

# Report on Justice 2017

28 NOVEMBER 2017



NEW SOUTH WALES AUDITOR-GENERAL'S REPORT

FINANCIAL AUDIT

# 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.

As well as financial and performance audits, the Auditor-General carries out special reviews and compliance engagements.

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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In accordance with section 52A of the *Public Finance and Audit Act 1983*, I present a report titled  
**Justice 2017**

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

**Margaret Crawford**

Auditor-General  
28 November 2017

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# **Section one**

## **Justice 2017**

This report analyses the results of the financial statement audits of Justice cluster entities for the year ended 30 June 2017. The table below summarises key observations.





# Executive summary



## 1. Financial reporting and controls

### Financial reporting

Unqualified audit opinions were issued for all agencies' 30 June 2017 financial statements. However, some agencies' year end financial reporting procedures were impacted by the implementation of a new finance system and processes at the Department.

### Early close

Early close procedures continue to help agencies present audited financial statements on time, but there is room for further improvement.

### NSW Police Force Death and Disability Scheme

The cost of the NSW Police Force Death and Disability Scheme was higher than the statutory target.

### Fire and Rescue NSW Death and Disability Scheme

The Fire and Rescue NSW Death and Disability Scheme liability was \$179 million, but is projected to reach \$257 million by 30 June 2022.

### Internal Controls

The Department experienced significant, but avoidable internal control issues in its payroll and finance functions following implementation of a new IT finance system (Justice SAP) and continued establishment of its Business Support Centre.

We found 94 internal controls issues, including 28 findings repeated from the previous year.

### Human resources

Agencies have not met State targets for managing annual leave balances.



## 2. Service delivery

### Domestic violence reoffending

The Department reports decreases in domestic violence reoffending rates, but they remain above the Premier's target.

### Rates of reoffending

Adult reoffending rates remain above the State's priority target. Last year, more than half had returned to prison or Corrective Services within two years of release. The Department has introduced initiatives to reduce reoffending, but their impact will not be known for several years.

### Road fatalities

New South Wales' road fatalities decreased slightly in 2016–17, but remains slightly above the State priority target.

### NSW Crime trends

NSW Bureau of Crime statistics and Research data shows the trend in most crime categories in New South Wales has been better than national trends over the last five years.

### Adult inmate numbers

Departmental data shows that NSW prisons remained overcrowded in 2016–17, but the rate of growth in inmate numbers slowed.

### Adult inmate resources

Data from the Department and the Justice Health and Forensic Mental Health Network shows inmate access to some resources and services has not kept pace with increases in prison populations.

### NSW District Court case backlog

After falling last year, the backlog of cases in the NSW District Court again increased but the age of backlog cases decreased, according to Departmental data.

### Hazard reduction works

The Office of the NSW Rural Fire Service advise adverse weather conditions reduced the total hectares of completed hazard reduction works by 50.7 per cent in 2016–17 compared to 2015–16.



## 1. Financial reporting and controls

### **Unqualified audit opinions were issued for all agencies' financial statements**

Unqualified audit opinions were issued for all agencies' 30 June 2017 financial statements. However, the Department and agencies using the Department as their service provider were impacted by the Justice SAP implementation and ongoing Business Support Centre establishment. The Department addressed the issues that may have affected the audit opinion. Work to address the underlying control deficiencies in the new finance system and processes is ongoing.

### **Agencies completed early close procedures, with opportunities for improvement**

Early close procedures continue to help agencies prepare financial statements and complete audits on time. All agencies complied with the mandatory early close procedures set by NSW Treasury. However, we noted opportunities to improve other aspects of early close procedures, especially for agencies impacted by the Justice SAP and Business Support Centre issues.

### **The cost of the Police Blue Ribbon insurance scheme remains above the statutory target**

NSW Police Force data shows the cost of the NSW Police Death and Disability scheme for the year ended 30 June 2017 was 5.45 per cent of total NSW Police Officers' remuneration (six per cent in 2016). This cost remains higher than the statutory target of 4.6 per cent.

### **The Fire and Rescue NSW Death and Disability Scheme liability continues to increase**

The Fire and Rescue NSW Death and Disability Scheme's liability was \$179 million at 30 June 2017, almost double the \$92 million recorded at 30 June 2013. Fire and Rescue NSW advise the liability is projected to increase to \$257 million by 30 June 2022. The increase is expected as new claims are made and those claims result in pensions, which on average are payable for 15 years.

### **One high risk financial control deficiency was identified**

During the year, the Department:

- completed the implementation of a new finance system (Justice SAP) throughout the Department (except for Corrective Services NSW), and across the cluster
- continued establishing the Business Support Centre (BSC), which centrally processes finance and human resource operations.

There were significant payroll and finance related issues resulting from the simultaneous implementation of the Justice SAP and establishment of the BSC. The Department addressed the financial reporting impacts by setting up a dedicated Finance/BSC/Project team, and engaging external firms to investigate and resolve issues. This work was costly, but enabled an unqualified audit opinion to be issued on the Department's 2016–17 financial statements. Implementation issues also meant some controls over financial information did not operate effectively throughout 2016–17.

### **Recommendation**

The Department should:

- reinstate controls over financial information as soon as possible, and
- capture and apply lessons learned from recent project implementations, including LifeLink, Justice SAP and the Business Support Centre establishment, in any relevant future implementations.

### **Almost one third of internal control issues reported to Justice agencies were repeat issues**

The 2016–17 audits identified 94 internal control issues. Of these, 28 were repeat findings. Breakdowns and weaknesses in internal controls increase the risk of fraud and error.



### **37.6 per cent of Justice cluster employees' annual leave balances exceed the State target**

At 30 June 2017, 14,877 (15,523 at 30 June 2016) or 37.6 per cent (36.0 per cent) of full time equivalent (FTE) employees' leave balances exceeded the State's 30-day target, of which 70.0 per cent related to front line staff in NSW Police and the Department.

Agencies advise the target is more difficult to achieve for front line staff who accrue more than 20 days of annual leave per annum. The higher accrual rate for front line staff is due to the nature of their work.

#### **Recommendation**

Cluster agencies with annual leave balances above the State's target should:

- regularly (e.g. monthly) project annual leave balances to the end of the financial year
- for employees with projected balances above target, develop and agree leave plans to reduce their balances within an acceptable timeframe.

Agencies should particularly focus on employees who have taken little or no leave in the last 12 months.



## **2. Service delivery**

### **The rate of domestic violence reoffending remains significantly above the Premier's target**

Data from the NSW Bureau of Crime Statistics and Research shows the rate of reoffence by perpetrators of domestic violence decreased slightly between 2014–15 and 2015–16, but remains 4.8 percentage points higher than the NSW Premier's priority target of 10.7 per cent.

### **Reoffending rates have consistently increased over the last five years**

The Department's data shows a consistent increase in reoffending rates over the last five years. A \$237 million program to reduce reoffending was announced in August 2016. The full impact on reoffending rates of the new initiatives will not be known for several years.

#### **Recommendation**

The Department should reassess the sufficiency and effectiveness of measures aimed at reducing reoffending, including the recently announced initiatives, if the State priority target is to be met by 2019.

### **New South Wales' road fatalities exceeded the 2016–17 target**

Statistics from the NSW Centre for Road Safety shows that New South Wales' road fatalities per 100,000 people decreased from 5.1 deaths to 4.6 deaths per 100,000 people in 2016–17. This is slightly above the State's priority to reduce road fatalities by at least 30 per cent from 2011 levels by 2021.

### **Most New South Wales' crime categories have trended down since 2012**

Australian Bureau of Statistics data shows that the downward trend in most crimes in New South Wales since 2012 is better than the national trend, except for murder. The data also shows the rate of sexual assault increased in each of the last five years, and is the only crime to increase overall since 2012.

### **The NSW prison system remained overcrowded, but the inmate growth rate slowed**

Department data shows that the NSW prison system continues to operate at close to its operational capacity. The operational vacancy rate of NSW prisons was 1.1 per cent at 27 August 2017, which is significantly less than the 5.0 per cent recommended buffer. The rate of inmate growth however slowed to 5.1 per cent in 2016–17, compared to 11.8 per cent in the prior year.

The Department should ensure its measures to reduce reoffending are not compromised by continued overcrowding.

#### **Inmate access to some resources and services has deteriorated**

A number of unaudited indicators suggest inmate access to some resources and services has not kept pace with increases in prison populations. For example, since 2012–13, the ratio of nurses to inmates has decreased from 3.2 to 2.6 nurses per 100 inmates. The average time inmates in NSW spend out-of-cell each day has fallen from 11 to 8 hours, which is less than any other Australian jurisdiction.

#### **The backlog of cases in the NSW District Court increased in 2016–17**

The Department's data shows that after falling in 2015–16, the backlog of cases in the NSW District Court increased again in 2016–17. The age of cases however decreased in 2016–17 compared to 2015–16.

A working group, which includes the Department and the Chief Judge of the District Court, has identified a number of new measures to address the backlog. The Department needs to assess whether these measures will be sufficient, given that the backlog increased again in 2016–17.

#### **The annual cost of a juvenile detainee decreased in the three years to 2016–17**

Department data shows the annual cost of a juvenile detainee decreased from \$355,444 to \$335,840 (5.5 per cent) in the three years since 2014–15 when it was first raised as an issue. The decrease in the average annual cost per juvenile is reflected in reduced operating expenses within the Juvenile Justice division of the Department, which fell by \$12.0 million or 6.9 per cent over the same period.

#### **The hectares of completed hazard reduction works decreased in 2016–17**

Data from the Office of the NSW Rural Fire Service shows that the total hectares of completed hazard reduction works decreased 50.7 per cent in 2016–17 compared to 2015–16. The Service attributes the decrease in hazard reduction work to adverse weather conditions during the peak burning period in 2016–17.



# 1. Introduction

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

- Financial reporting and controls
- 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 group.

\*\* Refers to the consolidated entity. The Police Integrity Commission became the Law Enforcement Conduct Commission from 1 July 2017.

The Department of Justice (the Department) is the lead agency in the cluster.

## 1.1 Snapshot of the cluster

Employee related expenses	\$5.4 billion
All other expenses	\$6.4 billion
Total expenses	\$11.8 billion
Net result	\$662 million surplus
Assets	\$8.8 billion
Liabilities	\$2.1 billion
Capital investment	\$726 million

## 1.2 Changes to the cluster

The Justice cluster was impacted by 'Administrative Arrangements (Administrative Changes - Public Service Agencies) Order 2017'. Effective from 1 April 2017:

- Veterans Affairs transferred to the Justice cluster from the Department of Premier and Cabinet
- Liquor, Gaming and Racing transferred from the Department to the Department of Industry
- Arts NSW transferred from the Department to the Department of Planning and Environment.



## 2. Financial reporting and controls

Financial reporting is an important element of good governance. Confidence in public sector decision making and transparency is enhanced when financial reporting is accurate and timely. Appropriate financial controls help ensure the efficient and effective use of resources and administration of agency policies. They are essential for quality and timely decision making.

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

Observation	Conclusion or recommendation
<b>2.1 Financial reporting</b>	
<b>Unqualified audit opinions were issued for all agencies' financial statements.</b>	Unqualified audit opinions were issued for all agencies' 30 June 2017 financial statements. The Department and agencies that used the Department as their service provider, were impacted by the Department's Justice SAP, and Business Support Centre implementations.
<b>2.2 Timeliness of financial reporting</b>	
<b>Most agencies complied with the statutory timeframes for completion of early close procedures and preparation and audit of financial statements.</b>	Early close procedures continue to facilitate the timely preparation of financial statements and completion of audits. Early close procedures for some agencies was diminished by the Department's Justice SAP and Business Support Centre implementations.
<b>2.3 Death and disability schemes</b>	
<b>The cost of the NSW Police Blue Ribbon scheme reportedly decreased, but remains above the statutory target of 4.6 per cent of total NSW Police Officer's remuneration.</b>	The Blue Ribbon Scheme cost \$12.7 million or 10.4 per cent less in 2016–17 following an improvement in claims' experience. The was reflected in the cost of the scheme, which decreased from 6 per cent to 5.45 per cent of total NSW Police Officers' remuneration.
<b>The Fire and Rescue Death and Disability Scheme liability has almost doubled over the past five years.</b>	The Scheme's liability was \$179 million at 30 June 2017, almost double the \$92 million recorded at 30 June 2013. A five-year period has been used due to the sensitivity of annual movements in the liability to changes in discount rates. According to Fire and Rescue NSW projections the liability will reach \$257 million by 30 June 2022.
<b>2.5 Internal controls</b>	
<b>There were significant payroll and general finance related issues resulting from the Department's Justice SAP system implementation and establishment of the Business Support Centre.</b>	<b>Recommendation:</b> The Department should reinstate controls over financial information as soon as possible, and capture and apply lessons learned from recent project implementations, including LifeLink, in any relevant future implementations.
<b>2.7 Human resources</b>	
<b>More than a third of Justice cluster employees have annual leave balances above the State's target.</b>	<b>Recommendation:</b> Cluster agencies with annual leave balances above the State's target should proactively manage their leave balances. Particular focus should be given to employees who have taken little or no leave in the last 12 months.

## 2.1 Quality of financial reporting

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

Unqualified audit opinions were issued for all agencies' 30 June 2017 financial statements. Sufficient audit evidence was obtained to conclude the financial statements were free of material misstatement. However, some cluster agencies were impacted by the Justice SAP and Business Support Centre issues noted below, and there were a number of changes to the financial statements initially submitted to the Auditor-General for audit.

## 2.2 Timeliness of financial reporting

The table below shows timeliness of financial reporting and internal control weaknesses reported in our management letter by risk. Further details on management letter findings are included in the internal controls section, paragraph 2.5.

Cluster agencies	Timeliness of financial reporting			Management letter findings			
Principal department	Early close procedures	Financial statements	Audit report	High	Moderate	Low	Repeat^
Department of Justice*	✔	✔	--	1	14	7	12
Law and order agencies							
NSW Police Force	✔	✔	✔	--	3	4	--
Police Integrity Commission**	--	✔	✔	--	1	1	--
Legal Aid Commission of New South Wales	✔	✔	✔	--	2	--	--
Office of the Director of Public Prosecutions	✔	✔	✔	--	--	5	--
Judicial Commission of New South Wales	✔	✔	✔	--	2	3	1
Legal Profession Admission Board	✔	✔	✔	--	3	2	2
Crown Solicitor's Office	✔	✔	✔	--	4	2	3
Information and Privacy Commission	✔	✔	✔	--	2	2	--
NSW Trustee and Guardian	✔	✔	✔	--	3	6	3
New South Wales Crime Commission	✔	✔	✔	--	--	1	--
The Trustees of the Anzac Memorial Building***	--	✔	✔	--	--	--	--
Total				--	20	26	9

Cluster agencies	Timeliness of financial reporting			Management letter findings			
Principal department	Early close procedures	Financial statements	Audit report	High	Moderate	Low	Repeat <sup>^</sup>
<b>Emergency Services agencies</b>							
Fire and Rescue NSW	✓	✓	✓	--	7	8	5
Office of the NSW Rural Fire Service	✓	✓	✓	--	1	4	1
Office of the NSW State Emergency Service	✓	✓	✓	--	1	5	1
<b>Total</b>				--	<b>9</b>	<b>17</b>	<b>7</b>
<b>Total for cluster</b>				<b>1</b>	<b>43</b>	<b>50</b>	<b>28</b>

\* The audit report on the Department's 2016–17 financial statements was issued one day later than the statutory deadline.

