



OFFICE OF THE INSPECTOR  
OF CUSTODIAL SERVICES

# 2008-09 *Annual Report*

*Independent oversight that contributes to a more accountable public sector.*



## OUR MISSION

*To provide an independent, expert and fair inspection service so as to give Parliament and the community up-to-date reports and advice about custodial facilities and services.*

### RESPONSIBLE MINISTER

Attorney General and Minister for Corrective Services  
The Hon. Christian Porter, MLA

### ACCOUNTABLE AUTHORITY

The Office of the Inspector of Custodial Services

### ACCESS

Level 27, Governor Stirling Tower  
197 St George's Terrace  
PERTH WA 6000

### CONTACT

Telephone: (08) 9212 6200  
Facsimile: (08) 9226 4616  
Email: [corporate@custodialinspector.wa.gov.au](mailto:corporate@custodialinspector.wa.gov.au)  
Web: [www.custodialinspector.wa.gov.au](http://www.custodialinspector.wa.gov.au)

### ABOUT THIS REPORT

This report is prepared to satisfy the Office's accountability to Parliament, pursuant to Part 5 of the *Inspector of Custodial Services Act 2003*.

It is also designed to enhance understanding of the Office's activities.

This report plays a significant role in communicating aspects of the Office's work to the wider Western Australian community.

This report is available on the Office's website and will be made available, upon request, in alternative formats.



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# Contents

## Part One – Inspector's Overview

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1. The Inspector	3
2. Staff	3
3. Relationship with the Minister	4
Risk Notices	4
4. Functions and Powers	4
Inspections	4
Timeliness of reports	5
Report summaries	5
Recommendations	7
Exit debriefs	9
Liaison visits	9
Thematic reviews and issues papers	9
Terrorism	10
5. Key Issues	10
Coronial inquest into the death of Mr Ward	10
Prison overcrowding	10
6. Trends in Correctional Management	11
7. Environmental Health Assessment	12
8. Independent Visitor Service and Community Relations	12
Community relations	12
Independent visitor scheme	13
9. Performance Enhancement	13
Inspection standards	13
10. Community of Practice	13
11. Relationship with other agencies	14
12. Relationship with Parliament	14
13. Disclosure of Information	14
14. Offences	14
15. New Legislation	14

## Part Two – Corporate Governance

---

Source Reference	15
Operational Structure	16
Senior Officers	17
Administered Legislation	17
Other Key Legislation Impacting on the Office's Activities	18
Performance Management Framework	19
Agency Performance – Report on Operations	20
Key Performance Indicators	21
Detailed Information in Support of Key Performance Indicators	22
Measuring Performance	22
Key Effectiveness Indicators	22
Service 1: Inspection and review of custodial services	23
Key Efficiency Indicators	23
Ministerial Directives	25

Other Financial Disclosures	25
Staff Profile	25
Staff Development	25
Workers' Compensation	25
Governance Disclosures	26
Other Legal Requirements	26
Disability access and inclusion plan outcomes	27
Recordkeeping plans	28
Occupational safety and health	28
Sustainability	28
Corruption prevention	29

### **Part Three – Financial Statements**

---

Source Reference	29
Independent Audit Opinion	30
Income Statement	32
Balance Sheet	33
Statement of Changes in Equity	34
Cash Flow Statement	35
Summary of Consolidated Fund Appropriations and Income Estimates	36
Schedule of Assets and Liabilities by Service	37
Notes to the Financial Statements	38

## Part One – Inspector’s Overview

### 1. The Inspector

The Office of the Inspector of Custodial Services (the Office) was established by the *Prisons Amendment Act 1999* and began operation in June 2000. In 2003 the functions and powers of the Office were enshrined independently in the *Inspector of Custodial Services Act 2003* (the *Act*). The Act establishes an independent agency that reports directly to Parliament to inspect and review specified places where persons are held in custody or specified custodial services in Western Australia.

In accordance with section 6 of the *Act*, Professor Richard Harding was appointed by the Governor of Western Australia as the inaugural Inspector of Custodial Services in August 2000. In July 2008 Professor Harding retired having completed his second term as Inspector. In March 2009 his successor, Professor Neil Morgan was appointed as the new Inspector of Custodial Services (the Inspector).



*Professor Neil Morgan*

As permitted under section 12 of the *Act*, the Inspector delegated his powers to the Deputy Inspector on two occasions during the past financial year (for a total of 34 weeks).

This extensive period of delegation was largely due to the lengthy period between the retirement of Professor Harding and the appointment of the new Inspector.

### 2. Staff

In order to carry out his statutory functions the Inspector can authorise others to assist in undertaking custodial inspections and reviews. He may do this by permanent appointment to staff of the Office (section 16(1)), by the temporary engagement of experts (section 16(2)) or by the secondment of employees from within the public service of the State (section 16(3)).

In this regard, the Office consists of 17 Full Time Equivalent (FTE) staff. This includes the Inspector, Deputy Inspector, an operations team, a research and strategy team, a community relations branch and corporate governance staff. The Office also has a permanent secondee position for an officer from the Department of Corrective Services (the Department) that is filled approximately every 12 months.

In addition to its own staff, the Office has used the services of employees from other public service departments and agencies for their expertise on an occasional basis throughout the year. The participation of these experts added great value to the work of the Office and provided an added depth to the inspection work undertaken by the Office. The Inspector would like to acknowledge the contribution of the following Departments and Agencies and thank them for their support throughout the year:

- Department of Health;
- Drug and Alcohol Office;
- Department of Education and Training;
- Riskcover;
- Offenders Aid and Rehabilitation Services South Australia; and,
- Office of the Sherriff NSW.

In the 2008-09 financial year twelve persons from these organisations provided their expert services to the inspection of custodial places or services. In addition, two students, one from Murdoch University and one from Edith Cowan University, had their practicum placements at this Office.

### 3. Relationship with the Minister

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This financial year saw a change of government and hence a change of responsible Ministers from the Honourable Margaret Quirk MLA to the Honourable Christian Porter MLA, Attorney General and Minister for Corrective Services.

In developing his relationship with the Minister, the Inspector has continued the process of regular meetings instigated under the previous Minister, as well as providing advice on an as-needs basis in relation to specific incidents, issues and policies arising throughout the year.

#### Risk Notices

The Inspector provides 'risk reports' to the Minister at every meeting. He also discusses points of risk in meetings with the Commissioner for Corrective Services. In addition, he has developed a process of risk notices. The purpose of risk notices is to alert the Minister and/or to seek clarification from the Department in a more formal way about issues which appear to involve a risk to life, safety or health. Risk notices may refer to system-wide issues or to specific matters. During the 2008-09 financial year, one risk notice was issued (in June 2009) to the Department, regarding health services for prisoners generally and, more specifically, at Hakea Prison.<sup>1</sup>

### 4. Functions and Powers

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#### Inspections

Pursuant to section 19(1) of the *Act* it is the primary function of the Inspector to undertake an inspection of each prison, detention centre, court custody centre and prescribed lock-up in Western Australia at least once every three years. In the 2008-09 financial year the Inspector completed the on-site physical inspection of four custodial facilities:

- Bunbury Regional Prison (August 2008)
- Albany Regional Prison (November 2008)
- Wooroloo Prison Farm (April 2009)
- Boronia Pre-release Centre (June 2009)

In the 2008-09 financial year the Inspector has also completed reviews of all services that fall within the scope of the contracts relating to:

- Court Security and Custodial Services (January 2009)
- District Court and Central Law Court (February 2009)

This includes not only externally contracted services but also services provided by the Department itself. In every case the on-site inspection work was completed within the three-year time frame required by the *Act*.

The Inspector is required by section 33(2)(e) of the *Act* to provide notice via the Annual Report of the sites at which announced inspections will be conducted in the next financial year. Inspections proposed for 2009-10 are:

- Greenough Regional Prison (August 2009)
- Hakea Prison (October 2009)
- Karnet Prison Farm (February 2010)
- Casuarina Prison (April 2010)
- Rangeview Remand Centre (June 2010)

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<sup>1</sup> The 2009-10 Annual Report will summarise the outcomes of this Risk Notice.

