc.nsw.gov.au/">http://www.ipc.nsw.gov.au/</a>
Legal Aid Commission of New South Wales	<a href="http://www.legalaid.nsw.gov.au/">http://www.legalaid.nsw.gov.au/</a>
Legal Aid Commission Staff Agency	*
Legal Profession Admission Board	<a href="http://www.lpab.justice.nsw.gov.au/">http://www.lpab.justice.nsw.gov.au/</a>
New South Wales Crime Commission	<a href="http://www.crimecommission.nsw.gov.au/">http://www.crimecommission.nsw.gov.au/</a>
New South Wales Crime Commission Staff Agency	*
NSW Trustee and Guardian	<a href="http://www.tag.nsw.gov.au/">http://www.tag.nsw.gov.au/</a>
Judicial Commission of New South Wales	<a href="http://www.judcom.nsw.gov.au/">http://www.judcom.nsw.gov.au/</a>
Office of the Director of Public Prosecutions	<a href="http://www.odpp.nsw.gov.au/">http://www.odpp.nsw.gov.au/</a>
Police Integrity Commission	<a href="https://www.pic.nsw.gov.au/">https://www.pic.nsw.gov.au/</a>
Police Integrity Commission Staff Agency	*
<b>Emergency services agencies</b>	
Fire and Rescue NSW	<a href="http://www.fire.nsw.gov.au/">www.fire.nsw.gov.au/</a>
NSW Rural Fire Service	<a href="http://www.rfs.nsw.gov.au/">www.rfs.nsw.gov.au/</a>
The Office of the NSW State and Emergency Service	<a href="http://www.ses.nsw.gov.au/">www.ses.nsw.gov.au/</a>
Bush Fire Coordinating Committee	*
State Rescue Board	*
<b>Arts and cultural institutions</b>	
Art Gallery of New South Wales Trust	<a href="http://www.artgallery.nsw.gov.au">http://www.artgallery.nsw.gov.au</a>
Art Gallery of New South Wales Trust Staff Agency	*
Art Gallery of New South Wales Foundation	<a href="http://www.artgallery.nsw.gov.au">http://www.artgallery.nsw.gov.au</a>
Australian Museum Trust	<a href="http://australianmuseum.net.au">http://australianmuseum.net.au</a>
Australian Museum Trust Staff Agency	*
Trustees of the Museum of Applied Arts and Sciences	<a href="https://maas.museum/">https://maas.museum/</a>
Agency	*
Library Council of New South Wales	<a href="http://www.sl.nsw.gov.au/about/council/library_council_index.html">http://www.sl.nsw.gov.au/about/council/library_council_index.html</a>
Library Council of New South Wales Staff Agency	*
Sydney Opera House Trust	<a href="http://www.sydneypoperahouse.com/">http://www.sydneypoperahouse.com/</a>
Sydney Opera House Trust Staff Agency	*
The Brett Whiteley Foundation	<a href="http://www.artgallery.nsw.gov.au">http://www.artgallery.nsw.gov.au</a>
The Australian Institute of Asian Culture and Visual Arts Limited	<a href="http://www.artgallery.nsw.gov.au/support-us/visasia-council">http://www.artgallery.nsw.gov.au/support-us/visasia-council</a>
State Library of New South Wales Foundation	<a href="http://www.sl.nsw.gov.au/about/support/foundation/about_foundation.html">http://www.sl.nsw.gov.au/about/support/foundation/about_foundation.html</a>

\* These agencies have no website.

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