\*\* Treasury exempted the Police Integrity Commission from mandatory early close procedures due to the uncertainties created by the (then) impending transition of the Commission to the Law Enforcement Conduct Commission.

\*\*\* Early close procedures were not performed by The Trustees of the Anzac Memorial Building due its size and nature of operations.

<sup>^</sup> Repeat issues are included in the High, Moderate or Low Management Letter Findings.

Note: Management letter findings are based either on final management letters issued to agencies, or draft letters where findings have been agreed with management.

### 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 Department. The Department provided signed financial statements to the Audit Office on 29 September 2017, and the audit opinion was issued two business days later on 4 October 2017. The statutory deadline for the Department's audit opinion was 3 October 2017.

### Agencies completed early close procedures, but opportunities for improvement noted

Justice cluster agencies complied with Treasury's mandatory early close requirements with all agencies submitting proforma financial statements, and non-financial asset valuations performed within the due date. However, some agencies can improve the effectiveness of early close procedures by:

- assessing the impact of significant and complex transactions, including machinery of government changes
- reconciling inter-agency balances and transactions with other government agencies
- reconciling and reviewing key account balances
- assessing the impact of new and revised accounting standards, such as the impact arising from related party disclosures.

Some agencies' procedures were impacted by the Department's Justice SAP, and Business Support Centre implementations, such as their ability to reconcile inter-agency balances and transactions, and to reconcile and review key account balances.

### Treasury reduced the scope of mandatory early close procedures

Treasury Circular 16/13 'Agency guidelines for the 2016–17 Mandatory Early Close' limited the mandatory early close procedures to non-financial asset valuations and proforma financial statements. Treasury encouraged agencies to maintain the disciplines implemented over the last few years and recommended they complete the additional good practice procedures listed in the circular.

Agencies had two days fewer than last year to complete early close procedures and prepare proforma financial statements.

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

## 2.3 Financial performance key issues

### Law and order

#### Department of Justice

##### About 30 per cent of restitution debts are recovered from convicted offenders

The Department advises that in 2016–17 they issued 1,711 restitution orders with a value of \$12.4 million, and recovered \$3.8 million from convicted offenders. Over the last five years, restitution orders of \$73.8 million have been issued compared to estimated recoveries of \$21.9 million, implying a recovery rate of 30 per cent of recognised debts.

The table below shows the value of the restitution debts raised and the recoveries from offenders over the last five years.



Restitution recoveries from offenders

Year ended 30 June	2017	2016	2015	2014	2013
Restitution recovered from convicted offenders (\$m)	3.8	4.4	4.9	4.7	4.1
Number of new restitution debts raised	1,711	1,383	1,220	1,388	1,690
Value of new debts raised (\$m)	12.4	11.3	12.5	15.4	22.2
Restitution debts written-off (\$m)*	--	--	--	43	70

\* Debts are written-off in accordance with Section 17 of the *Limitation Act 1969*, which limits enforcement of judgement debts to 12 years after the judgement.

Source: Department of Justice financial statements.

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

#### The NSW Police Force

##### The cost of the Police Blue Ribbon insurance scheme remains above the statutory target

NSW Police data shows that the cost of the NSW Police Death and Disability scheme (Police Blue Ribbon scheme) for the year ended 30 June 2017 was 5.45 per cent of total NSW Police Officers' remuneration (six per cent in 2016). This cost remains higher than the statutory target of 4.6 per cent.

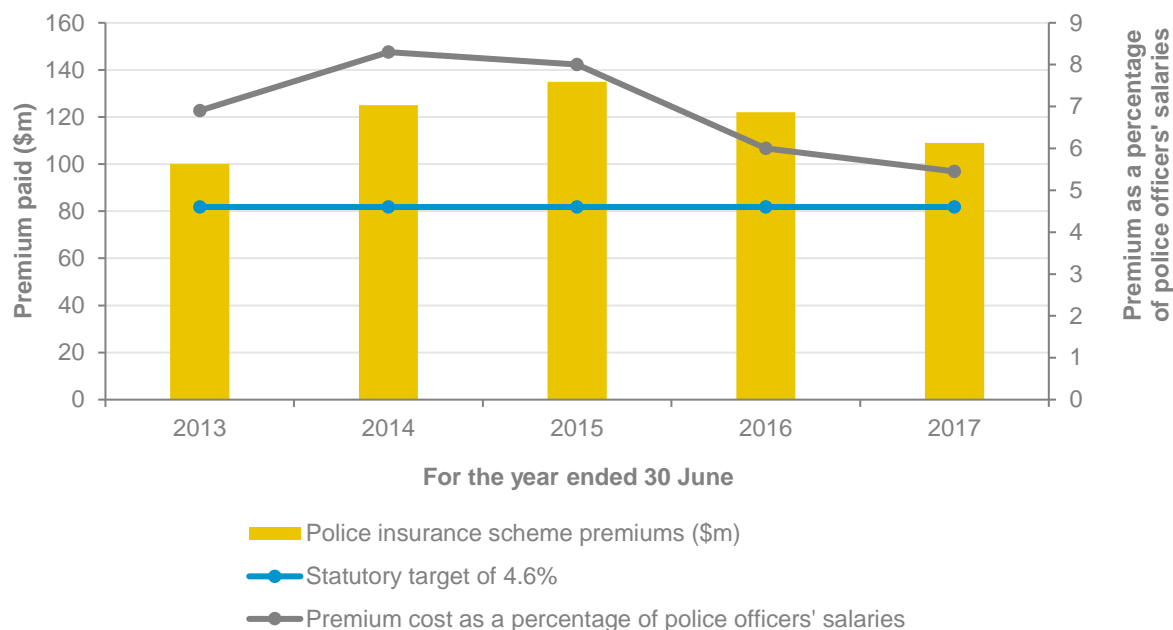
The cost of the Police Blue Ribbon Scheme premium fell 10.4 per cent to \$109 million in 2016–17 (\$122 million in 2015–16). The decrease was mainly due to improved claims' experience and Total and Permanent Disability incidence rate. This decrease was partially offset by salary increases.

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





### Performance of insurance premium paid against statutory target



Source: NSW Police Force financial statements and insurance provider.

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	2017	2016	2015	2014	2013
	\$'000	\$'000	\$'000	\$'000	\$'000
Death and Disability net expense/(income) (old scheme)	(12,711)	(21,714)	(25,807)	(19,728)	58,649
Police Blue Ribbon Insurance Scheme expense (new scheme)	109,431	122,140	134,757	124,698	99,927
Self-managed income protection expense	3,204	4,007	4,824	5,390	3,482
<b>Total death and disability net expense</b>	<b>99,924</b>	<b>104,433</b>	<b>113,774</b>	<b>110,360</b>	<b>162,058</b>

Source: NSW Police Force financial statements.

In 2016–17, the old Death and Disability scheme continued to recognise net income because recoveries exceeded payouts. The scheme required officers who received Total and Permanent Disability payments to pay back the Partial and Permanent Disability benefits they had previously received.

NSW Police received 32 recoveries from officers in 2016–17 (55 in 2015–16). The average value of each was \$408,000 (\$409,000), which is 0.2 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 2016–17 totalled \$26.4 million (\$26.2 million) representing 24.1 per cent (21.5 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.

In our recent 2016 performance audit follow up 'Preventing and Managing Worker Injuries', NSW Police continued its Workforce Improvement program initiatives and introduced further injury prevention initiatives, improved the quality of performance information and reporting on injured officers and transitioned many initiatives into business as usual practices.

### **Paid income protection claims continue to grow, according to NSW Police**

During 2016–17, the number of income protection claims increased to 583 (467 in 2015–16). The Blue Ribbon scheme paid \$14.0 million for claims in 2016–17 (\$10.3 million) with an average claim payment of \$24,029 (\$22,049 in 2015–2016).

#### **Blue Ribbon Scheme income protection claims**

<b>Year ended 30 June</b>	<b>2017</b>	<b>2016</b>
Total income protection claim payments (\$)	14,009,114	10,296,798
Number of income protection claims paid	583	467
Average claim paid (\$)	24,029	22,049

Source: NSW Police Force insurance provider.

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 \$3.2 million in 2016–17 (\$4.0 million in 2015–16).

The average claim paid was \$26,049 (\$27,257 in 2015–2016).

#### **NSW Police's self-managed income protection scheme**

<b>Year ended 30 June</b>	<b>2017</b>	<b>2016</b>
Total income protection claim payments (\$) ^	3,204,070	4,006,802
Number of income protection claims paid *	123	147
Average claim size paid (\$)	26,049	27,257

Source:

^ NSW Police Force financial statements (audited)

\* NSW Police Force (unaudited).

## Emergency services

### Fire and Rescue NSW Death and Disability Scheme

**The death and disability liability has almost doubled over the past five years**

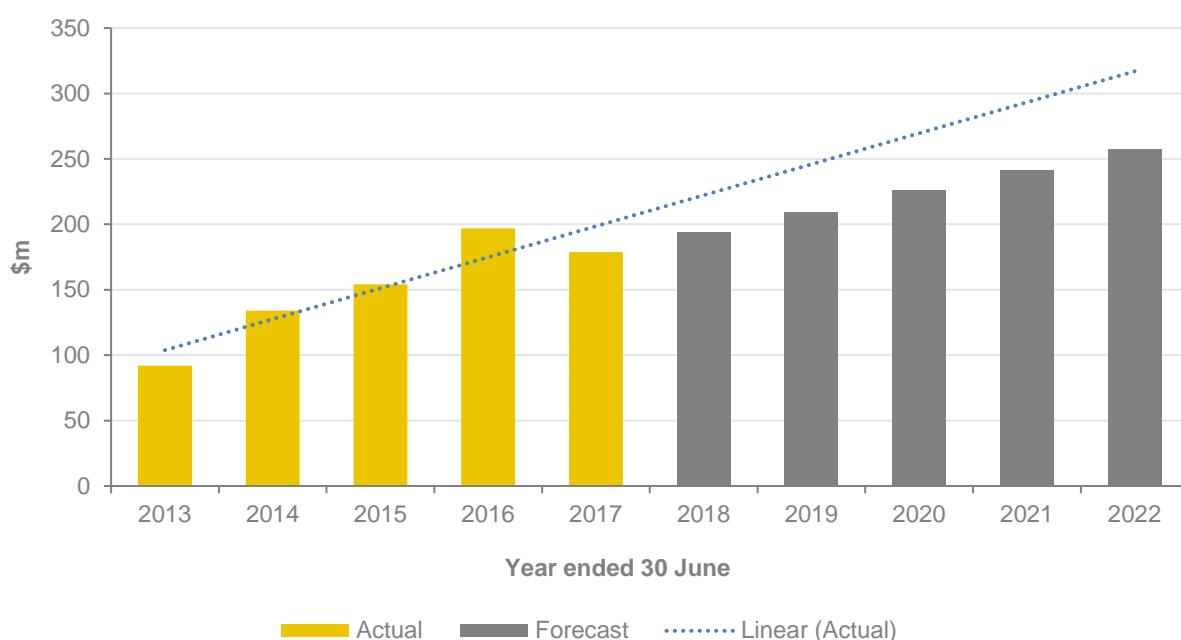
The Scheme's liability is \$179 million at 30 June 2017, almost double the \$92 million recorded at 30 June 2013. Fire and Rescue NSW advise that the liability is projected to increase to \$257 million by 30 June 2022.

The scheme liability is expected to increase each year as new claims are made and those claims result in pensions, which on average are payable for 15 years. Therefore, the cost of new claims incurred each year exceeds payments for existing claims.

Fire and Rescue NSW's projections over the next five years are shown in the following graph:



Fire and Rescue NSW death and disability liability



Note: The decrease of liability from 2016 to 2017 is mainly due to a change in the discount rate.

Source: Fire and Rescue NSW (audited from 2013 to 2017 and unaudited from 2018–2022).

The Fire and Rescue NSW Death and Disability 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).

## 2.4 Key financial information

**Cluster agencies recorded a \$662 million operating surplus in 2016–17**

Cluster agencies recorded a combined operating surplus of \$662 million in 2016–17 (combined deficit of \$308 million in 2015–16). The financial results included:

- a \$615 million surplus (\$353 million deficit in 2015–16) in law and order agencies
- a \$47 million surplus (\$45 million surplus in 2015–16) in emergency services agencies.

The surplus in law and order agencies mainly reflects increased appropriations for capital purposes of \$395 million, which will fund the Department's ongoing prison bed capacity program and criminal justice reforms.

The increase in revenue in the cluster from \$11.7 billion in 2015–16 to \$12.5 billion in 2016–17 also mainly reflects higher government contributions. The Department's appropriations increased by \$607 million for both recurrent and capital purposes, mainly to fund the above programs.

Cluster expenditure decreased by \$190 million, mainly due to:

- prior year one-off costs of \$139 million incurred by the Department for reassessment of claims by victims of crime who transitioned between the old Victims Compensation Scheme and the new Victims Support Scheme
- worker's compensation insurance at NSW Police decreased from \$367.7 million in 2015–16 to \$173.6 million in 2016–17. The previous year's cost included insurance hindsight adjustment losses of \$93.8 million
- lower long service leave costs of \$259.6 million from higher discount rates used in the actuarial assessment of long service leave liabilities in 2016–17 compared to the prior year
- decreased personnel services expenses at NSW Trustee and Guardian because of an actuarial gain of \$28.7 million on the defined benefit superannuation plan.

Expenditure in emergency services agencies rose by \$66 million, mainly due to:

- \$13.3 million in additional grant and subsidy payments by the Office of the NSW Rural Fire Service for rural firefighting activities and equipment
- increased natural disaster and aerial firefighting payments of \$9.1 million at the Office of the NSW Rural Fire Service
- additional disaster relief expenses of \$7.1 million at the Office of the NSW State Emergency Service
- Fire and Rescue NSW incurred an insurance levy monitor fee of \$9.3 million in respect of the Fire and Emergency Services Levy.