Despite not being required to do so,<sup>2</sup> the Inspector generally also provides considerable advance notice to the Department as to the dates on which he proposes to conduct inspections of prisons and detention centres. The notice given is generally three to four months prior to the on-site phase. The Inspector also has the power, should this be considered necessary, to conduct inspections that are unannounced or are preceded by just a short notice period.

### Timeliness of reports

Section 20 of the *Act* requires the Inspector to prepare an inspection report following each inspection, detailing the inspection findings and recommendations. For some time now this Office has been working to reduce the time taken in the publication of reports.

A new timeframe (26 weeks) for production of inspection reports was developed in March 2008. This new timeframe takes into account the legislative requirements of the Office and allows those who are the subject of reports to respond to their contents. It also allows for the staff of the Office to undertake their other duties while completing reports, and to ensure the quality and accuracy of the finished product.

#### *Timeliness of Inspection Reports*

Timeliness marker	2006-07	2007-08	2008-09
Average time to Draft Report	15 weeks 1 day	16 weeks 2 days	14 weeks 4 days
Time taken by Department to review Draft Report	7 weeks 5 days	8 weeks 3 days	6 weeks
Lodgement of Final Report with Parliament	37 weeks 1 day	37 weeks 5 days	27 weeks
Overall time to publication	41 weeks 3 days	42 weeks	32 weeks

This year saw a considerable improvement in the time to publication of reports. Additional efforts to reduce the time taken were commenced in the latter part of 2009, including a commitment from the Department to reduce their review period.

Although there is usually a considerable period between the on-site inspection period and final publication of the Inspection Report, the inspection process is continuous and ongoing. For example, at the end of the on-site phase of an inspection, the Inspector provides a detailed 'Exit Debrief' in which he outlines the key findings and issues. This informs the Department of the likely direction of the Report and allows the Department to begin to address the issues that are raised. The Office also conducts regular liaison visits to keep abreast of developments at particular sites.<sup>3</sup>

### Report summaries

In 2008-09 eight reports were completed to the satisfaction of the Inspector. These comprised seven inspection reports and one short follow-up inspection report. The following is a summary of the findings of each report.

<sup>2</sup> Section 25(1) of the *Act*.

<sup>3</sup> See also below.

### **Report 53: Report of an Announced Inspection of Acacia Prison**

The inspection found the regime at Acacia Prison constructive and equitable. Offender program delivery was better than at any prison in the State and health and dental services had improved. The management of protection prisoners was also good. Significantly, Aboriginal prisoners' special needs, particularly those from "out-of- country", were properly recognised. The main concerns were maintenance deficits, the under-utilisation of the industries block and some disorganisation within the education area.

### **Report 54: Report of an Announced Inspection of Eastern Goldfields Regional Prison**

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This inspection found that huge strides had been made at Eastern Goldfields Regional Prison in addressing systemic and actual racism. The inspection also found significant improvements in other key aspects of the functioning of the prison. These included a range of activities from enhanced services to women, to improved recreation and case management. The major challenges facing the prison were in the acute under-resourcing of prisons Health Service and the ongoing and well documented need for a new prison in the Goldfields.

### **Report 55: Report of an Announced Inspection of The District Court Custody Centre**

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This inspection was undertaken as an interim measure prior to the commissioning of the new District Court Custody Centre. The focus of the inspection was on the ability of the newly constructed facilities to support a humane, safe and secure custodial service, and to identify areas of possible risk. In summary, the broad conclusion drawn was that the physical environment was well set up to support the range of activities needed to deliver a quality custodial service, provided that necessary operational requirements were met and a number of minor identified issues were addressed. Overall, the design of both the security and amenity of the District Court Custody Centre were found to far exceed anything that had previously been achieved in Western Australia.

### **Report 56: Report of the Short Follow-up Inspection of Broome Regional Prison**

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This report detailed the finding of only the third short-notice follow-up inspection of a prison in Western Australia. This inspection was instigated in response to Broome prison's inadequate infrastructure, chronic overcrowding, lack of staff, ongoing reports of bullying and racism and poor progress against the recommendations of the previous inspection in March 2007. The key findings of the short follow-up inspection confirmed that racist, prejudice and culturally insensitive behaviour persisted at the prison; the prison was still beset by ongoing staff shortages; and there continued to be a lack of leadership in the prison.

In response to this and the March 2007 inspection, the Department temporarily bolstered the management team at Broome and staffing levels at the prison have been significantly improved both for custodial and non-custodial staff. The largely completed infrastructure up-grade of the prison has also made significant improvements to the secure section of the prison, the health centre, and the education and programs facilities; with improvements to the women's section to follow.

### **Report 57: Report of an Announced Inspection of Bandyup Women's Prison**

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The third inspection of Bandyup Women's produced a mixed result in identifying both considerable gains in some areas, alongside those in which further improvement was clearly needed. One positive initiative since the last inspection was the introduction of a structured day for prisoners which maximises personal choice and responsibility on the part of the women, and encourages and rewards personal development activities. Another positive feature of the Bandyup environment was the extent



to which the prison had forged strong links and high levels of prisoner engagement with community agencies. However, the prison fell somewhat short in the provision of appropriate treatment and intervention programs, and in the services to Aboriginal women generally.

### **Report 58: Report of an Announced Inspection of Banksia Hill Juvenile Detention Centre**

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The inspection found that the centre has failed to make noticeable progress over the three years since its first inspection. Indeed some areas of good practice had slipped. However, the centre had maintained a strong pro-social environment, with good staff–detainee interactions in the intervening period. Detainees, staff and visitors to the centre also generally reported feeling safe most or all of the time. This achievement should not be diminished, as the facility was under pressure on a number of fronts, in particular from an increase in detainee population and change of population mix, insufficient staffing, and pressure on infrastructure. The primary issue confronting Banksia Hill was seen to be how to manage the increasing number of volatile, unsentenced, shorter stay juveniles.

### **Report 59: Report of an Announced Inspection of Bunbury Regional Prison**

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The inspection of Bunbury Regional Prison in August 2008 took place in the context of a number of challenges – the recovery from a traumatic hostage situation in 2005; a tragic death of a staff member; an extensive and almost continuous capital works program, including a new 72 bed minimum security pre-release centre; and, an increase in the proportion of violent offenders. Despite these challenges, the inspection found that the Prison was continuing to perform well, due in no small part to the stable and very capable leadership team within the prison, including the Senior Officer group. A particular feature of this prison was seen to be the ably supported pro-active staff and peer (prisoner) support groups. The main issues of concern were the shortfall in programs, especially the lack of availability of culturally appropriate programs for Aboriginal prisoners. Additionally, the generally poor preparation of prisoners for release was a concern.

### **Report 60: Report of an Announced Inspection of Albany Regional Prison**

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The main findings of this inspection reflected well on local management and staff at Albany Regional Prison. The prison had been managing an increased population of prisoners with the historically good relationship between staff and prisoners providing a solid basis for minimising the strains and tensions usually associated with overcrowding. Prisoner surveys rated relationships with staff highly and there was clearly a sense of mutual respect. Health services were generally good, and there have been improvements in education. The report also expressed a number of concerns, including the fact that the prison was not providing sufficient work for prisoners and was falling short in its services and support for Aboriginal prisoners from regional and remote areas (12% of the prison's population).

A number of other inspection reports are currently in the process of being drafted or have been completed and are currently either waiting on comment by the Department, or for the 30-day requirement before being tabled. These reports relate to the inspections of Court Custody and Court Security Services, Prisoner Transport Services, Wooroloo Prison Farm, and the Boronia Pre-Release Centre.

### **Recommendations**

83 recommendations were made in reports published this year. From the table overleaf it is evident that this year showed an increased focus on custody and security issues, human rights, and the administration of the Department.

The mix of recommendations contained in inspection reports:

Type of Recommendation	2005-06	2006-07	2007-08	2008-09
Custody & security	14%	18%	6%	19%
Care & wellbeing	21%	24%	18%	13%
Health	12%	6%	8%	6%
Rehabilitation	18%	17%	11%	16%
Reparation	2%	7%	5%	4%
Human rights	1%	4%	1%	8%
Racism, Aboriginality & equity	9%	7%	14%	6%
Administration and accountability	7%	6%	12%	17%
Staffing issues	16%	16%	22%	10%
Correctional value for money	1%	2%	5%	1%
Total recommendations	138	85	130	83

The Department's responses to these recommendations are shown in the following table. Agreement to recommendations is generally high but 2008-09 saw a noticeable drop in the level of acceptance of recommendations addressing issues of racism, Aboriginality and equity.

The extent of acceptance of recommendations contained in inspection reports:

Type of Recommendation	Target	2005-06	2006-07	2007-08	2008-09
Custody and security	75%	95%	85%	92%	100%
Care and wellbeing	75%	91%	80%	81%	100%
Health	75%	89%	71%	90%	100%
Rehabilitation	75%	92%	100%	86%	91%
Reparation	75%	67%	80%	80%	100%
Human rights	100%	100%	100%	100%	100%
Racism, Aboriginality and Equity	100%	92%	89%	100%	75%
Administration and accountability	50%	90%	93%	71%	79%
Staffing issues	50%	95%	100%	97%	100%
Correctional value-for-money	50%	100%	100%	78%	67%

Agreement with recommendations does not of course mean that the Department adequately progresses the issues raised. As seen in the table below, in the 2004-05 financial year, the percentage of recommendation where this Office considers that the Department has made adequate or better progress was 40 per cent. Since that time the percentage has increased to 69 per cent for this year.

Progress against past recommendations:

Rating	2004-05	2005-06	2006-07	2007-08	2008-09
Poor	5%	5%	7%	7%	7%
Less than acceptable	55%	53%	40%	37%	24%
Acceptable	37%	37%	44%	45%	44%
More than acceptable	3%	5%	9%	10%	21%
Excellent	-	-	-	1%	3%

### Exit Debriefs

The Inspector's Exit Debrief is a crucial component of the inspection process. On the last day of the on-site phase of an inspection, the Inspector verbally addresses a wide cross-section of management (often including Head Office as well as local management) and staff to explain the preliminary findings of the inspection. This presentation is written up and distributed on a not-for-publication basis to the Minister, key Departmental personnel and other relevant parties. This year a similar, but less detailed debrief, has also been given to prisoners and detainees.

Although it is not a substitute for the Report, the Exit Debrief provides a good indicator of the tone and broad direction of the Report itself. In some cases, depending on the nature of the inspection, the Exit Debrief will contain interim recommendations. Importantly, the Exit Debrief gives the Department the opportunity to consider our findings and to commence the process of addressing some of the problems. This year the Office distributed five Exit Debriefs.

### Liaison Visits

The full value of an Inspection system cannot be realised if activities are limited to an announced inspection of every facility once every three years coupled with the occasional unannounced inspection. What is needed is a process of 'continuous inspection' to ensure that performance and risks are monitored and identified for the Minister, the Government and the Parliament on an ongoing basis.

'Liaison visits' are one of the most important tools that the Inspector uses to meet these goals. Liaison visits allow the Office to understand the dynamics and culture of the state's prisons and custodial services, and provide the capacity to monitor progress between inspections. This, in turn, allows the Inspector to alert the Minister and the Commissioner of Corrective Services to any identified risks and issues.

Every prison and detention centre is the subject of a structured formal liaison visit at least three times a year but more normally four times per year. Each work camp receives at least one liaison visit each year. Custody centres are visited on a risk-assessment basis, but generally once each year. In the normal course of events, the Office targets 90 such visits per year. This year there were 95 visits.

### Thematic Reviews and Issues Papers

Pursuant to sections 21 and 22 of the *Act*, the Inspector may also undertake occasional inspections of custodial places or services, which generally take the form of thematic reviews. Such reviews are generally targeted at specific custodial services across all custodial places throughout Western Australia and are conducted over a longer time frame than mandatory inspections under section 19. In the 2008-09 financial year a thematic review of the causes, impact and remediation of overcrowding in Western Australian prisons was commenced.

Issues Papers are a more recent innovation. They aim to improve official, professional and community understanding of a topical or controversial issue. They can be used as a way for the Office to express a view and / or to seek comment from experts, the Department, other agencies and the general public. No Issues Papers were published in 2008-09 but it is likely that there will be at least two such papers in



*Professor Neil Morgan during his liaison visit to Casuarina talking to a prisoner*

2009–10. The first of these will be a discussion of issues surrounding the proposed development of a facility for young–adult males.

### **Terrorism (Preventative Detention) Act 2006**

Under the *Terrorism (Preventative Detention) Act 2006* the Inspector is required to be notified should any person be detained under this Act and to inspect the conditions of that detention. This year, no incidents of detention were noted under this Act.

## **5. Key Issues**

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In 2008–09, the two most significant issues for the Office were the Coronial inquest and report into the death in custody of Aboriginal Elder Mr Ward and the rapid increase in levels of overcrowding.

### **Coronial Inquest into the Death of Mr Ward**

In January 2008, Mr Ward, an Aboriginal elder from the Warburton area ‘suffered a terrible death which was wholly unnecessary and avoidable’<sup>4</sup> in a prisoner transport vehicle while being transported from Laverton Police Station to the Eastern Goldfields Regional Prison. The State Coroner drew attention to concerns that had been raised by this Office, both in Inspection Reports (in 2001 and 2007) and in other ways, about the state of the vehicle fleet, standards relating to the safety and treatment of people when being transported, the contractor’s performance, and the Department’s contract monitoring processes.

The Coroner concluded that Mr Ward’s treatment breached Article 7 of the International Covenant on Civil and Political Rights in that he had been subject to ‘degrading treatment and was not treated with humanity and with respect for the inherent dignity of the human person’. He was especially critical of the lack of action following reports by this Office and made two recommendations for legislative change relating to the Office. Recommendation One proposes to clarify and elevate the current ‘risk notice’ system into a ‘show cause’ process. Recommendation Two would involve all legislation dealing with people in custody being amended to ensure that they are ‘treated with humanity and respect for human decency and are not subject to any cruel, inhuman or degrading treatment’ (protections that already apply to suspected terrorists under the *Terrorism (Preventative Detention) Act 2006*). These recommendations largely reflected submissions made by the Inspector at the Coroner’s request.

It appears likely that the State will test the market for more privatised services. The Ward case reaffirmed the critical point that privatisation should not be seen in terms of risk shifting. When services are privatised, the State retains responsibility for people in custody. By contracting in a service, the State cannot contract out of its duty of care, and no contract can shift that ultimate responsibility and risk to the private sector.

### **Prison Overcrowding**

Western Australia has long had the highest overall rate of imprisonment in Australia apart from the Northern Territory. The State’s Aboriginal imprisonment rate well exceeds the rest of the country, including the Northern Territory.

In June 2008 there were around 3,750 people in the State’s prisons. By June 2009, this had risen to over 4,400 – a rise of 650 or more than 17 per cent. To put this in context, the original design capacity of Hakea Prison, the State’s second largest facility, was 617 (less than the last 12 months’ rise) but it has been housing around 800 prisoners. Casuarina, a maximum security prison with an official design capacity of 397, has been housing around 650. More and more prisoners are now ‘double-bunked’ in cells that were

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4 A Hope, Coroner for Western Australia, Record of Investigation into the Death of Mr Ian Ward, June 2009, p 5.

originally designed for single occupancy (and on the basis that double bunking would be on a short term emergency basis not a norm).

The increase has been faster than predicted. A very significant factor, and one that will probably drive prisoner numbers for some time to come, has been a very large drop in the number of people released on parole. This change reflected changed policies and practices and not any change in legislation. It is quite likely that by June 2010, the prison population will exceed 5,500. In addition to changes in parole, legislative changes with respect to 'truth in sentencing' will also have some longer term impact.