Cluster assets increased from \$8.5 billion at 30 June 2016 to \$8.8 billion at 30 June 2017 because of revaluation increases for correctional centres and capital investments in the Department's prison bed capacity program. Total liabilities decreased from \$2.5 billion at 30 June 2016 to \$2.1 billion at 30 June 2017 due to the transfer of some agencies' net defined benefit superannuation liabilities to the Crown including, \$81.3 million for NSW Trustee and Guardian, \$37.3 million for Legal Aid Commission of New South Wales and \$13.4 million for the Crown Solicitor's Office.

Appendix four summarises key financial information for each agency.

## 2.5 Internal controls

### One high risk financial control deficiency identified

Our 2016–17 audits identified one high risk issue relating to the Department's Justice SAP implementation and concurrent Business Support Centre establishment.

#### Recommendation

The Department should:

- **reinstate controls over financial information as soon as possible, and**
- **capture and apply lessons learned from recent project implementations, including LifeLink, Justice SAP and the Business Support Centre establishment, in any relevant future implementations.**

During the year, the Department:

- completed the implementation of a new version of SAP (Justice SAP) throughout the Department (except for Corrective Services NSW), and across the cluster
- continued establishing the Business Support Centre (BSC), which centrally processes finance and human resource operations.

There were significant payroll and general finance related issues resulting from the Department's implementation of the interrelated Justice SAP and BSC projects. These included:

- the inability of staff to complete bank reconciliations, resulting in a significant number of uncleared reconciling items
- roles and responsibilities in the SAP system not being appropriately assigned, which meant that system workflows did not operate as intended
- the absence of management and payroll reporting, which reduced the effectiveness of oversight controls
- concerns over the accuracy of leave balances
- concerns over the accuracy of inter-company transactions and balances
- general concerns over the integrity and accuracy of financial data and reporting.

The Department addressed the financial reporting impacts of the issues through a dedicated Finance/BSC/Project team, and by engaging external accounting firms to investigate and resolve issues. This work enabled an unqualified audit opinion to be issued on the Department's 2016–17 financial statements. The Department is still in the process of fully reinstating controls over financial information.

A commonly cited contributor to the issues was the lack of recognition of the inter-dependency between the BSC and Justice SAP projects. Other general project management deficiencies that contributed to the issues include:

- the lack of a formal assessment of the relevant skills and experience of key project personnel before project commencement
- the absence of an effective on-going project risk identification and management process, including a 'living' risk register that captured inter-dependent risks across both projects
- the 'go live' decision for each Justice SAP wave by those charged with governance was, partly due to the above, not informed by a full understanding of the project or BSC's readiness, and the risks of going live at that point
- insufficient focus on stakeholder engagement and change management
- insufficient independent quality management over the project together with contract and performance management. This could have highlighted risks and issues at an earlier point and allowed for greater control and management.


Some of these issues were similar to those identified in the Department's May 2015 Post Implementation Review of the LifeLink system. Details can be found in the [2015 Auditor-General's Report to Parliament, Part One Law and Order](#).






Management advise they spent an unbudgeted \$2.0 million in 2016–17 addressing implementation issues to a stage that allowed presentation of materially correct financial statements. However, the Department expects to spend a further \$21.0 million in 2017–18. The cost to fully address and rectify implementation issues and reinstate proper internal controls could be up to \$23.0 million.


### **Almost one third of internal control issues reported to agencies were repeat issues**


We found 94 internal controls issues across the cluster, including 28 findings repeated from the previous year. Breakdowns and weaknesses in internal controls increase the risk of fraud and error. We report deficiencies in internal controls, matters of governance interest and unresolved issues identified during our audits to management and those charged with governance. We do this through our Management Letters, which include our observations, related implications, recommendations and risk ratings.


The table below describes the common issues identified in the cluster by category and risk rating.

Category	Risk rating *	Issue
Information technology	 Moderate: 11 new, 5 repeat  Low: 8 new	<p>The audits identified opportunities for agencies to improve information technology (IT) processes and controls that support the integrity of financial data used to prepare agencies' financial statements. We noted issues associated with:</p> <ul style="list-style-type: none"> <li>• user access administration</li> <li>• password security policies and parameters</li> <li>• system change management.</li> </ul>
Internal control deficiencies or improvements	 Moderate: 4 new, 1 repeat  Low: 7 new, 6 repeat	<p>The audits identified opportunities for agencies to improve internal controls across key business processes. Key control weaknesses include:</p> <ul style="list-style-type: none"> <li>• inadequate review of changes to master data such as employee details</li> <li>• lack of review of some payroll functions</li> <li>• non-compliance with financial delegations.</li> </ul>
Financial reporting	 Moderate: 6 new, 1 repeat  Low: 10 new, 1 repeat	<p>The audits identified opportunities for agencies to strengthen financial reporting. Areas for improvement include:</p> <ul style="list-style-type: none"> <li>• capitalising completed capital works more timely</li> <li>• reconciling intercompany accounts and agreeing movements with counterparties</li> <li>• reviewing reconciliations and more prompt action to clear reconciling items or other unusual items.</li> </ul>

Category	Risk rating *	Issue
Governance and oversight	 High: 1 new  Moderate: 6 new, 6 repeat  Low: 8 new, 3 repeat	<p>The audits identified opportunities for agencies to improve governance and oversight processes. We noted issues associated with:</p> <ul style="list-style-type: none"> <li>• outdated policies and procedures</li> <li>• contract registers not being implemented to oversight key contractual arrangements</li> <li>• service level agreements being outdated, signed late or do not exist</li> <li>• lack of an appropriate Enterprise Asset Management System.</li> </ul> <p>The high-risk matter related to the Department's SAP implementation (referred to above).</p>
Non-compliance with key legislation and/or central agency policies	 Moderate: 2 new, 1 repeat  Low: 3 new, 4 repeat	<p>Breaches of the <i>Public Finance and Audit Act 1983</i> and Treasury Circular TC16/03 'Managing Accrued Recreation Leave Balances' were identified.</p>

 High risk from the consequence and/or likelihood of an event that has had, or may have a negative impact on the entity.

 Moderate risk from the consequence and/or likelihood of an event that has had, or may have a negative impact on the entity.

 Low risk from the consequence and/or likelihood of an event that has had, or may have a negative impact on the entity.

## The Office of the NSW Rural Fire Service will implement 'valued' inventory controls on 1 July 2018

### Recommendation

**The Office of the NSW Rural Fire Service should recognise and value its inventories.**

The Office of the NSW Rural Fire Service advises it will revise its accounting practices and commence recognising and valuing inventory in its balance sheet, and expensing it when it is consumed from 1 July 2018.

Currently these inventories, which are warehoused until required in emergencies, are expensed when they are purchased. In 2015, the Independent Commission Against Corruption recommended the Office of the NSW Rural Fire Service account for its inventories to help prevent further frauds. Two of the four corruption prevention recommendations have been implemented. The remaining two recommendations, dealing with inventory are planned for implementation on 1 July 2018.

## 2.6 Financial sustainability

### Salary and wages increased by 3.0 per cent and other expenditure by 0.4 per cent in 2016–17

The activity in the Justice cluster continued to increase, with base salaries and wages increasing by 3.0 per cent and other expenditure by 0.4 per cent compared to the prior year. While the increase in base salaries and wages of 3.0 per cent was more than the 2.5 per cent pay increase, overall employee related expenses across the cluster was within budget.

Crown employees received a 2.5 per cent pay increase from the commencement of the first full pay period on or after 1 July 2016. Salary and wage variations from the 2.5 per cent award increase generally reflected changes in the number of full time equivalent staff.

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

Year ended 30 June	Salary and wages*				Other expenditure			
	2017	2016	2015	Movement	2017	2016	2015	Movement
	\$'000	\$'000	\$'000	2016–17 %	\$'000	\$'000	\$'000	2016–17 %
<b>Principal department</b>								
Department of Justice	1,321,375	1,232,764	1,104,621	7.2	1,171,614	1,235,699	815,196	(5.2)
<b>Law and order agencies</b>								
Legal Aid								
Commission of New South Wales**	99,148	92,534	84,507	7.1	180,637	166,724	154,163	8.3
Office of the Director of Public Prosecutions	88,939	80,460	74,008	10.5	30,099	28,164	25,512	6.9
Judicial Commission of New South Wales	3,981	3,867	3,766	2.9	1,675	1,464	1,878	14.4
Legal Profession Admission Board	1,244	1,167	1,142	6.6	944	755	720	25.0
Crown Solicitor's Office	32,996	31,512	30,327	4.7	11,900	10,836	10,639	9.8
Information and Privacy Commission	2,821	3,169	3,064	(11)	2,348	1,858	1,819	26.4
NSW Trustee and Guardian	49,433	52,789	49,447	(6.4)	23,387	26,451	24,664	(11.6)
New South Wales Crime Commission**	14,356	13,854	13,790	3.6	9,023	7,090	6,821	27.3
NSW Police Force	1,980,727	1,981,149	1,881,386	--	629,357	621,512	632,353	1.3
Police Integrity Commission**	8,879	10,389	10,673	(14.5)	5,825.0	4,182	4,805	39.3
The Trustees of the Anzac Memorial Building	603	769	604	(21.6)	1,068	1,313	1,209	(18.7)
<b>Total</b>	<b>2,283,127</b>	<b>2,271,659</b>	<b>2,152,714</b>	<b>0.5</b>	<b>896,263</b>	<b>870,349</b>	<b>864,583</b>	<b>3.0</b>



Year ended 30 June	Salary and wages*				Other expenditure			
	2017	2016	2015	Movement	2017	2016	2015	Movement
				2016–17				2016–17
	\$'000	\$'000	\$'000	%	\$'000	\$'000	\$'000	%
<b>Emergency services agencies</b>								
Fire and Rescue NSW	427,880	414,996	402,985	3.1	156,341	148,386	142,823	5.4
Office of the NSW Rural Fire Service	85,349	81,111	78,416	5.2	255,002	229,415	216,549	11.2
Office of the NSW State Emergency Service	34,872	30,849	27,850	13.0	69,748	54,795	62,308	27.3
<b>Total</b>	<b>548,101</b>	<b>526,956</b>	<b>509,251</b>	<b>4.0</b>	<b>481,091</b>	<b>432,596</b>	<b>421,680</b>	<b>11.2</b>
<b>Total for cluster</b>	<b>4,152,603</b>	<b>4,031,379</b>	<b>3,766,586</b>	<b>3.0</b>	<b>2,548,968</b>	<b>2,538,644</b>	<b>2,101,459</b>	<b>0.4</b>

\* Excludes superannuation, long service leave, workers compensation, payroll tax, fringe benefits tax and redundancy payments.

\*\* Refers to the consolidated entity.

Source: Agencies financial statements (audited).

Staffing levels in the Department, the Legal Aid Commission of New South Wales, and the Office of the Director of Public Prosecutions increased in response to activity within the Justice cluster, such as increases in the number of inmates, increased court registrations, and initiatives to address the District Court backlog.

NSW Trustee and Guardian's salary and wages fell by 6.4 per cent, following redundancies associated with the operational changes referred to below. The full time equivalent positions in the Police Integrity Commission also decreased following administrative changes.

The Office of the NSW State Emergency Service increased their staffing levels to fill vacant positions, and to work on corporate projects. The increase in salary and wages was within the Office's approved budget.

### **The NSW Trustee and Guardian's service fees fell by 8.1 per cent**

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.

Under the new structure, NSW Trustee and Guardian's service fees decreased by \$5.3 million or 8.1 per cent to \$60.0 million in 2016–17. This was offset by NSW Government contributions of \$15.1 million (\$941,000 in 2015–16), including a one-off \$9.0 million reimbursement of redundancy payments.

The new structure reduced investment management fees by 40 to 65 basis points to 10 basis points (0.10 per cent), and increased the management fee on directly managed Financial Management clients by 30 basis points (0.30 per cent) to 1.4 per cent.

The NSW Trustee and Guardian responded to the new fee structure by changing aspects of its operations to generate efficiencies. Changes included a new business model involving a centralised Service Centre and revised branch and specialist services. The new business model is expected to enable NSW Trustee and Guardian to break even over the next two years.

## 2.7 Human resources

### Managing annual leave

**More than a third of Justice cluster employees have annual leave balances above the State's target**

Reducing annual leave to meet the State target continues to be challenging for the Justice cluster. Over a third of the cluster's employees have annual leave balances in excess of the target, despite a 3.9 per cent improvement since 2015.

At 30 June 2017, 14,877 (15,523 at 30 June 2016) or 37.6 per cent (36.0 per cent) of full time equivalent (FTE) employees had leave balances exceeding the State's 30 day target.

#### Recommendation

**Cluster agencies with annual leave balances exceeding the State's target should:**

- regularly (e.g. each month) project annual leave balances to the end of the financial year, and
- for employees with projected balances above target, develop and agree leave plans to reduce their balances over an acceptable timeframe.

**Agencies should particularly focus on employees who have taken little or no leave in the last 12 months.**

The table below shows movements in the number of FTE employees with annual leave balances above the State's target, over a three-year period.

Agency	Staff with annual leave >30 days	Staff with annual leave >30 days	Staff with annual leave >30 days	Staff Numbers
Year ended 30 June	2017	2016	2015	Movement 2016 to 2017
<b>Principal department</b>				
Department of Justice	3,507	3,684	3,376	(177)
<b>Law and order agencies</b>				
NSW Police Force	8,438	8,904	9,067	(466)
Office of the Director of Public prosecutions	120	158	129	(38)
NSW Trustee and Guardian	98	109	120	(11)
Legal Aid Commission of New South Wales	78	103	117	(25)
Crown Solicitor's Office	35	54	45	(19)
Other law and order agencies	22	21	18	1
<b>Total</b>	<b>8,791</b>	<b>9,349</b>	<b>9,496</b>	<b>(558)</b>
<b>Emergency services agencies</b>				
Fire and Rescue NSW	2,435	2,392	2,855	43
Office of the NSW Rural Fire Service	85	74	56	11
Office of the NSW State Emergency Service	59	24	54	35
<b>Total</b>	<b>2,579</b>	<b>2,490</b>	<b>2,965</b>	<b>89</b>
<b>Total for cluster</b>	<b>14,877</b>	<b>15,523</b>	<b>15,837</b>	<b>(646)</b>

Source: Provided by agencies (unaudited).

The number of FTE employees with annual leave balances above the State's target:

- decreased in the Department by 177 employees (4.8 per cent)
- decreased at NSW Police by 466 employees (5.2 per cent)
- increased in emergency services agencies by 89 employees (3.6 per cent).

NSW Police advise:

- recent improvements in its leave management system allows Commands to enter annual leave into the system in advance. Staff can now view projected leave balances and receive automated notifications of their excess leave balances. This allows NSW Police to better manage annual leave
- 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 avoid confusion between Police and Administrative Officers.

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.

Front line staff in NSW Police and the Department had over 70.0 per cent of the cluster's leave balances which were above the State's target at 30 June 2017. Agencies advise the target is more difficult to achieve for front line staff, because they are entitled to more than 20 days of annual leave per annum. The higher accrual rate recognises that front line staff need more leave than administrative staff, due to the nature of their work. The Department and NSW Police are the highest employers of frontline staff in the cluster.

The Corrective Services NSW division of the Department continues to be impacted by increasing inmate numbers in the NSW prison system. This reduces the opportunity for frontline staff to take annual 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.

## Sick leave

A 2012 report by the NSW Auditor-General reported that the New South Wales public sector takes more sick leave than any other jurisdiction in Australia. This year agencies in the cluster recorded increases in leave taken.

### **Sick leave taken by Justice cluster employees increased by 2.9 per cent**

Justice cluster data shows that sick leave across the cluster increased by two hours per full time equivalent employee (two per cent) in 2016–17. The total cost of sick leave was estimated at \$150.2 million in 2016–17 (\$146.2 million in 2015–16).

Effectively managing sick leave is challenging for many agencies. Each FTE employee in the cluster took an average of 72.3 hours sick leave in 2016–17 (70.3 hours in 2015–16). This exceeds the 2015–16 public sector average of 67.1 hours per FTE employee referred to in the Public Service Commission's 'Workforce Profile Report 2016'.

### **Sick leave taken by NSW Police administrative staff increased by 7.9 per cent**

NSW Police data shows that sick leave taken by their administrative employees increased 5.2 hours (7.9 per cent) per FTE employee from the prior year, the first increase since 2014.



Administrative employees' sick leave decreased in the Department by 8.6 hours (13.7 per cent) from the prior year.

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

Average sick leave hours per FTE				
Year ended 30 June	2017	2016	2015	2014
Department of Justice	54.2	62.8	53.4	51.8
NSW Police Force	71.1	65.9	70.0	76.9

Source: Provided by agencies (unaudited).

### Sick leave taken by emergency services employees increased by 2.6 per cent

Emergency services employees took on average 3.6 hours more sick leave in 2016–17 than in the previous year. The average sick leave taken per FTE employee was 90.4 hours in 2016–17 (86.8 hours in 2015–16). It is not unexpected for agencies with front line staff to have a higher level of sick leave than the public-sector average.

In 2016–17, average sick leave rose by 5.2 per cent at Fire and Rescue NSW, 2.4 per cent at the Office of the NSW State Emergency Service, but fell by 3.1 per cent at the Office of the NSW Rural Fire Service.

Average sick leave hours per FTE				
Year ended 30 June	2017	2016	2015	2014
Fire and Rescue NSW	100.8	95.8	101.9	103.9
Office of the NSW Rural Fire Service	51.3	52.9	56.2	50.2
Office of the NSW State Emergency Service	56.3	54.9	53.4	49.6

Source: Provided by agencies (unaudited).

TC14/13 '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 in the Department and NSW Police decreased

Data from the Department and NSW Police shows that sick leave taken by frontline staff at the Department decreased by 11.4 hours (11.4 per cent) and at NSW Police by 1 hour (1.5 per cent) from the prior year.

NSW Police advise that their Workforce Program Improvement Initiatives have helped reduce the extent of sick leave taken by frontline staff.

Sick leave taken by the Department's frontline staff, mainly custodial officers within the Corrective Services NSW and Juvenile Justice divisions, was 30.8 per cent more than the 2015–16 public sector average of 67.1 hours. Given the nature of the custodial officer role, a higher rate of sick leave than the public-sector average is not unexpected.

#### Average sick leave hours per FTE

Year ended 30 June	2017	2016	2015	2014
Department of Justice	87.8	99.2	98.4	94.4
NSW Police Force	60.7	61.7	56.8	60.7

Source: Provided by agencies (unaudited).

## 2.8 Workplace Health and Safety

### Workers' compensation claims in the cluster increased by 4.5 per cent

Data from agencies shows that workers' compensation claims increased across the cluster by 198 claims (4.5 per cent) in 2016–17. The largest increase was at NSW Police where workers' compensation claims increased by 153 claims (5.2 per cent).



#### Number of workers' compensation claims

Year ended 30 June	2017	2016	2015
<b>Principal Department</b>			
Department of Justice	697	686	594
<b>Law and order agencies</b>			
NSW Police Force	3,070	2,917	2,850
Other law and order agencies	43	21	46
<b>Total</b>	<b>3,113</b>	<b>2,938</b>	<b>2,896</b>
<b>Emergency services agencies</b>			
Fire and Rescue NSW	422	413	515
Office of the NSW Rural Fire Service	263	248	253
Office of the NSW State Emergency Service	107	119	137
<b>Total</b>	<b>792</b>	<b>780</b>	<b>905</b>
<b>Total for cluster</b>	<b>4,602</b>	<b>4,404</b>	<b>4,395</b>

Source: Provided by agencies (unaudited).

Employee injury rates in the Corrective Services NSW division, which includes prison officers, is the highest in the Department. The division's claims represent 67.6 per cent of all Department claims in 2016–17 (68.6 per cent in 2015–16). The most common cause of claims for prison officers is injuries sustained while forcefully dealing with and restraining inmates, during physical training exercises or while responding to incidents.

### Workers' compensation claims for the Department

Year ended 30 June	2017	2016	2015	2014
Corrective Services NSW division	471	471	338	489
Juvenile Justice division	153	148	164	119
Other divisions	73	67	92	110
Total number of claims	697	686	594	718

Source: Department of Justice (unaudited).

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

- rolling out a Workplace Health and Safety Management System modular training package across Corrective Services Industries
- conducting information sessions covering alcohol, tobacco and other drugs, emotional survival, mental health, resilience, 'get health' support and critical incident support
- continuing its Peer Support Program
- health and safety representative training.

### Parliamentary inquiry into bullying, harassment and discrimination

A parliamentary committee is holding an inquiry into bullying, harassment and discrimination within emergency services agencies, including Fire and Rescue NSW, Office of the NSW Rural Fire Service, Office of the NSW State Emergency Service and NSW Police. Hearings were held between September and November 2017.

The committee will inquire into and report on whether emergency services agencies have:

- effective protocols and procedures to manage and resolve complaints of bullying, harassment and discrimination
- support structures to assist victims of workplace bullying, harassment and / or discrimination
- effective support services for workers and volunteers to assist with mental health issues resulting from workplace trauma.

For details, refer to the [Parliament of New South Wales website](#).

## NSW Police Force

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

NSW Police data shows that frontline staff recorded average workplace injury leave of 65.6 hours per FTE employee in 2016–17 (57.9 hours in 2015–16), a 13.1 hour (25.0 per cent) increase over the last four years.

### Work place injury lost leave per FTE

Year ended 30 June	2017	2016	2015	2014
NSW Police *	65.6	57.9	53.7	52.5

\* Relates to workplace injury excluding all other sick leave.

Source: NSW Police Force (unaudited).

NSW Police lost 118.7 hours per FTE employee in 2016–17 (112.9 hours in 2015–16) 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.



### 3. Service delivery

Achievement of government outcomes can be improved through effective delivery of the right mix of services, whether from the public, private or not-for-profit sectors. Service delivery reform will be most successful if there is clear accountability for service delivery outcomes, decisions are aligned to strategic direction and performance is monitored and evaluated.

The Justice cluster is an integrated cluster with key service delivery inter-dependencies. Achieving State priorities and ensuring communities are safe requires both upstream and downstream agencies to be adequately resourced. This is a delicate balance. Increases in frontline policing can subsequently impact the court system. Court backlogs can in turn increase prison overcrowding, and limit the opportunities for inmate rehabilitation. Failure to successfully rehabilitate prisoners and prevent reoffending could impact future police resourcing.

This chapter outlines our audit observations, conclusions and recommendations related to service delivery by agencies in the Justice cluster for 2016–17.

Observation	Conclusion or recommendation
<b>Data from the NSW Bureau of Crime Statistics and Research shows that domestic violence reoffending decreased from 15.9 per cent in 2014–15 to 15.5 per cent in 2015–16, but remains 4.8 percentage points above the Premier's target.</b>	Reducing domestic violence reoffending is challenging. While there was a marginal improvement in 2015–16, the Justice cluster needs to continue efforts to reduce reoffending rates, if the Premier's priority target is to be met by 2019.
<b>Productivity Commission data shows that in the year to 30 June 2016, 50.7 per cent of released prisoners had returned to prison and 55.1 per cent to Corrective Services, within two years of release.</b>	<p>There has been a consistent increase in reoffending rates over the last five years.</p> <p><b>Recommendation:</b> The Department should reassess the sufficiency and effectiveness of measures aimed at reducing reoffending, including the recently announced initiatives, if the State priority target is to be met by 2019.</p> <p>A \$237 million program to reduce reoffending was announced in August 2016. While new initiatives were introduced in 2016–17, their impact on reoffending rates will not be known for several years.</p>
<b>New South Wales' road fatalities per 100,000 people slightly exceeded the 2016–17 target.</b>	Statistics from the NSW Centre for Road Safety shows that New South Wales' road fatalities decreased to 4.6 deaths per 100,000 people in 2016–17, slightly above the State priority target of 4.3 deaths. This is better than the 5.1 deaths recorded in 2015–16, but worse than the 4.0 deaths in 2014–15.
<b>Between 31 December 2012 and 31 December 2016, 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.</b>	The downward trend in most crime categories indicates the cluster is effectively achieving the State's priority to prevent and reduce crime. However, the Department should assess whether the mix of offered programs is consistent with crime trends.



Observation	Conclusion or recommendation
<p>Department data shows that the NSW prison system remained overcrowded in 2016–17.</p> <p>Overcrowding of correctional centres can negatively impact all aspects of custodial life, and ultimately higher reoffending rates.</p>	<p>Data from the Department shows that the inmate population reached 13,253, compared to an operational capacity of 13,402 beds on 27 August 2017. This equates to an operational vacancy rate of 1.1 per cent, which is significantly less than the recommended 5.0 per cent buffer. However, the rate of inmate growth slowed to 5.1 per cent, from 11.8 per cent in 2015–16.</p> <p>The Department should ensure that measures aimed at reducing reoffending are not compromised by continued overcrowding. Reoffending, will in the long term contribute to further overcrowding.</p>
<p>Adult inmate resources.</p>	<p>Inmate access to some resources and services has not kept pace with increases in prison populations, such as the ratio of nurses to inmates. In addition, Productivity Commission information on out-of-cell hours in 2015–16 shows New South Wales prisoners' average time out-of-cell of 7.8 hours was the lowest of any Australian jurisdiction.</p>
<p>After falling in 2015–16, the backlog of cases in the NSW District Court increased again in 2016–17. The age of cases however decreased in 2016–17 compared to 2015–16.</p>	<p>A working group which includes the Department and the Chief Judge of the District Court has identified a number of new measures to address the backlog. The Department needs to assess whether these measures will be sufficient, given that the backlog increased again in 2016–17. As noted in financial reporting and controls chapter, staffing levels in a number of just cluster agencies increased in 2016–17, in response to the backlog.</p>
<p>Department data shows the annual cost of a juvenile detainee decreased from \$355,444 to \$335,840 (5.5 per cent) in the three-year period between 2014–15 and 2016–17.</p>	<p>The Department has been analysing the Juvenile Justice division's operating costs in the context of declining custodial numbers, and has achieved some cost savings. The savings in part reflect decreases in the number of detainees.</p>
<p>The Office of the NSW Rural Fire Service data shows that completed hazard reduction works decreased in 2016–17.</p>	<p>The total hectares of completed hazard reduction works decreased 50.7 per cent in 2016–17 compared to 2015–16. The Office of the NSW Rural Fire Service attributes the decrease to adverse weather conditions during the peak burning period.</p>

## 3.1 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 refers to 12 Premier's and 18 State priorities as areas of focus for the NSW Government.

Priorities relevant to the Justice cluster comprise:

- the Premier's priority to reduce the proportion of perpetrators of domestic violence that re-offend within 12 months by 25 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.



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

### The rate of domestic violence reoffending remains significantly above the Premier's target

Data from the NSW Bureau of Crime Statistics and Research (BOCSAR) shows that the rate of reoffence by perpetrators of domestic violence decreased slightly between 2014–15, and 2015–16, but remains 4.8 percentage points higher than the NSW Premier's priority target of 10.7 per cent. It is unclear whether the overall unfavourable trend between 2011–12 and 2015–16 is due to greater public awareness and reporting of incidents and/or a real increase in domestic assaults.

**Domestic violence re-offending rates**

Year ended 30 June	Target 2019 %	Actual 2016 %	Actual 2015 %	Actual 2014 %	Actual 2013 %	Actual 2012 %
Rate of domestic violence perpetrators reoffending within 12 months	≤ 10.7	15.5	15.9	14.8	14.9	14.7

\* The 2019 Premier's priority target was increased from 9.2 per cent to 10.7 per cent during the year.

Source: BOCSAR.

The rate of repeat domestic violence assaults in 2016–17 also decreased slightly according to NSW Police, who refer to a 0.2 percentage point fall.

**Domestic violence assault rates**

Year ended 30 June	Actual 2017 %	Actual 2016 %	Actual 2015 %	Actual 2014 %
Repeat domestic violence assault victims	14.9	15.1	15.5	15.3
Legal actions for domestic violence assaults	68.4	65	63	61.4

Sourced from NSW Police Force Corporate Plan (unaudited).

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 (LGA) violent crimes trends are better than the State Priority target

BOCSAR crime statistics show that LGAs with stable or falling rates of violent crime increased to 98.6 per cent at 30 June 2017 (94.5 per cent at 30 June 2016). This achieves the target in the State Priority Plan of 98 per cent of LGAs with stable or falling rates of violent crime by 2019.

Some initiatives implemented by NSW Police to reduce violent crime rates include:

- submitting a State Priority Implementation Plan: Reducing Violent Crime to the Minister for Police and Justice in August 2016, which contains actions and initiatives to meet the State priority
- incorporating objectives in NSW Police's 2016–2018 Corporate Plan to work collaboratively with Councils, partner agencies and communities to strengthen crime prevention.

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 continues to increase

#### Recommendation

**The Department should reassess the sufficiency and effectiveness of measures aimed at reducing reoffending, including the recently announced initiatives, if the State priority target is to be met by 2019.**

Department data shows that 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 within 12 months following release from custody rose to 39.5 per cent in the year ended 31 December 2015, an increase of 5.3 percentage points over the five years since 2011.

#### Prisoner reconviction after release from custody

Year ended 30 December	2015	2014	2013	2012	2011
Percentage of reconviction	39.5	36.7	36.0	34.7	34.2

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 2015.