The consequences of overcrowding are individual, systemic and cumulative. *Individually*, both staff and prisoners experience growing pressures. The *systemic* effects include heightened concerns about security and control; reduced capacity to operate a hierarchical regime based on rewards; an inability to provide adequate programs and training; and far less capacity to prepare people for release. In addition, the physical infrastructure (including water and sewerage) may struggle to cope with the increased demand. The effects are *cumulative* in the sense that they do not operate in isolation but combine and compound.

The Government has committed to an extensive prison building program and to increasing the capacity of existing facilities. However, the pressures are such that it may be necessary to expedite some of these initiatives.

## 6. Trends in Correctional Management

Over the course of the year the Office noted a number of trends in the Department's custodial management. Some of these were positive trends:

- The commissioning of a number of new, and much improved prisoner transport vehicles.
- Upgrades to Broome Regional Prison.
- The announcement of funding for the replacement of the Eastern Goldfields Regional Prison.
- An increase in the number of programs developed specifically for and delivered to Aboriginal prisoners.
- The Department's uptake of the recommendations from this Office's Report 51, A Review of Assessment and Classification within the Department of Corrective Services
- The introduction of Principal Officers and the continuing recruitment and training of a substantial number of new prison officers.
- An increase in the percentage of prisoners rated at minimum-security.

Other trends were less than positive (and are not entirely attributable to the unprecedented growth in prisoner numbers):

- Continuing pressure from the number of juveniles remanded in custody, leading to chronic stress on the juvenile estate.
- The provision of prison based programs continued to be severely below that required to meet the identified demand.
- Regular, major disruptions in the transport of prisoners.
- Abandonment of the idea of Service Level Agreements with prisons (previously seen as a way to improve performance and standards at particular facilities).
- Increasing concerns around health service provision and a continuing high number of complaints to the Office of Health Review.<sup>5</sup>
- The presence of a large number of very inexperienced custodial officers and a dearth of substantive Senior Officers within many prisons.

<sup>5</sup> From figures contained in correspondence from the Office of Health Review dated May 2009.

- Increases in the number of Acting Superintendents and acting administrative teams in prisons.

The current operational environment for all facilities means that there are inherent and ongoing risks across almost all aspects of custodial operations. The trends outlined above, in combination with the continuing overcrowding of custodial facilities and pressure on services and resources have created varying risks at varying levels across the system. Our 2007–08 Annual Report identified Acacia Prison and Boronia Pre-release Centre as ‘high performance facilities’ that were ‘meeting or exceeding their performance goals’. Both facilities have generally met their performance goals again during this past year, but they too face challenges given current pressures and circumstances. There has been a noted decline in the performance of most other facilities and it will be necessary to closely monitor the impact of prisoner population increases over the next 12 months.

## 7. Environmental Health Assessment

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Responsibility for environmental health ultimately resides with the Department of Health. However, the terms of the *Inspector of Custodial Services Act 2003* are broad enough to permit the Inspector to include similar and related matters in Inspections.

In order to rationalise resources and to improve the regularity and robustness of environmental health assessments in custodial settings, the Office has incorporated a more sustained focus on environmental health and sustainability since late 2007. The key findings of our assessments are provided not only to the Department of Corrective Services but also to the Executive Director of the Public Health Division of the Department of Health who may take further action (such as the exercise of enforcement powers) if appropriate. Since the Office of the Inspector of Custodial Services is independent and is accountable to Parliament not to any government department, it is not an enforcement agency for the Health Department. The Office’s work in this area is therefore conducted under the umbrella of the *Inspector of Custodial Services Act 2003*.

In this financial year, as part of the announced inspections this Office undertook environmental health and sustainability assessments of two prisons, one pre release centre, and two work camps. An additional fourteen assessments were carried on detention centres, court custody centres, lock up and prisons during this time frame to examine responses to issues raised in environmental health assessment reports.

## 8. Independent Visitor Service and Community Relations

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### Community Relations

Consulting with volunteer organisations and externally located stakeholders who provide services within custodial settings is an essential component of inspections. Similarly, local members of Parliament, mayors, shire presidents and local community members are given the opportunity to comment on how correctional activities fit into their communities. This year, seven community consultations were held. The Office also runs a Community Reference Group, which met on two occasions.

Links with the Aboriginal community across Western Australia were further developed and maintained through effective communication and networking by the Community Liaison Officer. The Inspectorate’s standing within the indigenous community has been further enhanced by the implementation of its Reconciliation Action Plan and the development of Inspection Standards for Aboriginal Prisoners.

The Inspector would like to acknowledge the contribution made by and thank all community-based individuals and groups contributing to the activities of the Office this year.

### Independent Visitor Scheme

The Independent Visitors' Scheme is administered by the Inspectorate and is an integral part of its accountability mechanism. Independent Visitors provide an opportunity for officers in prisons and juvenile facilities, and those held in custody, to express their views, comments and complaints about their treatment and conditions to an impartial community volunteer. Feedback is reported to the Inspector who recognises the valuable contribution made by Independent Visitors and acknowledges their voluntary efforts.

This year, the annual Independent Visitor Training and Development Forum concentrated on cultural competency, and examined Aboriginal historical and cultural contexts, – identify and diversity – and cross cultural communication.

At the completion of the year there were thirty Independent Visitors covering the adult and juvenile custodial estates. A total of 132 reports were submitted and were referred to the Department of Corrective Services for action. The highest number of complaints or negative comments related to custodial facilities and conditions, followed by health services.

## 9. Performance Enhancement

### Inspection Standards

In 2007 the Office published its Code of Inspection Standards for Adult Custodial Services. Over much of 2008 these standards have been further developed and extended to include a major new set of Inspection Standards for Aboriginal Prisoners. These Inspection Standards for Aboriginal Prisoners have been developed in order to promote a better achievement of correctional goals and improved treatment and conditions for Aboriginal people through an understanding, acceptance and respect for Aboriginal people as a distinct and significant cohort of prisoners. These new standards build upon the standards already identified in the Code of Inspection Standards for Adult Custodial Services and as such, should be read in conjunction with that Code.

Work has continued on a set of juvenile justice standards with these anticipated to be published in the first half of 2010.

## 10. Community of Practice

The Office of the Inspector of Custodial Services is recognised as a leader in the field of best custodial practices and human rights for those in detention. Increasingly, the Office is being asked to act in a consultative capacity to organisations in other jurisdictions seeking to investigate custodial practices or establish similar accountability offices.

Efforts in this area include:

- With Monash University and the Ombudsman Victoria, conduct of the Australian Research Council Linkage Project grant entitled Applying Human Rights Legislation in Closed Environments.
- Specialist consultation to the Department of Communities Queensland's inspection of the Cleveland Youth Detention Centre.
- Attendance at the United Nations Asia and Far East Institute for the Prevention of Crime and the Treatment of Offenders conference in Japan by the Inspector as rapporteur and speaker.
- Presentations to the 21<sup>st</sup> Annual Australian New Zealand Society of Criminologist conference Canberra; the Western Australian Justice Policy and Practice Conference 2009; and, the Institute for Restorative Justice and Penal Reform conference Perth.

- Secondment of a senior member of the Korea Ministry of Justice to the Office for two years to explore external accountability models.

## 11. Relationship with other agencies

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The Inspector recognises that many matters falling within his jurisdiction raise or arise out of factors that go far beyond the scope of the Department of Corrective Services. It is important for this Office to be able to reach out beyond the Department whose activities he scrutinises directly. Section 27 of the *Act* provides the statutory basis for these activities.

In this respect the Office maintains contact with private contractors and other agencies involved in the provision of custodial services within its jurisdiction. The purpose being to ensure that the service standards expected by the Inspector are clearly understood. This year representatives from this Office met formally with such private contractors and other agencies on a monthly basis and at other times as required.

Representatives from the Office also met with the Office of the Ombudsman's office and Office of Health Review to explore options for better information sharing and a closer working involvement.

## 12. Relationship with Parliament

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The statutory scheme of the *Inspector of Custodial Services Act* places Parliament at the forefront of the Inspector's reporting responsibilities. The Inspector tables reports in Parliament directly, not through the Minister. The accountability inherent in this model contemplates that Parliament will be able to evaluate the performance and objectives of the Department of Corrective Services by way of the Inspector's Reports.