Source: Department (unaudited).

The rate of offender reconviction within 12 months following a non-custodial penalty similarly rose, increasing to 18.9 per cent in the year ended 31 December 2015. The rate has increased 4.2 percentage points over the five years since 2011.

#### Offender reconviction following a non-custodial penalty

Year ended 30 December	2015	2014	2013	2012	2011
Percentage of reconviction	18.9	17.5	16.4	15.9	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 2015.

Source: Department (unaudited).

The above performance measures are the only measures agreed with the NSW Government to track progress against this State priority.

Further information on reoffending is provided by Productivity Commission data, which shows that the rate of offenders returning to prison or Corrective Services NSW within two years also continues to rise. The most recent 2015–16 Productivity Commission data shows that in New South Wales over half of the prisoners released in 2013–14 had returned to prison or Corrective Services NSW by 2015–16. The 2015–16 rates in New South Wales increased by 2.6 per cent and 2.2 per cent respectively compared to 2014–15 data, and remain above the national average.

**Percentage of released prisoners returning to prison or Corrective Services NSW within two years**

Year ended 30 June	2016		2015		2014		2013		2012	
	National	NSW	National	NSW	National	NSW	National	NSW	National	NSW
Prison (%)	44.6	50.7	44.3	48.1	42.1	45.8	40.3	42.7	39.3	42.5
Corrective Services NSW* (%)	52.6	55.1	51.1	52.9	48.2	50.3	46.4	47.9	46.1	46.9

\* Includes prison sentence or community corrections order.

Source: Productivity Commission's Report on Government Services 2017 (unaudited).

The Report on Government Services 2017 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.'

The Department further advised that a broad range of factors influence reoffending, including those beyond the control of the Department. In particular policing activity, including the targeting of offenders with existing convictions, may result in an increased number of arrests and reconvictions, and an increase in the reoffending rate.

When a prisoner enters custody in New South Wales, there is an expectation that they will be offered therapeutic programs to reduce the risk of reoffending. The following table shows that in 2016–17, 75 per cent of prisoners with identified program needs reached the earliest date they could be released to parole without completing recommended programs, which is similar to that reported for 2015–16.

**Rate of program completion**

Year ended 30 June	2017	2016	2015	2014	2013
Total number of prisoners exiting custody with an identified program need	4,862	3,820	3,358	3,191	3,176
Program completed prior to earliest possible parole date	1,208	940	800	749	737
Program completion prior to parole (%)	24.8	24.6	23.8	23.5	23.2

Source: Department (unaudited).

Some prisoners continue to complete programs after they are released. The Department advises that after including prisoners who complete their programs following release into the community, the program completion rate was 33.5 per cent in 2016–17 (31.9 per cent in 2015–16).

The Auditor-General released a report on '[Therapeutic Programs in Prisons](#)' in May 2017, which found that:

Corrective Services NSW does not ensure that eligible prisoners receive timely programs to reduce the risk they will reoffend on release. Most prisoners who need programs do not receive one before their earliest release date. These prisoners can be released with no intervention or held in prison longer waiting a program. Additionally, programs have not been systematically evaluated to confirm they are helping to reduce reoffending in NSW.

The Department advises that they have a program of outcome evaluations underway for reducing reoffending measures, and that robust evidence of the effectiveness of those programs will not be available until the programs have been in place for a suitable amount of time and can be subject to evaluation.

In August 2016, the Minister for Corrections announced a \$237 million program to reduce reoffending. The Department's initiatives to reduce reoffending in 2016–17 included:

- building ten High Intensity Program Units in seven correctional centres for offenders serving sentences of six months or less at a cost of \$6.5 million. The Units aim to stop the 'revolving door' of short-sentenced offenders by delivering early intensive rehabilitation programs
- spending \$1.2 million on programs to expand support services in the community
- providing enhanced supervision to higher risk offenders released to the community through the one to one Practice Guide for Intervention at a cost of \$2.2 million. The Intervention aims to address attitudes and behaviours supporting criminal thinking
- establishing a Program Management Office to oversight reoffending initiatives at a cost of \$811,000.

The impact of the new initiatives on reoffending rates will not be known for several years.

### **New South Wales' road fatalities per 100,000 people slightly exceeded the 2016–17 target**

Statistics from the NSW Centre for Road Safety shows that New South Wales' road fatalities decreased from 5.1 deaths to 4.6 deaths per 100,000 people in 2016–17. This is slightly above the State priority target to reduce road fatalities by at least 30 per cent from 2011 levels by 2021.

**NSW road fatalities**

Year ended 30 June	Target 2017	Actual 2017	Actual 2016	Actual 2015
Road fatalities (per 100,000 population)	≤4.3	4.6	5.1	4.0

Source: NSW Centre for Road Safety (unaudited).

NSW Police is working collaboratively with partner agencies to enable the free flow of traffic and promote road safety through education, innovation and targeted enforcement.

## **Other measures of performance**

### **Department of Justice**

#### **Most crime categories have trended down since 2012**

Australian Bureau of Statistics data shows that the downward trend in most crimes in New South Wales since 2012 is better than the national trend, except for murder which remained at 2011–12 levels compared to a 6.6 per cent decrease nationally. Crime statistics from the Bureau of Crime Statistics and Research demonstrate that a significant number of murders are domestic violence related. In 2016–17 there were 29 domestic violence related murders (25 in 2015–16).

Rates of sexual assault in New South Wales increased in each of the last five years. It is the only crime to increase overall since 2012. The Auditor-General's May 2017 performance audit report on 'Therapeutic Programs in Prisons' noted that the number of intensive programs delivered for sex offenders has decreased since 2012, which is contrary to the increasing trend in convictions. This implies that the mix of programs available in Corrective Services NSW may be out of step with the needs of prisoners.

The Department advises that they apply interventions that are matched to the criminogenic needs of offenders, rather than crime type.

#### Crime numbers

Year ended 31 December	% inc/(dec) since 2012	2016	2015	2014	2013	2012
<b>NSW</b>						
Murder	--	64	65	76	84	64
Attempted murder	(16.7)	30	33	--	--	36
Manslaughter	(60.0)	4	3	--	--	10
Assault	(5.1)	65,260	65,140	65,576	68,963	68,745
Sexual assault	15.3	8,795	8,603	8,192	8,121	7,628
Kidnapping/abduction**	(23.9)	267	259	305	305	351
Robbery	(49.0)	2,602	2,930	3,850	4,723	5,100
Unlawful entry with intent	(29.2)	41,206	43,316	46,221	49,902	58,228
Motor vehicle theft	(30.1)	12,013	13,032	14,110	15,114	17,198
Other theft	(12.1)	135,728	135,407	138,254	147,627	154,335
<b>National</b>						
Murder	(6.6)	227	236	243	245	243
Attempted murder	21.7	196	155	152	162	161
Manslaughter	(34.1)	29	25	26	26	44
Assault*	--	--	--	--	--	--
Sexual assault	18.5	23,052	21,948	20,741	20,025	19,448
Kidnapping/abduction**	(15.7)	538	532	550	594	638
Robbery	(28.5)	9,404	8,968	9,893	11,711	13,161
Unlawful entry with intent	(12.2)	188,756	184,007	181,982	194,529	215,009
Motor vehicle theft	(4.2)	56,086	51,525	50,182	52,508	58,559
Other theft	4.9	537,283	508,649	485,374	493,540	512,352

\* 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.

New South Wales has outperformed the national average in addressing the State's law and order priorities. Between 2012 and 2016, New South Wales recorded falls in eight crime categories compared to the national average, where falls were recorded in six categories. Between 2015 and 2016 New South Wales recorded falls in five crime categories, compared to only one nationally.

#### NSW prisons remained overcrowded in 2016–17, but the inmate growth rate slowed

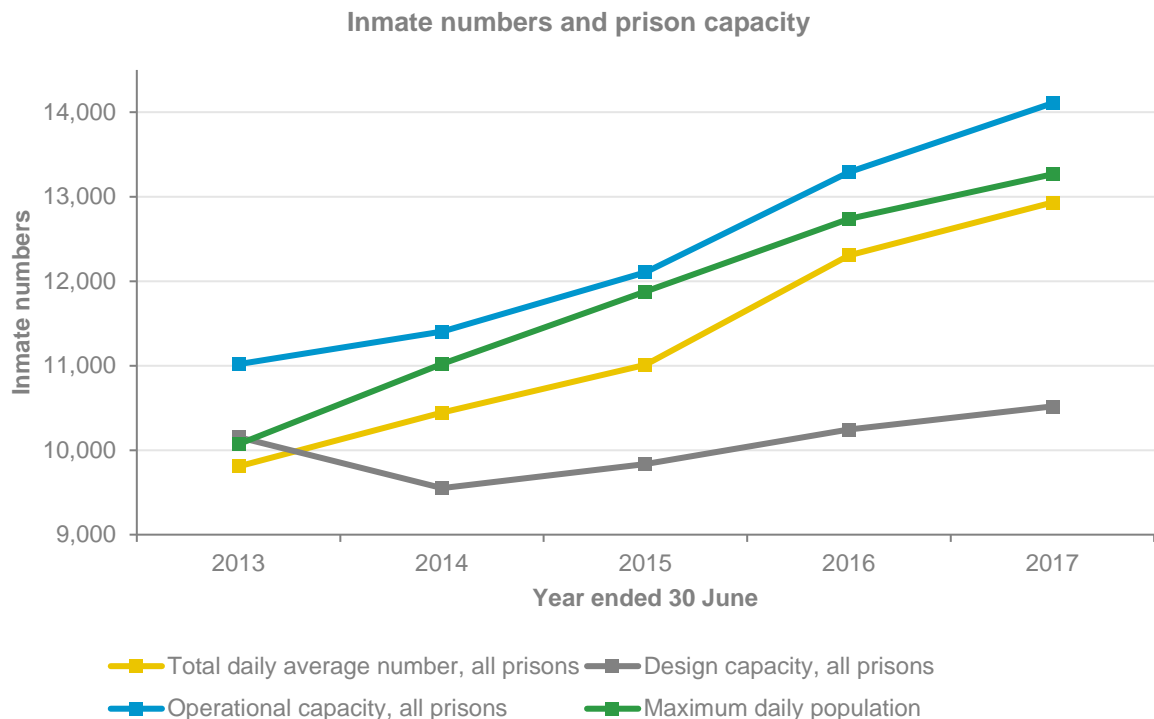
Department data showed that the NSW prison system continues to operate at close to its operational capacity. The inmate population reached 13,253, compared to an operational capacity of 13,402 beds on 27 August 2017. This equates to an operational vacancy rate of 1.1 per cent.

The Commissioner of Corrective Services NSW has previously referred to a 5 per cent operational capacity buffer as target spare capacity to enable the efficient and effective management of the inmate population. The operational vacancy rate of 1.1 per cent on 27 August 2017 is significantly less than the 5 per cent target.

Department data shows the average daily number of inmates increased by 626 to 12,931 in 2016–17 (12,305 in 2015–16) while average daily prison operational capacity increased by 816 beds to 14,106. However, the system's capacity was only designed to cater for 10,518 (10,244) inmates. This implies an occupancy rate of 123 per cent of the prison system's design capacity.

The Productivity Commission notes that prisons need spare capacity to manage the prison population. Accordingly, occupancy rates close to but not exceeding 100 per cent of design capacity are desirable. However, according to the Productivity Commission, the average daily design capacity occupancy rate for the NSW prison system in 2015–16 was 120.1 per cent (112 per cent), well above the national rate of 111.4 per cent.

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



Source: Department (unaudited).

While the daily average prison population continued to increase in 2016–17, the rate of increase decreased from 11.8 per cent in 2015–16 to 5.1 per cent in 2016–17. This lower rate was fortunate, as the design capacity of NSW prisons only increased by 2.7 per cent, and the operational capacity by 6.1 per cent over the same period.

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. A previous Inspector of Custodial Services (the Inspector) noted that the 'elasticity of operational capacity allows overcrowding to be made opaque to inquiry', when discussing the differences between operational and design capacity. Operational bed capacity can be changed by, for example, installing more beds in existing cells without increasing resources and services. The Inspector acknowledged that design capacity also has definitional problems.

The Department provided the following comments on design capacity:

- Corrective Services NSW has a number of prisons that were built in the 19th and early 20th century, when inmate accommodation was almost exclusively single occupancy although many of these cells could comfortably accommodate two people
- prison accommodation and management has changed significantly since this time and dual occupancy accommodation is now a commonly accepted practice. For this reason, design capacity does not provide a meaningful measure of prison overcrowding. A more meaningful measure of modern capacity to house inmates is operational capacity
- design capacity is currently reported in the Report on Government Services, produced by the Productivity Commission. However, South Australia and Victoria do not report on this indicator
- the Corrective Services Administrators Council (CSAC) and the Productivity Commission Secretariat requires the National Statistics Working Group to review the current performance indicator framework to ensure all indicators are meaningful measures of the core objectives of Corrective Services.

### **Inmate access to some resources and services has deteriorated**

A number of unaudited indicators suggest that inmate access to some resources and services has not kept pace with increases in prison populations. For example, since 2012–13 the ratio of nurses to inmates has decreased from 3.2 to 2.6 nurses per 100 inmates, and the average time inmates spend out-of-cell each day has fallen from 11 to 8 hours. However, not all indicators have deteriorated. The waitlist time for inmates to see a doctor decreased from 28 to 24 days, and the percentage of employed eligible inmates increased from 72.4 to 78.4 per cent over the same period.

The most current Productivity Commission information on out-of-cell hours is 2015–16 data in the Report on Government Services 2017. This report shows New South Wales prisoners' average time out-of-cell of 7.8 hours across all prisons in 2015–16, was the lowest of any Australian jurisdiction. The biggest difference was in secure prisoners in New South Wales, who spent on average only 6.5 hours out-of-cells, 29.3 per cent less time than the national average of 9.2 hours. Prisoners in open custody spent 10.1 hours per day out-of-cells, which is 19.8 per cent less than the national average of 12.6 hours.

The Department advises that average out-of-cell hours marginally increased in 2016–17 to 8.0 hours (7.8 hours in 2015–16) across all prisons, with secure prisoners spending on average 6.8 hours per day out-of-cells (6.5), and prisoners in open custody 10.1 hours (10.1 hours). The Department also advises that Corrective Services NSW is undertaking benchmarking, which includes targets to support greater time out-of-cells.

The Productivity Commission defines 'time out-of-cells' as the average number of hours in a 24-hour period that prisoners are not confined to their cells or units, during which prisoners can participate in activities such as work, education and training, wellbeing, recreation and treatment programs. A relatively high or increasing average time out-of-cells per day is desirable.

While out-of-cell hours marginally increased in 2016–17, the ratio of employed to eligible inmates marginally decreased by 2.0 per cent to 78.4 per cent (80.4 per cent to in 2015–16). The Department attributes the fall to the 5.1 per cent increase in the inmate population, which has exceeded the increase in work opportunities the Department has been able to offer. Internal work opportunities within the Department include 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. A challenge has been maintaining resources and services at appropriate levels, despite the increases in the inmate population.



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

Inmate access to resources and services					
Year ended 30 June	2017	2016	2015	2014	2013
Ratios of FTE nursing staff to inmates in correctional centres (how many nursing staff per 100 inmates) <sup>#</sup>	2.6	2.6	2.7	3.0	3.2
Waitlist times in days for inmates to access custodial health services by GP's <sup>#</sup>	24	26	29	26	28
Average number of hours out-of-cell an inmate receives each day:					
Open custody <sup>&lt; ^</sup>	10.1	10.1	10.3	10.5	18.2
Secure custody <sup>^</sup>	6.8	6.5	6.7	6.9	6.9
Total average out-of-cell hours <sup>^</sup>	8.0	7.8	8.0	8.2	11.0
Employed inmates <sup>^</sup>	5,945	5,676	5,442	5,440	5,170
Eligible inmates employed (%) <sup>^</sup>	78.4	80.4	76.2	79.7	72.4

< The Department applied a different methodology to measure out-of-cell hours from 2013–14 onwards, which reduced the hours compared to those reported in 2012–13.

# Source: Justice Health and Forensic Mental Health Network (unaudited).

^ Source: Department of Justice (unaudited).

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.

**If the inmate growth rate in 2016–17 continues, the NSW prison system is expected to remain near capacity until 2019–20**

Department data on capital expenditure suggests that the NSW prison system will remain at or near capacity until planned increases in beds become available in 2019–20, if the inmate population continues to increase at the 2016–17 rate of 5.1 per cent per annum.

The Department is expanding the capacity of the NSW prison system through the \$3.6 billion Prison Bed Capacity Program. The Program increased NSW prisons' design capacity by 277 beds or 2.7 per cent and operational capacity by 585 beds or 4.6 per cent over the year to 30 June 2017.

Currently, approved Prison Bed Capacity Program projects are expected to add 3,560 beds over the next three years. The new Grafton Correctional Centre, which is being delivered through a Public Private Partnership, is expected to provide a further 1,700 beds in 2019–20. Based on the expected delivery timetable of the new beds, and if the 2016–17 inmate growth rate of 5.1 per cent continued, the NSW prison system is expected to operate at over 120 per cent of design capacity over the next 2 years. Additional capacity through the new Grafton prison and other projects is then expected to reduce the prison population to 96 per cent of design capacity in 2019–20.



### Average inmate numbers and prison design capacity

Year ended 30 June	2018	2019	2020
Forecast average daily number of inmates <sup>#</sup>	13,590	14,284	15,012
Expected design bed capacity based on existing prison capacity investment plans <sup>^</sup>	10,900	11,740	15,610
Forecast surplus / (shortfall) in design capacity	(2,690)	(2,544)	598
Implied design capacity occupancy rate (%)	125	122	96
Forecast operational capacity occupancy rate (%) <sup>v</sup>	97	97	80

<sup>#</sup> Based on the average daily number of adult inmates in the NSW prison system in 2016–17, increased by 5.1 per cent per annum (i.e. the 2016–17 inmate population growth rate).

<sup>^</sup> Based on the design capacity of prisons at 30 June 2017 (10,350 beds) plus expected additional capacity from capital investment.

<sup>v</sup> Based on operational capacity of 13,402 beds at 30 June 2017 plus expected additional capacity from capital investment.

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

Latest information from the Department indicates that the rate of growth has continued to slow, falling to 3.0 per cent in the 12 months to September 2017. It is too early to determine whether the decreasing trend will continue.

As noted above, the Department believes operational capacity is a more meaningful measure of prison overcrowding than design capacity. If operational capacity was used to assess overcrowding, the ratio of forecast average daily number of inmates to expected operational capacity would be close to but less than 100 per cent.

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

The Department advises that in addition to the above capacity increases, the Prison Bed Capacity Program is expected to provide 1,600 Immediate Future Needs beds for a cost of \$68 million by 2020–21. Immediate Future Needs beds are temporary short-term beds that double or triple the beds in existing inmate cells. These beds will be decommissioned once sufficient fit-for-purpose beds are available.

The NSW Public Health Regulation 2012 (the Regulation) stipulated minimum space requirements for shared accommodation and limited the doubling or tripling of inmates in cells reducing short-term capacity. However, 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.

### New processes to forward plan criminal justice system requirements have been introduced

Last year's Auditor-General's Report to Parliament recommended that decisions about Justice cluster resources 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 Department advises a number of actions have been introduced to address this issue, including:

- a system demand and flow dashboard has been built to track weekly movements of people and activity across the justice system, and to provide alerts to changes in trends and shifts in resourcing. The Department is still refining the system flow dashboard
- a criminal justice impact assessment of all new policy proposals, which requires a full assessment of the up and downstream effects of any proposal
- three new simulation models to allow scenarios to be planned and impacts assessed. The models are used for prison population, district court demand and delay, and overall system throughput
- a system wide cost modelling program has commenced, to better understand functional costs, variable costs and establish costing models for major functions so that future costs and resource demands can be more accurately predicted.

The criminal justice system is complex. Decisions about deploying resources in the Justice cluster should take into account the impacts activities in individual components have on the wider criminal justice system. Making decisions in isolation can adversely impact the ability of inter-related functions to meet their objectives and operate effectively. For instance, increases in the activity of 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 grows and the prison system's capacity to manage extra inmates and over-crowding further deteriorates.

For optimal forward planning:

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

### **Funding of downstream agencies, and their ability to respond to fluctuations in demand**

One of the complexities for downstream activities in the Justice cluster, such as the courts and prison system, is that funding is provided in advance through the annual appropriation process, but expenditure is driven by the level of activity.

As noted above, the actual costs incurred by the downstream activities are heavily influenced by upstream factors such as policing activity, sentencing by Judicial Officers, and NSW Government Policy decisions.

Where funding does not meet the demands of the level of activity, there is added pressure on downstream agencies, which tend to reduce non-core services to meet budget constraints.

### **The proportion of prisoners on remand for more than 30 days marginally decreased**

Department data shows that the percentage of inmates on remand for 30 days or more decreased in 2016–17 by 2.0 percentage points compared to 2015–16. The number of remand receptions has continued to increase, reaching 14,645 in 2016–17. Of this number, 8,089 or 55.2 per cent were held on remand for 30 days or more.

Annual remand receptions					
Year ended 30 June	2017	2016	2015	2014	2013
Remand receptions	14,645	13,623	12,136	12,488	11,994
On remand 30 days or more	8,089	7,796	6,428	6,188	6,177
Percentage on remand 30 days or more	55.2	57.2	53	49.6	51.5

Source: Department (unaudited).

As most intensive custodial programs target only sentenced inmates, time on remand can negatively impact efforts to reduce rates of re-offending. Inmates who spend long periods on remand have fewer opportunities to participate in rehabilitation programs, especially when sentences are backdated.

### **Corrective Services NSW advise that benchmarking at individual correctional centres will be fully implemented by March 2019**

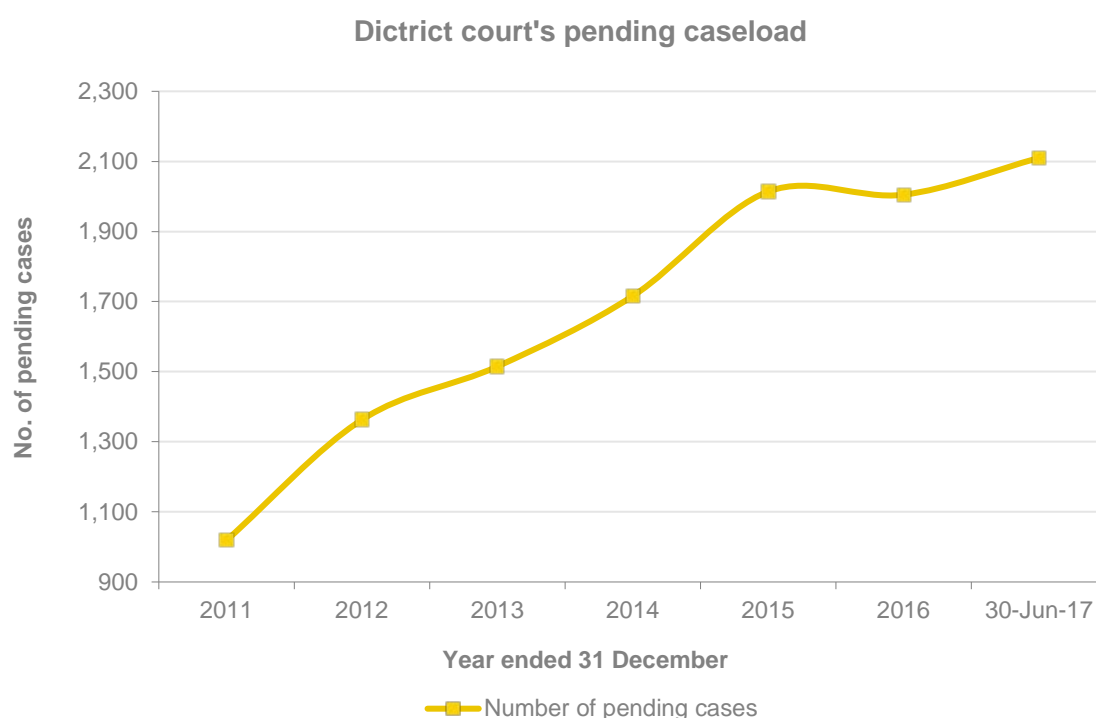
Corrective Services NSW has developed a performance monitoring and reporting framework at the individual correctional centre level, which it expects to fully implement by March 2019. The Department advises the framework will compare publicly and privately managed correctional centres in NSW on a range of qualitative and quantitative performance measures.

The Auditor-General released a report '[Performance frameworks in custodial centre operations](#)' in March 2016, which concluded that the effectiveness of Corrective Services NSW's performance framework is limited because organisational KPIs do not cascade to the public correctional centre level.

### The backlog of cases in the NSW District Court remains high

Department data shows that the pending case load in the District Court increased by 5.2 per cent from 2,005 cases in June 2016 to 2,110 cases in June 2017. However, the age of the cases decreased. The Department advises the number of cases older than 12 months decreased by 10.7 per cent from 507 cases at 30 June 2016 to 453 cases at 30 June 2017. The number of cases older than 24 months decreased from 124 to 116 over the same period.

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



Source: Department of Justice (unaudited).

According to national benchmarks, no more than 10 per cent of pending cases should be more than 12 months old. Twenty one per cent, 453 of the 2,110 cases pending in the NSW District Court at 30 June 2017 are older than 12 months. This is more than two times the national benchmark, but is 3.8 per cent less than the same time last year.

The Department attributes the 5.2 per cent increase in pending cases in 2016–17 to:

- an increase in trial registrations, which outpaced finalisations by 109 matters. This is the highest the gap has been since January 2016
- an increase in sentencing matters. Five additional sentence weeks were allocated in the first term of 2017 to deal with the sentencing backlog
- the impact of Long and Complex trials on the finalisation rate. Currently there are 70 trials of 12 weeks or longer on the current Long and Complex trial list. These complex matters are generally sexual assault, child sexual assault or multi accused drug trials.

The Department is working with the Chief Judge of the District Court and a working group on measures to address issues causing the current backlog. An additional 31 sitting weeks have been

scheduled for the 2017–18 financial year and additional Judicial Officers are expected to provide a further estimated 200 sitting weeks. Other initiatives include:

- additional call overs planned for regional centres and for Sydney over 2017–18
- extending pre-trial conferencing to trials lasting longer than 15 days, to achieve earlier resolutions and distil the substantive issues in contention
- additional Public Defender resources in collaboration with the Office of the Director of Public Prosecutions (ODPP), Legal Aid Commission of NSW and the Department of Justice to address the growth in Long and Complex trials with dedicated resources to be located in Sydney
- early resolution between ODPP and Legal Aid Commission of NSW to reduce committals to the District Court. It is expected that once implemented, Early Appropriate Guilty Pleas shall replace the application of early resolution activities.

In June 2016 the NSW Government announced it will spend \$39 million in 2016–17 and 2017–18 to address the District Court back log. This is in addition to \$20 million in funding provided in 2015–16.

According to the Productivity Commission's Report on Government Services 2017, the net recurrent expenditure per finalisation, criminal and civil, in New South Wales District / county courts was \$4,717 in 2015–16.

The Department advises that no further funding has as yet been allocated to the District Court Backlog Program. Current funding expires in June 2018.

### **Inmates awaiting trial in the District Court cost an estimated \$75.4 million in 2016–17**

The Department reports that at 30 June 2017, 1,129 inmates (1,164 inmates at 30 June 2016) were on remand awaiting trial in the District Court. Longer remand periods contribute to prison overcrowding and are costly. Based on the latest net recurrent expenditure for secure inmates from the Productivity Commission of \$183 per person per day, this costs the State an estimated \$206,607 per day or \$75.4 million in 2016–17 (\$80.8 million in 2015–16).

According to the Department, court delays have other unintended consequences, such as unnecessary hardship for victims and the accused. Delays also undermine confidence in the justice system, increase case costs and increase the risk witnesses forget evidence or cannot be contacted.

### **The net operating cost per adult inmate increased by 3.5 per cent in 2016–17**

Department data shows that the annual net operating cost per adult inmate increased by \$2,142 or 3.5 per cent to \$63,115 (\$60,973) between 2015–16 and 2016–17. This equates to an annual net operating cost of \$816 million in 2016–17.

**Annual recurrent cost per prisoner and average inmate numbers**

<b>Year ended 30 June</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>
Annual cost per prisoner, all prisons (\$)	63,115	60,973	66,698	67,865	69,971
Daily average inmate number, all prisons <sup>^</sup>	12,931	12,305	11,011	10,447	9,808

<sup>^</sup> Note: The measurement basis for this indicator changed in 2015–16 (the exclusion of prisoner health costs) which means results for 2015–16 onwards are not directly comparable to previous years.

Source: Department of Justice (unaudited).

The Department attributes the increase in costs in 2016–17 to additional staff recruited as part of Corrective Service NSW's strategies to reduce reoffending.

As noted above, the Minister for Corrections announced a \$237 million program to reduce reoffending in August 2016.