During 2008-09 this Office responded to six requests for comments by the Public Administration Committee of the Legislative Council regarding specific issues in the correctional setting. The Inspector welcomes these opportunity to provide ongoing comment and clarification of his views on correctional issues to Parliament. It is a fundamental belief of this Office that well-informed parliamentarians are an important safeguard for balanced criminal justice policies.

## 13 Disclosure of Information

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This Office regularly receives letters and telephone calls regarding the performance of prisons from prisoners, relatives and friends of prisoners, lawyers and various agencies. Under section 26 of the *Inspector of Custodial Services Act 2003* this Office is not to deal with such matters except in the context of an inspection. The Inspector's role is to refer such matters to another agency. This year 134 such letters were received.

## 14. Offences

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The *Act* contains a number of offences relating to the hindering and obstruction of the Inspector and those authorised by him to undertake their statutory duties. It is also an offence to victimise those who assist the Inspector in conducting his duties. Penalties for these offences include fines and imprisonment. The existence of these offences is an important symbol to ensure that the Inspector can effectively operate, particularly in protecting those who are brave enough to bring serious matters to the attention of the Inspector that may otherwise not come to light. In 2008-09 the Inspector was not presented with any circumstances that required him to institute charges for breaches of the *Act*.

## 15. New Legislation

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No new legislation impacting on the Inspectorate was enacted this financial year.



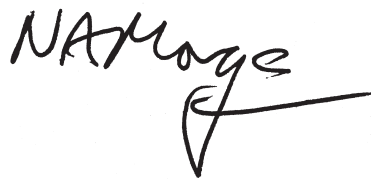
## Part Two – Source Reference

FMA sec 61 HON. CHRISTIAN PORTER MLA

TI 902 MINISTER FOR CORRECTIVE SERVICES

In accordance with section 61 of the *Financial Management Act 2006*, the Annual Report of the Office of the Inspector of Custodial Services for the financial year ended 30 June 2009.

The Annual Report has been prepared in accordance with the provisions of the *Financial Management Act 2006* and the *Inspector of Custodial Services Act 2003*.

A handwritten signature in black ink, appearing to read 'N Morgan', with a long horizontal stroke extending to the right.

Neil Morgan  
Accountable Authority

17 August 2009

### Contact Details

#### Postal

Level 27  
197 St George's Terrace  
Perth  
WA 6000

#### Electronic

Website: [www.custodialinspector.wa.gov.au](http://www.custodialinspector.wa.gov.au)  
Email: [corporate@custodialinspector.wa.gov.au](mailto:corporate@custodialinspector.wa.gov.au)  
Telephone: 61 8 9212 6200  
Facsimile: 61 8 9226 4616

## Operational Structure

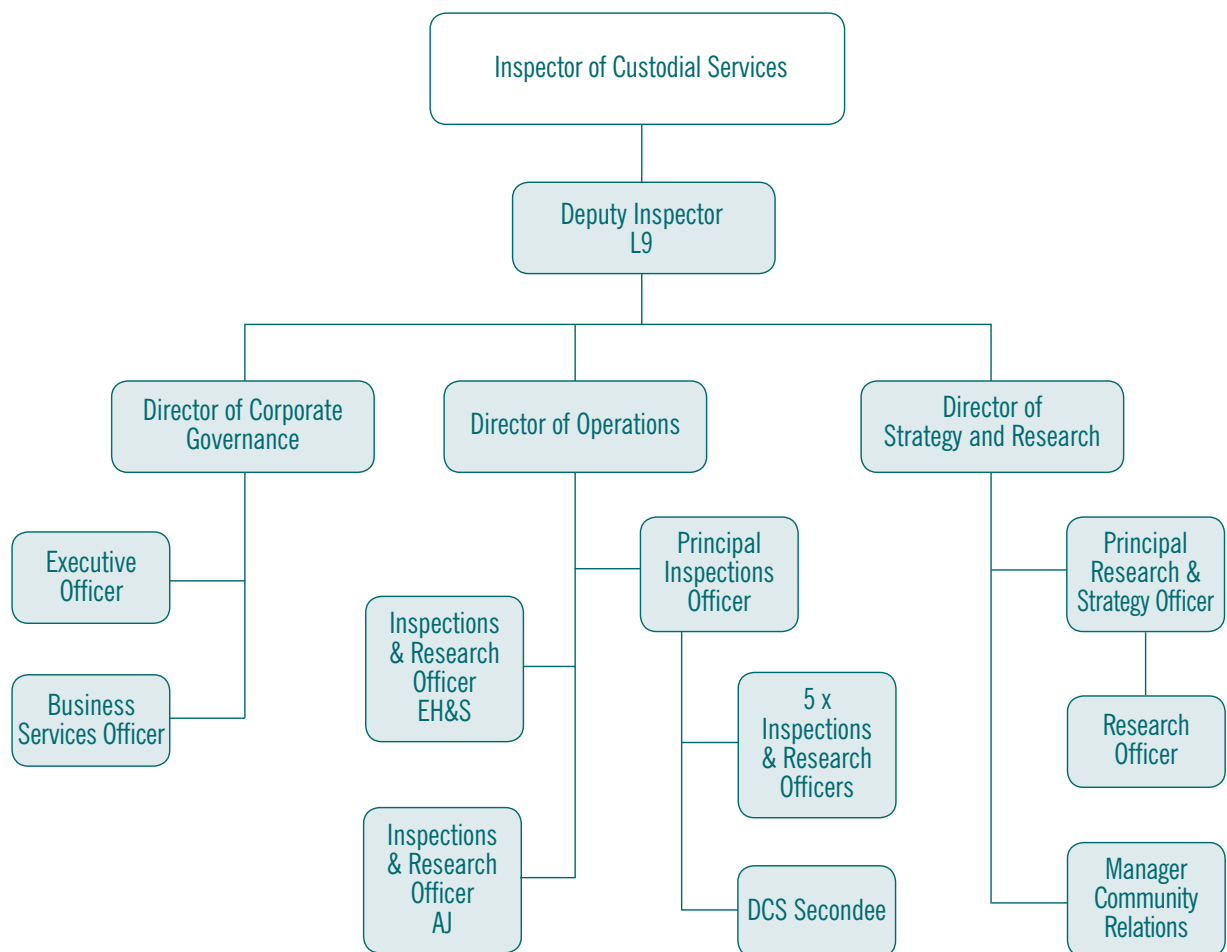
### Enabling legislation

The Office was established as a department under the *Public Sector Management Act*, on 1 June 2000.

### Responsible Minister

The Hon. Christian Porter, MLA, Attorney General and Minister for Corrective Services

### Organisational Chart



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## Senior Officers

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### Professor Neil Morgan (The Inspector of Custodial Services)

Appointed Inspector on 30th March 2009, Neil Morgan is the second Inspector of Custodial Services in Western Australia, following Professor Richard Harding. He was formally Professor of Law at the University of Western Australia, a member of the Parole Board of Western Australia, and Director of Research for the Western Australia Law Reform Commission project on Aboriginal Customary law. He has been Rapporteur for the Asian and Pacific Conference of Correctional Administrators for the past decade and a consultant to numerous government departments and other agencies in Australia.

His research has focused mainly on criminal law, sentencing and the administration of sentences in Australia and in the Asia Pacific region. Recent publications include *Criminal Law in Malaysia and Singapore* (with Stanley Yeo and Chan Wing Cheong), LexisNexis, Singapore, 2007; *Criminal Law in Malaysia and Singapore: A Casebook Companion* (with Stanley Yeo and Chan Wing Cheong), LexisNexis, Singapore, 2009; and (with R Harding) *Implementing the Optional Protocol to the Convention Against Torture: Options for Australia* (2008) – [www.hreoc.gov.au/human\\_rights/publications](http://www.hreoc.gov.au/human_rights/publications)

### Barry Cram (Deputy Inspector)

Barry was appointed Deputy Inspector in the Office of the Inspector of Custodial Services in November 2007. Barry has a background in clinical and organisational psychology, reform and change management in the public sector, and eight years experience in senior management positions in corrections. He has a Bachelor of Education, a Master of Arts in Psychology and a post-graduate Diploma in Clinical Psychology.