### The annual cost of a juvenile detainee decreased in the three years to 2016–17

Department data shows that in the three years between 2014–15 and 2016–17 the average annual cost per juvenile detainee decreased by \$19,604 or 5.5 per cent, and the design capacity of juvenile centres decreased on average by 55 beds or 13.3 per cent. The average number of juvenile detainees as a percentage of design capacity increased from 69.4 per cent to 76.5 per cent over the same three year period.

The decrease in the average annual cost per juvenile is reflected in reduced operating expenses within the Juvenile Justice division of the Department, which fell by \$12.0 million or 6.9 per cent over the three year's between 2014–15 and 2016–17.

Last year's Auditor-General's Report to Parliament included a repeat recommended for the Department to assess whether the cost of supervising and caring for juvenile detainees is reasonable given the downward trend in the number of detainees.

**Juvenile detainees and design capacity**

Year ended 30 June	2017	2016	2015	2014	2013
Average annual cost per juvenile detainee (\$)	335,840	348,401	355,444	293,223	283,605
No. of juvenile detainees in custody	273	292	286	314	324
Design capacity of detainee centres	357	374	412	396	431

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

Source: The Department (unaudited).

The Department advise an increasing emphasis on therapeutic practices is expected to sustain the reduced level of detainees. They also advise that the division is continuing to map and analyse its operating costs in the context of declined custodial numbers, with the aim of achieving cost effective service delivery into the future.

### Each juvenile detainee cost \$272,725 more than an adult inmate in 2016–17

The data above shows that 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.

### Reassessed victims' claims of \$54.4 million have been awarded to July 2017

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 received 10,039 applications for reassessment, of which it advises 5,848 have been determined and \$54.4 million awarded as at 30 June 2017.

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

## The NSW Police Force

### The NSW Police Force is operating at full strength

NSW Police Force data shows that its authorised strength increased 0.3 per cent in 2016–17 to 16,744 (16,692 in 2015–16). With 16,649 police officers at 30 June 2017, it is operating at 99.4 per cent (99.6 per cent) of its authorised strength.

	Authorised strength	Actual* strength	Difference between authorised and actual strength
NSW Police Officers at 30 June 2017	16,744	16,649	(95)

Strength: Number of police officer positions.

Source: NSW Police Force (unaudited).

\* 'Actual' includes all NSW Police Force employees including secondments.

NSW Police monitors police numbers, which fluctuate 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 2017. The biggest deficits were in the Central Metropolitan, South West Metropolitan and North West Metropolitan areas.

Region/Branch	Authorised FTE Strength	Actual FTE	Difference between authorised and actual FTE
Central Metropolitan	2,335	2,166	(169)
North West Metropolitan	2,128	2,018	(110)
Northern	1,999	2,086	87
South West Metropolitan	2,106	1,968	(138)
Southern	1,418	1,426	8
Western	1,142	1,152	10
Police Transport Command	610	587	(23)
Traffic and Highway Patrol Command	1,345	1,292	(53)
Corporate Services	458	558	100
Specialist Operations	2,175	2,279	104
Other	1,028	1,117	89
<b>NSW Police Officers at 30 June 2017</b>	<b>16,744</b>	<b>16,649</b>	<b>(95)</b>

Strength: Number of police officer positions.

Source: NSW Police Force (unaudited).

\* 'Actual' includes all NSW Police Force employees including secondments.

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.

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

Australian Bureau of Statistics data shows that the clearance rates of investigations finalised within 30 days continues to be lower than the national average across all crime categories in the year to 31 December 2016.

**Crime**                                      **% of investigations finalised in 30 days**                                      **% of investigations finalised in 30 days involving proceedings against offenders**

	NSW	National	NSW	NSW	NSW	National	NSW	NSW
		average	ranking	ranking		average	ranking	ranking
Year ended 31 December	2016	2016	2016	2015	2016	2016	2016	2015
Homicide	63.3	71.0	4/8	5/7	95.2	96.3	3/8	3/7
Robbery	32.2	39.8	6/8	6/8	90.4	87.0	3/8	4/8
Unlawful entry with intent	7.9	12.4	7/8	7/8	85.5	85.2	7/8	5/8
Motor vehicle theft	8.7	21.3	7/8	7/8	84.8	75.9	3/8	4/8
Other theft	13.2	17.6	6/8	5/8	76.7	78.0	4/8	4/8

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.

## NSW Trustee and Guardian

### Client returns exceeded benchmark for eight of ten investment portfolios

NSW Trustee and Guardian data shows the managed funds that were exposed to domestic and international equities continued to perform strongly during 2016–17; this comprises 23 per cent (22 per cent at 30 June 2016) of the \$2.9 billion of funds under management at 30 June 2017 (\$2.8 billion). The majority of the remaining funds, approximately 71 per cent, are exposed to cash based returns, where performance has been impacted by low interest rates.

#### NSW Trustee and Guardian Fund Investment Returns

Year ended 30 June 2017	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>Financial management portfolios</b>						
Access Fund	2.4	1.7	0.7	2.5	2.1	0.4
Australian Cash	2.3	1.7	0.6	2.3	2.1	0.2
Australian Cash Plus	2.4	1.7	0.7	2.8	2.1	0.7
Australian Fixed Interest	0.3	0.1	0.2	3.9	3.9	--
Australian Shares	13.6	13.7	(0.1)	11.4	11.1	0.3
Australian Listed Property Securities	(5.6)	(5.7)	0.1	13.8	13.6	0.2
International Bond	0.5	0.4	0.1	4.8	5.1	(0.3)
International Share	19.6	19.3	0.3	16.9	16.7	0.2
<b>Trustee portfolios</b>						
Primary Portfolio	2.4	1.7	0.7	2.3	1.8	0.5
Growth Portfolio	19.6	20.3	(0.7)	14.2	14.4	(0.2)

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.

Source: NSW Trustee and Guardian (unaudited).



In 2016–17, one-year client returns for eight of the ten portfolios performed better than benchmark. The remaining two funds did not perform as well and returned lower than the benchmark.

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.

NSW Trustee and Guardian advises it invests client funds across a range of funds to spread risk and provide opportunities for short or long term investment returns 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.

### **NSW Trustee and Guardian partially addressed recommendations to identify and operationalise performance indicators**

Last year's Auditor-General's Report to Parliament recommended that NSW Trustee and Guardian identify and use meaningful performance indicators to measure and report the cost and quality of the services provided to the community, including measures such as the cost per trust managed, the time taken to identify and secure client assets, and customer satisfaction and complaints.

NSW Trustee and Guardian advise it has identified a number of new monthly performance indicators and incorporated them into relevant employee performance plans. The indicators include client focussed indicators such as call service waiting times, complaint volumes, client satisfaction scores, and operational indicators such as completing tasks by a specified target date. However, costing based indicators, such as costs per trust managed, are yet to be developed. NSW Trustee and Guardian advise that:

- their initial focus is on consistently meeting service indicators, following the recently implemented operational changes (refer to the Financial Reporting and Controls chapter)
- cost and efficiency measures will be identified and introduced once the new client information management system is delivered in 2018.

Meaningful performance indicators and targets help drive efficient and effective operation, and help hold management and those charged with governance accountable for the organisation's performance.

The NSW Trustee and Guardian believes benchmarking against similar entities in other states is not meaningful as each state charges clients differently and operates under different legislation, service standards and types.



## 3.2 Emergency services

### Hazard reduction

#### Completed hazard reduction works decreased in 2016–17

Office of the NSW Rural Fire Service data shows that the total hectares of completed hazard reduction works decreased 50.7 per cent in 2016–17 compared to 2015–16.

The Office of the NSW Rural Fire Service attributes the decrease in hazard reduction work to adverse weather conditions during the peak burning period in 2016–17. The burning programme is highly sensitive to weather conditions. The Service undertakes 56 per cent of the hazard reduction burning in autumn and a further 23 per cent in spring. Very wet weather in these periods hampered hazard reduction burning across the state. However, the Service reports it has capitalised on recent drier conditions to reduce the backlog of works.



The results of hazard reduction works are shown below.

Hazard reduction						
Year ended 30 June	Five year average	2017	2016	2015	2014	2013
Total hectares of hazard reduction works completed	203,382	140,646	285,401	152,157	157,222	281,483
Number of properties protected by hazard reduction works across all bush fire prone land tenures	133,376	158,879	120,320	116,977	124,414	146,292

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

The Office of 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.

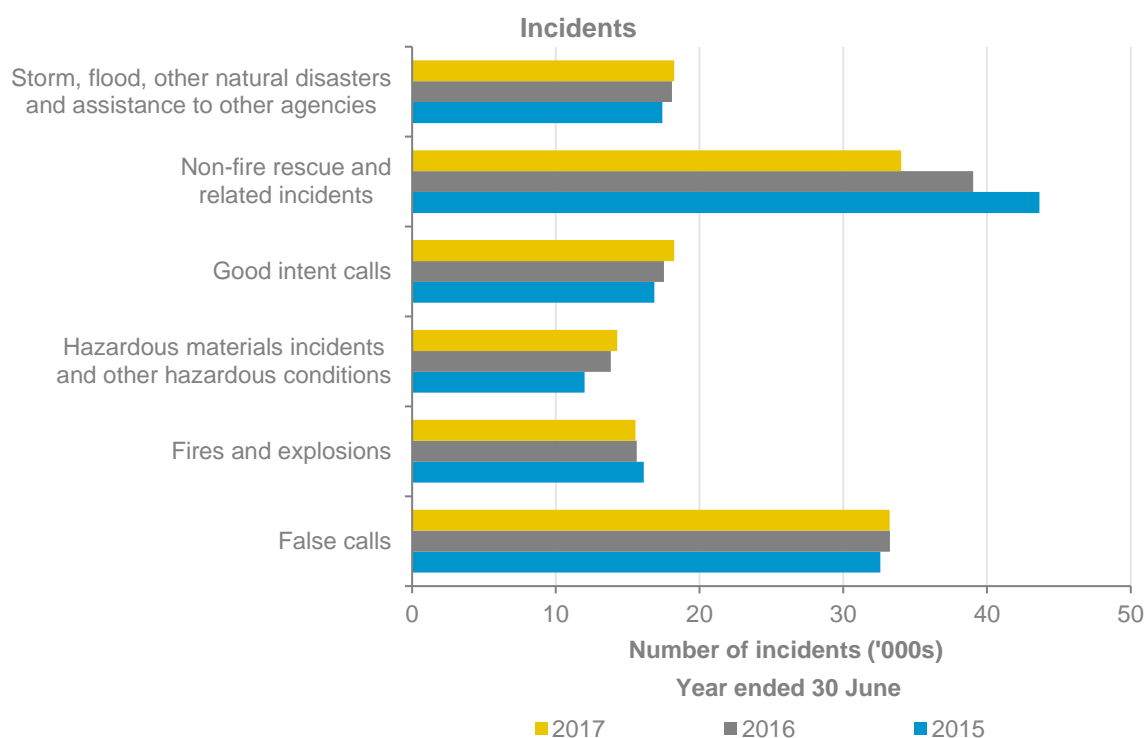
The Service carries out and/or coordinates hazard reduction activities to minimise the threat of damage to life, property, infrastructure and environmental, economic, cultural, agricultural and community assets by reducing or removing bush fire fuel. Hazard reduction does not completely prevent bush 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 1.8 per cent to 179,537 incidents in 2016–17 (182,896 in 2015–16). This is largely attributed to a 12.8 per cent decrease in storm, flood, other natural disasters and for assistance to other agencies.

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



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

### Fire engine incident response times improved slightly in 2016–17

Fire and Rescue NSW data shows that response times for the first fire engines to arrive at an incident improved slightly in 2016–17. Fire and Rescue NSW introduced Mobile Data Terminals (MDTs) in fire appliances which more accurately record response times. The project commenced in March 2015 and by 9 September 2016 there was at least one MDT in every fire station enabling a standard operating model across the state.

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	Percentage of first responding fire engines arriving at the scene of an incident	Response time in minutes and seconds				
		Five year average	2017	2016	2015	2014
50 per cent		7:21	7:00	7:32	7:14	7:30
90 per cent		11:51	11:26	11:56	11:30	12:12

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

### Office of the NSW State Emergency Service incident response times improved in 2016–17

Office of the NSW State Emergency Service data shows that response times for road crash rescues, vertical rescues and community first responder incidents improved in 2016–17. However the slowest response times declined from 2015–16. The Service advises that the decline in slowest response times was due to the distances required to be travelled to attend to the incidents which occurred in the more isolated areas of NSW.

Incidents	Response time in minutes and seconds		Response time in minutes and seconds	
Year ended 30 June	2017		2016	
	Fastest response	Slowest response	Fastest response	Slowest response
Road crash rescue	2:00	94:00	2:00	32:00
Vertical rescue	6:00	115:00	7:00	54:00
Community first responder	2:00	112:00	2:00	67:00

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

### Fire containment continues to improve

Office of the NSW Rural Fire Service data shows that the percentage of bushfires contained to 10 hectares or less increased to 95 per cent in 2016–17, 5.5 percentage points better than the five year average and 11.7 percentage points better than in 2012–13. The Service's data records a year on year improvement over the last five years.

Percentage of bushfires contained						
Year ended 30 June	Five year average	2017	2016	2015	2014	2013
Percentage of bush fires contained to ten hectares or less	89.5	95.0	90.9	90.4	88.1	83.3

Source: Office of the 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 Service's detection and suppression capabilities are effective.

### The total number of emergency services volunteers has decreased slightly

Data from NSW emergency services agencies shows that the number of volunteers has decreased over the last three years. NSW emergency service agencies use a range of models to mobilise the people they need to achieve their objectives, as shown below.

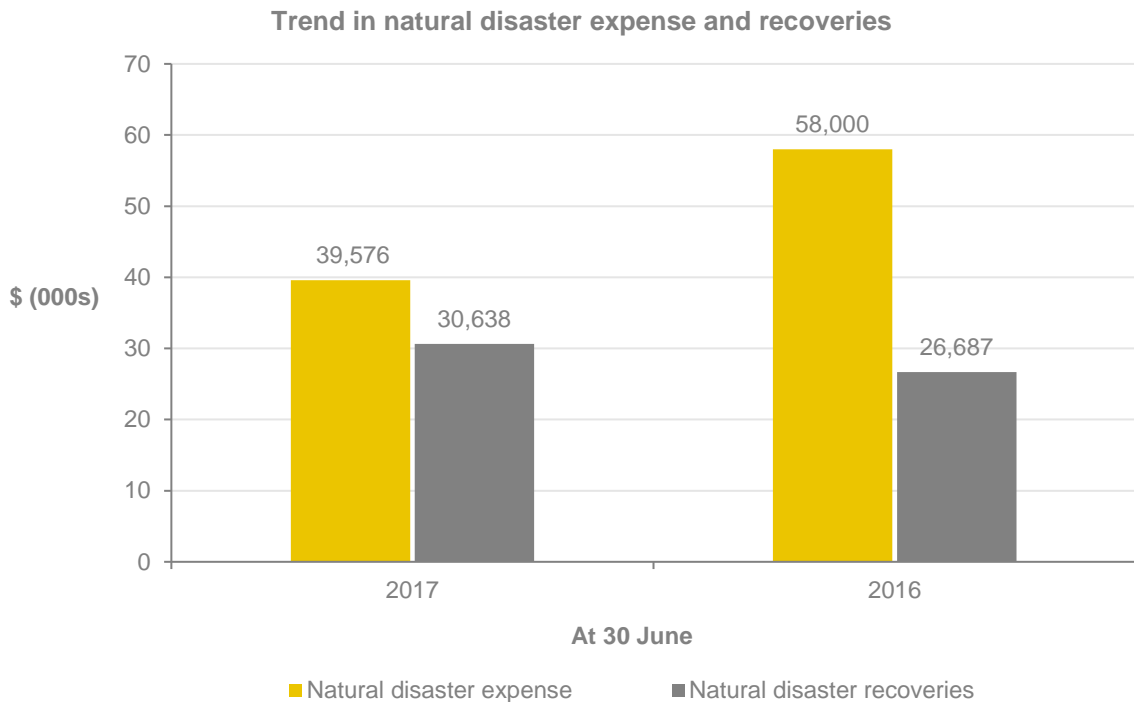
Staff numbers in emergency services												
Year ended 30 June	Full-time			Retained (part-time)			Volunteers			Total		
	2017	2016	2015	2017	2016	2015	2017	2016	2015	2017	2016	2015
Fire and Rescue NSW	3,974	3,986	3,903	3,341	3,327	3,336	5,891	6,318	6,812	13,206	13,631	14,051
Office of the NSW Rural Fire Service	878	856	824	--	--	--	73,223	73,192	74,516	74,101	74,048	75,340
Office of the NSW State Emergency Service	377	361	336	--	--	--	8,381	8,852	8,809	8,758	9,213	9,145
<b>Total</b>	<b>5,229</b>	<b>5,203</b>	<b>5,063</b>	<b>3,341</b>	<b>3,327</b>	<b>3,336</b>	<b>87,495</b>	<b>88,362</b>	<b>90,137</b>	<b>96,065</b>	<b>96,892</b>	<b>98,536</b>

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

Volunteers are a key resource in providing emergency services. Volunteers are involved in directly dealing with the emergency through roles such as firefighting, rescue or storm recovery, or through important support roles like catering, communications and transport.

### Natural disaster expenditure decreased due to funding changes

Nineteen declared disasters occurred in 2016–17 compared to seven in the prior year. The increase was mainly due to 13 bushfire events this year compared to one in 2015–16. While the number of declared disasters increased, natural disaster expenditure fell during the year. The reduced expenditure resulted from \$26 million in standing charges for aircraft contracts with the Office of the NSW Rural Fire Service no longer being classified as natural disaster expenditure following a change in government funding arrangements.

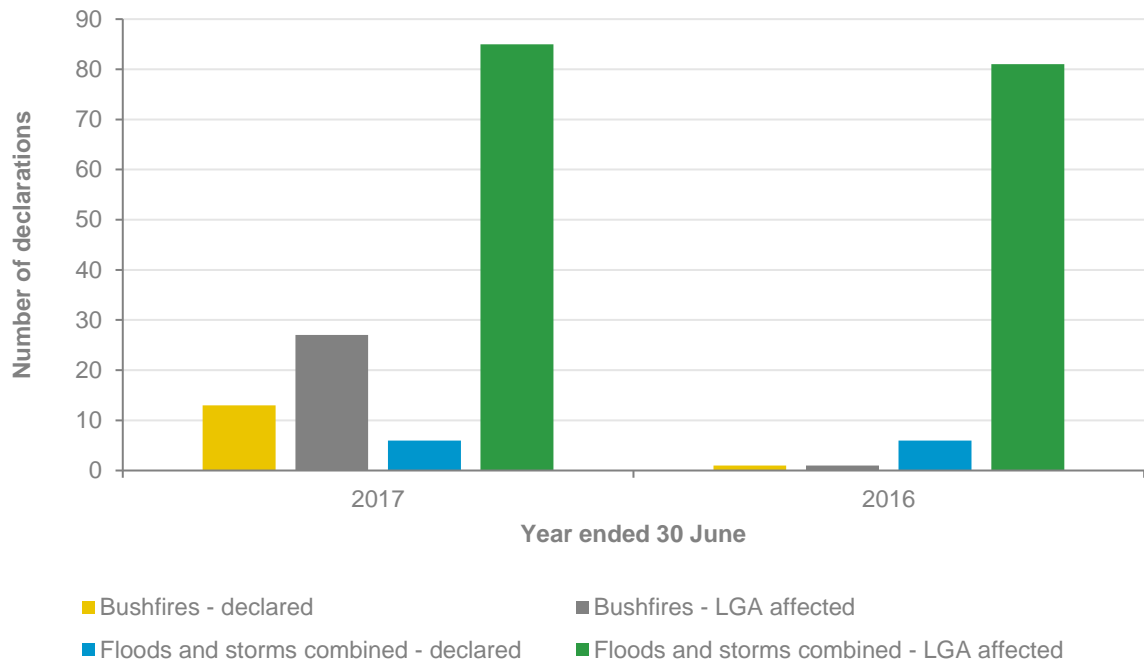


Source: Financial statements of Fire and Rescue NSW, Office of the NSW Rural Fire Service and Office of the NSW State Emergency Service (audited).

Natural disasters are declared 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 apply to recover costs associated with the disaster from the Department of Justice, which administers the NSW Disaster Assistance Arrangements. The State 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 \$423 million on natural disasters and recouped \$335 million from the NSW and Australian Governments.

### Natural disasters 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 2016–17, LGAs were affected by natural disasters 112 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 inherently 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







# Appendix one – List of 2017 recommendations

The table below lists the recommendations made in this report.



## 1. Financial reporting and controls

### 1.1 Lessons learned from project implementations

The Department should:

- reinstate controls over financial information as soon as possible, and
- capture and apply lessons learned from recent project implementations, including LifeLink, Justice SAP and the Business Support Centre establishment, in any relevant future implementations.



### 1.2 Implementing ICAC recommendations

The Office of the NSW Rural Fire Service should recognise and value its inventories as soon as practicable.



### 1.3 Annual leave balances

Cluster agencies with annual leave balances exceeding the State's target should:

- regularly (e.g. each month) project annual leave balances to the end of the financial year, and
- for employees with projected balances above target, develop and agree leave plans to reduce their balances over an acceptable timeframe.



Agencies should particularly focus on employees who have taken little or no leave in the last 12 months.



## 2. Service delivery

### 2.1 Measures to reduce reoffending

The Department should reassess the sufficiency and effectiveness of measures aimed at reducing reoffending, including the recently announced initiatives, if the State priority target is to be met by 2019.



Key



Low risk



Medium risks
















High risks



## Appendix two – Status of 2016 recommendations

The table below lists the status of recommendations made in the 2016 Auditor-General's Report to Parliament on the Justice cluster.

Recommendation	Current status
<b>The Department should:</b>	
Ensure it performs all financial reporting early close and year end procedures by the statutory deadlines.	The Department addressed this recommendation during the year. 
Assess whether the cost of supervision and caring for juvenile detainees is reasonable given the downward trend in the numbers of detainees (repeat issue).	The Department advises it has commenced work to map and analyse its operating costs in the context of declining custodial numbers to ensure continued cost effective service delivery into the future. The Department has also reprioritised funding internally to invest in initiatives to strengthen therapeutic practice and interventions. 
Strengthen efforts to effectively manage sick leave.	Sick leave taken by administrative and frontline staff in the Department decreased by 8.6 hours (13.7 per cent) and 11.4 hours (11.4 per cent) respectively from the prior year. Refer to the Financial Reporting and controls chapter for details.   The Department is working on strategies to improve well-being initiatives and reduce sick leave. Sick leave balances are now measured on progress against divisional key performance indicators and quarterly divisional performance meetings with the Secretary.
Consider if planned capital investment is sufficient to efficiently and effectively manage inmates over the next two to three years.	The Corrective Services NSW Infrastructure Strategy 2017–2037 was updated to ensure continued alignment with current and forecast fluctuations in the inmate population.   The Department is continuing to expand the capacity of the NSW prison system through the \$3.6 billion Prison Bed Capacity Program. In 2016–17 the Program provided an additional 585 beds. The additional beds provided by the prison bed capacity program are expected to keep pace with increases in inmate numbers in 2017–18 and 2018–19, but overcrowding is expected to continue until the new Grafton Correctional Centre becomes operational in 2019–20. Refer to the Service Delivery chapter for details.
The State's publicly managed correctional centres should be subject to the same oversight, performance management and reporting as privately managed centres (repeat issue).	Corrective Services NSW has developed a performance monitoring and reporting framework at the individual correctional centre level, which it expects to fully implement by March 2019. The Department advises the framework will compare publicly and privately managed correctional centres in NSW on a range of qualitative and quantitative performance measures. 
Continue to implement the recommendations in the Auditor-General's March 2016 report on 'Performance frameworks in custodial centre operations'.	As above. 

Recommendation	Current status
<b>Law and order agencies should:</b>	
Continue efforts to reduce employee excess annual leave balances to meet whole-of-government targets (repeat issue).	The number of employees with excess annual leave balances decreased in most law and order agencies. At 30 June 2017, 8,791 employees (9,349 employees at 30 June 2016) in law and order agencies however exceeded the State target. Refer to the Financial Reporting and Controls chapter for details. 
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 Department advises a number of actions have been introduced to address this issue, including:  <ul style="list-style-type: none"> <li>a criminal justice impact assessment of all new policy proposals, which requires a full assessment of the up and downstream effects of any proposal</li> <li>three new simulation models to allow scenarios to be planned and impacts assessed. The models are used for prison population, district court demand and delay, and overall system throughput.</li> </ul> <p>Refer to the Service Delivery chapter for details.</p>
<b>NSW Trustee and Guardian should:</b>	
Identify and use meaningful performance indicators to measure and report the cost and quality of the services it provides to the community (repeat issue).	NSW Trustee and Guardian has identified a number of new monthly performance indicators and incorporated them into relevant employee performance plans, including client focussed indicators such as call service waiting times, complaint volumes, and client satisfaction scores. However, costing based indicators, such as costs per trust managed, will be not be introduced until their new client information management system is delivered in 2018. Refer to the Service Delivery chapter for details. 
<b>The Office of the NSW State Emergency Service should:</b>	
Implement sufficient effective controls over donation and fundraising activities to ensure all revenue collected is recorded (repeat issue).	The Service implemented sufficient controls over donation and fundraising activities to ensure all revenue collected is recorded. An unqualified audit opinion was issued in 2016–17. 
 Fully addressed	 Partially addressed
	 Not addressed



## Appendix three – Agencies selected for this volume

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### Agency

#### Principal department

[Department of Justice](#)

#### Law and order agencies

[NSW Police Force](#)

[Crown Solicitor's Office](#)

[Information and Privacy Commission NSW](#)

[Legal Aid Commission of New South Wales](#)

Legal Aid Commission Staff Agency

[Legal Profession Admission Board](#)

[New South Wales Crime Commission](#)

New South Wales Crime Commission Staff Agency

[NSW Trustee and Guardian](#)

[Judicial Commission of New South Wales](#)

[Office of the Director of Public Prosecutions](#)

[Police Integrity Commission](#)

Police Integrity Commission Staff Agency

[The Trustees of the Anzac Memorial Building](#)

#### Emergency services agencies

[Fire and Rescue NSW](#)

[Office of the NSW Rural Fire Service](#)

[Office of the NSW State Emergency Service](#)

Bush Fire Coordinating Committee

State Rescue Board

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## Appendix four – Financial audit reporting

	Total assets		Total liabilities		Total revenue		Total expense		Surplus/(Deficit)	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
<b>Principal department</b>										
Department of Justice	5,141	5,005	834	845	6,995	6,454	6,695	6,624	300	(170)
<b>Law and order agencies</b>										
NSW Police Force	2,028	1,905	788	918	3,591	3,472	3,324	3,637	267	(165)
Crown Solicitor's Office	61	59	23	50	61	58	51	48	10	10
Information and Privacy Commission	2	2	1	1	6	5	6	6	--	(1)
Legal Aid Commission of New South Wales*	84	99	32	106	308	273	306	283	2	(10)
Legal Profession Admission Board	9	8	4	4	3	3	2	2	1	1
New South Wales Crime Commission*	7	8	2	2	26	23	27	24	(1)	(1)
NSW Trustee and Guardian	154	151	34	147	99	91	65	121	34	(30)
Judicial Commission of New South Wales	2	1	1	1	7	5	6	6	2	(1)
Office of the Director of Public Prosecutions	16	16	18	17	137	130	138	130	(1)	--
Police Integrity Commission*	5	3	2	2	23	15	21	17	2	(2)
The Trustees of the Anzac Memorial Building	56	57	--	--	2	18	3	2	(1)	16
<b>Total</b>	<b>2,424</b>	<b>2,309</b>	<b>905</b>	<b>1,248</b>	<b>4,265</b>	<b>4,093</b>	<b>3,949</b>	<b>4,276</b>	<b>315</b>	<b>(183)</b>

	Total assets		Total liabilities		Total revenue		Total expense		Surplus/(Deficit)	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
<b>Emergency services agencies</b>										
Fire and Rescue NSW	973	960	318	327	718	690	717	702	1	(12)
Office of the NSW Rural Fire Service	193	164	62	59	383	360	358	326	25	34
Office of the NSW State Emergency Service	113	87	23	17	132	115	111	92	21	23
<b>Total</b>	<b>1,279</b>	<b>1,211</b>	<b>403</b>	<b>403</b>	<b>1,233</b>	<b>1,165</b>	<b>1,186</b>	<b>1,120</b>	<b>47</b>	<b>45</b>
<b>Total for Justice cluster</b>	<b>8,844</b>	<b>8,525</b>	<b>2,142</b>	<b>2,496</b>	<b>12,493</b>	<b>11,712</b>	<b>11,830</b>	<b>12,020</b>	<b>662</b>	<b>(308)</b>

\* Consolidated financial statements.

Source: Financial statements (audited).

## OUR VISION

Our insights inform and challenge government to improve outcomes for citizens.

## OUR MISSION

To help parliament hold government accountable for its use of public resources.

## OUR VALUES

**Purpose** – we have an impact, are accountable, and work as a team.

**People** – we trust and respect others and have a balanced approach to work.

**Professionalism** – we are recognised for our independence and integrity and the value we deliver.

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