Barry joined the Ministry of Justice in September 1998 to establish and lead the Prisons Improvement Program, a comprehensive change program initiated with a view to reforming and improving the performance of the prison system in Western Australia. Barry subsequently occupied the positions of Director Business Management, Director Court Security and Prisoner Transport, and Director Offender Services in the Ministry of Justice and the Department of Corrective Services.

## Administered Legislation

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The Office is the administering agency for the *Inspector of Custodial Services Act 2003*.

The Office is exempt from the *Freedom of Information Act 1992* and the *Parliamentary Commissioner Act 1971* in accordance with Schedule 2, Clauses 4 and 5 of the *Inspector of Custodial Services Act 2003*.

### Other Key Legislation Impacting on the Office's Activities

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In the performance of its functions, the Office complies with the following relevant written laws:

Bail Act 1982

Corruption and Crime Commission Act 2003

Court Security and Custodial Services Act 1999

Crime (Serious and Repeat Offenders) Sentencing Act 1992

Criminal Law (Mentally Impaired Defendants) Act 1996

Equal Opportunity Act 1984

Evidence Act 1906

Fines, Penalties and Infringement Notices Enforcement Act 1994

Interpretation Act 1984

Occupational Health and Safety Act 1984

Parole Orders (Transfer) Act 1984

Prisoners (Interstate Transfer) Act 1983

Prisoners (Release for Deportation) Act 1989

Prisons Act 1981

Dangerous Sexual Offenders Act 2006

Disability Services Act 1993

Parliamentary Commissioner Act 1971

Public Sector Management Act 1994

Racial Discrimination Act 1975

Sentence Administration Act 1995

Terrorism (Preventative Detention) Act 2006

Victims of Crime Act 1994

Young Offenders Act 1994

In the financial administration of the Office, we have complied with the requirements of the *Financial Management Act 2006* and every other relevant written law, and exercised controls which provide reasonable assurance that the receipt and expenditure of moneys and the acquisition and disposal of public property and incurring of liabilities have been in accordance with legislative provisions.

At the date of signing, the Office is not aware of any circumstances that would render the particulars included in this statement misleading or inaccurate.

## Performance Management Framework

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### Outcome Based Management Framework

Agency level Government desired outcome: The Parliament, minister and other stakeholders are informed on the performance of custodial services.

Service: Inspection and review of custodial services

### Shared Responsibilities with Other Agencies

The Office did not deliver services jointly with any other agency in 2008/09.

## Agency Performance – Report on Operations

### Financial Targets: Actual performance compared to budget targets

	2008-09 Target \$000	2008-09 Actual \$000	Variation \$000
Total cost of services (expense limit)	2,230	2,631	401
Net cost of services	2,228	2,543	315
Total equity	(5)	(231)	226
Net increase / (decrease) in cash held	7	6	-1
	<b>No.</b>	<b>No.</b>	<b>No.</b>
Approved full-time (FTE) staff level	17	17	-

### Summary of Key Performance Indicators: actual performance compared to budget targets

	2008-09 Target <sup>6</sup> \$000	2008-09 Actual \$000	Variation \$000
Outcome: The Parliament, Minister and other stakeholders are informed on the performance of custodial services.  Key Effectiveness Indicators  The extent to which the Department of Corrective Services and, where relevant, other agencies accept recommendations contained in reports.	80%	91%	11%
Service: Inspection and Review of Custodial Services  Key Efficiency Indicators			
Average cost per Inspection Report	\$136.50	\$149.90	\$13.40
Average cost per Liaison Visit Report	\$4.10	\$5.30	\$1.20
Average cost per Exit Debrief Note	\$500	\$71.20	\$21.20
Average cost per Independent Visitor Scheme Report	\$1.60	\$1.00	-\$0.60
Average cost per Ministerial Advice	\$5.00	\$4.80	-\$0.20
Average cost per Issues Paper	\$60.00	-	-

6 As specified in the 2008/09 budget statements.

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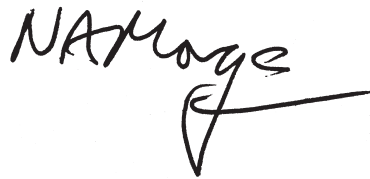
## Key Performance Indicators

### Certification of Key Performance Indicators

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#### Source Reference

TI 905 I hereby certify that the performance indicators are based on proper records, are relevant and appropriate for assisting users to assess the Office of the Inspector of Custodial Service's performance, and fairly represent the performance of the Office for the financial year ended 30 June 2009.

A handwritten signature in black ink, appearing to read "NAMorgan", with a long horizontal stroke extending to the right.

Neil Morgan

17 August 2009

## Detailed Information in support of Key Performance Indicators

The Office's services are prescribed by the *Office of the Inspector of Custodial Services Act 2003* as functions of the Office. These services are directly related to the Office's desired outcomes, which in turn, are linked to the Governance and Public Sector Improvement goal – one of the five goals of Government in achieving its strategic outcomes.

The Office reports to two Parliamentary Committees – The Legislative Assembly Community Development and Justice Committee and the Legislative Council Standing Committee on Finance and Administration. Other Parliamentarians receive briefings, as requested.

### Measuring Performance

#### Government Goal

Social and environmental responsibility

#### Desired Outcome

The Parliament, Minister and other stakeholders are informed on the performance of custodial services.

#### Mission

To establish and maintain an independent, expert and fair inspection service so as to provide Parliament, the Minister, stakeholders, the media, and the general public with up-to-date information and analysis about prison and detention centre operations and custodial services, so that debate and discussion may be enhanced as to whether and to what extent the key objectives of these activities are being achieved.

### Key Effectiveness Indicators

#### Inspection Reports

The extent to which the Department of Corrective Services and, other agencies accept and/or implement recommendations contained in Reports.

- Percentage of recommendations accepted
- Percentage of recommendations implemented

Inspection report recommendations are classified according to 10 types. The types of recommendations that can be made are listed in the key effectiveness table shown later in this report. It is not the role of the Inspectorate to make detailed recommendations about daily operational matters. Indeed, to do so would be to presume that there is only one correct way of doing things. Manifestly, in day-to-day operations that is not the case. Inspections are not compliance audits, but strategic assessments. That being so, the Office looks to the Department to respond in a strategic manner.

It follows from this that, when recommendations are made, it will be understood that the matters covered have high priority. It would be expected that these recommendations would be rejected or ignored only in quite unusual circumstances.

By deliberate choice and with a *view to optimising effectiveness*, the Office has sought to minimise the number of recommendations

While the Inspector reports directly to Parliament he has access to the Minister and it is therefore possible for the Inspector to by-pass the Department if he considers it necessary. As part of the ministerial advice activity the concept of a risk identification notice was developed which goes straight to the Minister so that she in turn can exert downward pressure upon the Department to tackle an issue.



As well as classifying the recommendations we have also developed a risk rating that should indicate the acceptable speed at which a recommendation is addressed. The Department has also done this, though our ratings do not always coincide. Each second phase inspection report has a score card which assesses the Department's progress against previous inspection report recommendations. The Department's implementation of each recommendation is assessed, as follows:

- Excellent;
- More than acceptable;
- Acceptable;
- Less than acceptable; and
- Poor.

### **Service 1: Inspection and review of custodial services**

Inspection of prisons, court custody centres, prescribed lock-ups, juvenile detention centres and review of custodial services.

Each tabled Inspection Report contains the Department's response to recommendations. These thus go onto the public record. This approach provides the opportunity for and scope of public accountability; lobby groups, NGOs and the like to see for themselves what the Department of Corrective Services has nominally committed to do and how it is rated in its implementation of such recommendations.

#### **Key Efficiency Indicators**

There are six main types of activities emanating from the inspection and review function. The key efficiency indicators are as follows:

- the mean costs per inspection, thematic review and directed review point;
- the mean cost per liaison visit<sup>7</sup>;
- the mean cost per inspection exit debrief note;
- the mean cost per independent visitor scheme report;
- the mean cost per discussion paper<sup>8</sup>; and
- the mean cost per ministerial advice.

In regards to the first efficiency indicator only a point system is used to assign costs.

The Inspections are *mandated* by statute. It is required that they be inspected 'at least every three years' (*Inspector of Custodial Services Act 2003*, s. 19). There are 13 prisons and two detention centres in Western Australia and 18 court custody centres that are within the Inspector's jurisdiction. The remainder are statutorily authorised but not mandated.

The Inspections, Thematic Reviews and Directed Reviews are assigned a notional value, as follows:

Inspections	1.0
Aggregated court custody centre inspections	1.0
Inspection of other custodial services	1.0
Thematic and directed reviews	3.0

An annual value of at least 7.5 points is regarded as an acceptable minimum.

<sup>7</sup> Liaison visits are part of the Inspector's policy of 'continuous inspections'.

<sup>8</sup> These are now referred to as Issues Papers.

### Key Effectiveness Indicator

The extent to which the Department of Corrective Services and, where relevant, other agencies accept recommendations contained in reports.

Type of Recommendation	Target	2005-06	2006-07	2007-08	2008-09
1. Custody and security	75%	95%	85%	92%	100%
2. Care and wellbeing	75%	91%	80%	81%	100%
3. Health	75%	89%	71%	90%	100%
4. Rehabilitation	75%	92%	100%	80%	91%
5. Reparation	75%	67%	80%	100%	100%
6. Human rights	100%	100%	100%	100%	100%
7. Racism, Aboriginality and Equity	100%	92%	89%	100%	75%
8. Administration and accountability of DCS	50%	90%	93%	75%	79%
9. Staffing issues	50%	95%	100%	97%	100%
10. Correctional value-for-money	50%	100%	100%	78%	67%

### Key Efficiency Indicator

#### Service 1: Prison Inspection and Review of Custodial Services

Key Effectiveness Indicator	Target	2005-06	2006-07	2007-08	2008-09
Inspection report points	7.5	10.5	9	10	9.5
Average cost per inspection report	\$145,000	\$143,736	\$100,301	\$139,251	\$149,946
Liaison visit reports	90	83	93	94	95
Average cost per liaison visit reports	\$4,100	\$5,693	\$5,173	\$5,208	\$5,331
Exit debrief notes	5	5	5	8	5
Average cost per exit debrief note	\$53,000	\$52,404	\$35,400	\$31,339	71,225
Independent visitors' scheme reports	90	109	116	121	132
Average cost per independent visitors' scheme report	\$1,200	\$1,859	\$1,621	\$1,151	\$1,002
Ministerial advices	-	-	19	12	14
Average cost per ministerial advice	-	-	\$5,279	\$5,214	\$4,761
Issues paper	-	-	-	1	0
Average cost per issues paper	-	-	-	\$53,594	0

## Ministerial Directives

The Minister for Corrective Services has not exercised his powers pursuant to section 17(2)(b) of the *Inspector of Custodial Services Act 2003* (WA) in directing the Inspector to review a particular custodial service in relation to prisons, detention centres and court security custodial services.

## Other Financial Disclosures

### Source Reference

Employment and Industrial Relations

### Staff Profile

	2008-09	2007-08
Full-time permanent	13	15
Full-time contract		1
Part-time measured on an FTE basis	3	.8
On secondment <sup>9</sup>	1	1
	17	17.8

### Staff Development

The Office is committed to developing its employees. Our strategy is to maintain a highly skilled, professional and fair workforce.

During the year, our employees received customised group training in report writing.

### Workers' Compensation

There were no compensation claims recorded during the financial year.

<sup>9</sup> This number does not include the Department of Corrective Services' secondees.

## Governance Disclosures

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### Source Reference

TI 903

#### **Contracts with Senior Officers**

At the date of reporting, other than normal contracts of employment of service, no Senior Officers, or firms of which Senior Officers are members, or entities in which Senior Officers have substantial interest had any interests in existing or proposed contracts with the Office and Senior Officers.

## Other Legal Requirements

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### Source Reference

Public Sector  
Management Act  
Section 31(1)

#### **Compliance with Public Sector Management Act Section 31(1)**

1. In the administration of the Office, I have complied with the Public Sector Standards in Human Resource Management, the Western Australian Public Sector Code of Ethics and our Code of Conduct.
2. I have put in place procedures designed to ensure such compliance and conducted appropriate internal assessments to satisfy myself that the statement made in 1. is correct.
3. The applications made for breach of standards review and the corresponding outcomes for the reporting period are:

Number lodged:	nil
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Number of breaches found, including details of multiple breaches per application:	nil
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Number still under review :	nil
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Neil Morgan  
Inspector of Custodial Services

17 August 2009

TI 903

**Electoral Act 1907 section 175ZE**

In compliance with section 175ZE of the *Electoral Act 1907*, the Office is required to report on expenditure incurred during the financial year in relation to advertising agencies, market research organisations, polling organisations, direct mail organisations and media advertising organisations.

Details are as follows:

Expenditure with Advertising Agencies	\$1,928
Expenditure with Market Research Agencies	\$0
Expenditure with Polling Agencies	\$0
Expenditure with Direct Mail Agencies	\$0
Expenditure with Media Advertising Agencies	\$0
<b>TOTAL EXPENDITURE</b>	<b>\$1,928</b>

### Disability Access and Inclusion Plan Outcomes

*(Disability Services Act 1993, s29)*

The *Disability Services Act 1993* was amended in December 2004, creating a requirement for public agencies to develop and implement Disability Access and Inclusion Plans (DAIPs). These plans were required to be developed by July 2007 and replaced existing Disability Services Plan.

Under that *Act*, public agencies were required to develop a DAIP and are to include in their annual report details of progress in meeting the six desired outcomes of the DAIP.

The Office has now developed a Disability Access and Inclusion Plan and it was approved by the Disability Services Commission. This Plan is now available on the Office's website.

During the approval process the public were asked to identify any problems they had in using the services, accessing information, making complaints, physically accessing Office facilities, and generally dealing with staff. There were no problems identified.

The Office of the Inspector of Custodial Services is committed to:

- ensuring that people with disabilities, their families and carers are able to fully access the range of Office services and facilities (both in-house and contracted);
- and responsibilities enjoyed by all other people in the community;
- consulting with people with disabilities, their families and carers and disability organisations as required to ensure that barriers to access and inclusion are addressed;
- ensuring that its agents and contractors work towards the desired access and inclusion outcomes in the DAIP; and
- achieving the six desired outcomes of its DAIP.

The Office of the Inspector of Custodial Services' DAIP includes an implementation plan designed to achieve each of the six desired outcomes during 2009/10.

### Recordkeeping Plans

The State Records Commission approved the Office's recordkeeping plan in December 2005. This plan has since been partially implemented and has recently been updated with amendments and resubmitted to the State Records Commission for approval in October 2009 for a period of five years.

On-line training in records management continues to be provided to staff upon commencing employment at the Office. The Office now stores its archival information offsite with the State Government's approved storage contractor.

### Occupational Safety and Health

The Office recognises the importance of avoiding hazards by providing a safe, healthy and injury free work environment, and promoting education and awareness in occupational safety and health when required. To date, the Office has been an injury free environment.

Management ensures that there is always an open line of communication to staff to discuss occupational safety and health matters. The staff meetings are also a forum to raise such matters. A revised policy on occupational safety and health is available in the Office's Human Resource Manual.

The Office endeavours to comply with all the requirements of the *Workers' Compensation and Injury Management Act 1981* by exercising good management and initiatives both in the Office and on location.

During the year the Inspectorate completed an external accredited assessment of our occupational safety and health management systems and identified gaps and made recommendations which will be implemented in the coming financial year.

### Annual Performance for 2008/09

Performance Indicator	Target	Actual
Number of fatalities	0	0
Lost time injury/diseases (LTI/D) incidence rate	0	0
Lost time injury severity rate	0	0
Return to work within 28 weeks	100 per cent	n/a
Percentage of managers trained in occupational safety, health and injury management responsibilities	50 per cent	60 per cent

### Sustainability

The Office supports the inclusion of sustainability principles and practices in the performance of its core activities.

The aim of the Sustainability Action Plan is to embed environmental sustainability into the day-to-day activities of the Office. The following action has been taken to meet the objectives of the Sustainability

#### Code of Practice for Government Agencies:

- Appointed a senior staff member as the person responsible for environmental sustainability issues;
- Recycled paper;
- Leased smaller motor vehicles than in the past, which are more considerate of environmental issues;
- Recycled printer and toner cartridges;
- Commenced purchasing recycled toner cartridges;
- Encouraged employees to print documents on both sides of paper;
- Encouraged employees to turn off personal computers of an evening; and
- Turned off lighting during the day in meeting and file rooms.

#### Corruption Prevention

The risk of corruption and misconduct has been considered and included in the Inspectorate's risk management system.

An induction manual is issued to new staff members, which includes a code of conduct, a code of ethics, conflict of interest guidelines and a checklist of personal commitments required of all employees. These documents are also readily available to all staff through the human resource management policy manual.

These processes are aimed at ensuring that staff members are aware of their responsibilities with the primary objective of ensuring that standards are maintained and to encourage improvement where appropriate.

## Part Three – Financial Statements

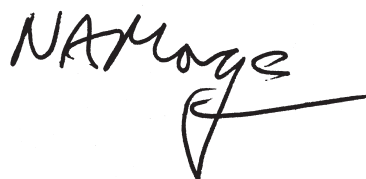
#### Source Reference

FMA sec 62(2) The accompanying financial statements of the Office of the Inspector of Custodial Services have been prepared in compliance with the provisions of the *Financial Management Act 2006* from proper accounts and records to present fairly the financial transactions for the financial year ending 30 June 2009 and the financial position as at 30 June 2009.

At the date of signing we are not aware of any circumstances which would render any particulars included in the financial statements misleading or inaccurate.



Derek Summers CPA  
Chief Finance Officer  
17 August 2009



Neil Morgan  
Accountable Authority  
17 August 2009



## Auditor General

### INDEPENDENT AUDIT OPINION

To the Parliament of Western Australia

#### **OFFICE OF THE INSPECTOR OF CUSTODIAL SERVICES FINANCIAL STATEMENTS AND KEY PERFORMANCE INDICATORS FOR THE YEAR ENDED 30 JUNE 2009**

I have audited the accounts, financial statements, controls and key performance indicators of the Office of the Inspector of Custodial Services.

The financial statements comprise the Balance Sheet as at 30 June 2009, and the Income Statement, Statement of Changes in Equity, Cash Flow Statement, Schedule of Assets and Liabilities by Service, and Summary of Consolidated Account Appropriations and Income Estimates for the year then ended, a summary of significant accounting policies and other explanatory Notes.

The key performance indicators consist of key indicators of effectiveness and efficiency.

#### **Inspector of Custodial Services' Responsibility for the Financial Statements and Key Performance Indicators**

The Inspector of Custodial Services is responsible for keeping proper accounts, and the preparation and fair presentation of the financial statements in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Treasurer's Instructions, and the key performance indicators. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements and key performance indicators that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; making accounting estimates that are reasonable in the circumstances; and complying with the Financial Management Act 2006 and other relevant written law.

#### **Summary of my Role**

As required by the Auditor General Act 2006, my responsibility is to express an opinion on the financial statements, controls and key performance indicators based on my audit. This was done by testing selected samples of the audit evidence. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion. Further information on my audit approach is provided in my audit practice statement. Refer [www.audit.wa.gov.au/pubs/AuditPracStatement\\_Feb09.pdf](http://www.audit.wa.gov.au/pubs/AuditPracStatement_Feb09.pdf).

An audit does not guarantee that every amount and disclosure in the financial statements and key performance indicators is error free. The term "reasonable assurance" recognises that an audit does not examine all evidence and every transaction. However, my audit procedures should identify errors or omissions significant enough to adversely affect the decisions of users of the financial statements and key performance indicators.




**Office of the Inspector of Custodial Services  
Financial Statements and Key Performance Indicators for the year ended 30 June 2009**

**Audit Opinion**

In my opinion,

- (i) the financial statements are based on proper accounts and present fairly the financial position of the Office of the Inspector of Custodial Services at 30 June 2009 and its financial performance and cash flows for the year ended on that date. They are in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Treasurer's Instructions;
- (ii) the controls exercised by the Office provide reasonable assurance that the receipt, expenditure and investment of money, the acquisition and disposal of property, and the incurring of liabilities have been in accordance with legislative provisions; and
- (iii) the key performance indicators of the Office are relevant and appropriate to help users assess the Office's performance and fairly represent the indicated performance for the year ended 30 June 2009.

  
COLIN MURPHY  
AUDITOR GENERAL  
9 September 2009

## Income Statement for the Year ended 30 June 2009

	Note	2008/09 \$	2007/08 \$
<b>COST OF SERVICES</b>			
<i>Expenses</i>			
Employee benefits expense	5	1,747,094	1,613,079
Supplies and services	6	411,046	582,118
Depreciation expense	7	17,278	29,654
Administration expenses	8	173,512	95,606
Accommodation expenses	9	281,572	261,541
Loss on disposal of non-current assets		-	1,438
<b>TOTAL COST OF SERVICES</b>		<b>2,630,502</b>	<b>2,583,436</b>
<i>Income</i>			
<i>Revenue</i>			
Other revenue	10	86,646	167,019
<i>Total revenue</i>		86,646	167,019
<i>Gains</i>			
Gain on disposal of non-current assets		600	-
Total income other than income from State Government		87,246	167,019
<b>NET COST OF SERVICES</b>		<b>2,543,256</b>	<b>2,416,417</b>
<b>INCOME FROM STATE GOVERNMENT</b>			
Service appropriation	12	2,819,000	2,231,468
Resources received free of charge			
<b>Total income from State Government</b>		<b>2,819,000</b>	<b>2,231,468</b>
<b>SURPLUS / (DEFICIT) FOR THE PERIOD</b>		<b>275,744</b>	<b>(184,949)</b>

The Income Statement should be read in conjunction with the accompanying notes.

## Balance Sheet as at 30 June 2009

	Note	2008/09 \$	2007/08 \$
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents	13	15,209	20,608
Restricted cash and cash equivalents	13	27,323	15,500
Receivables	14	93,275	13,135
Amounts receivable for services	15	64,000	60,000
<b>Total Current Assets</b>		<b>199,807</b>	<b>109,243</b>
<b>Non-Current Assets</b>			
Property, plant and equipment	16	49,136	48,774
<b>Total Non-Current Assets</b>		<b>49,136</b>	<b>48,774</b>
<b>TOTAL ASSETS</b>		<b>248,943</b>	<b>158,017</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Payables	18	150,062	188,080
Provisions	19	244,319	420,270
<b>Total Current Liabilities</b>		<b>394,381</b>	<b>608,350</b>
<b>Non-Current Liabilities</b>			
Provisions	19	85,991	76,840
<b>Total Non-Current Liabilities</b>		<b>85,991</b>	<b>76,840</b>
<b>Total Liabilities</b>		<b>480,372</b>	<b>685,190</b>
<b>Net Assets</b>		<b>(231,429)</b>	<b>(527,173)</b>
<b>EQUITY</b>			
	20		
Contributed equity		109,000	89,000
Accumulated surplus/(deficiency)		(340,429)	(616,173)
<b>Total Equity</b>		<b>(231,429)</b>	<b>(517,173)</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>248,943</b>	<b>158,017</b>

The Balance Sheet should be read in conjunction with the accompanying notes.

## Statement of Changes in Equity for the year ended 30 June 2009

	2008/09	2007/08
	\$	\$
Balance of equity at start of period	(527,173)	(431,224)
<b>CONTRIBUTED EQUITY</b>		
Balance at start of period	89,000	-
Capital contribution	20,000	89,000
<b>Balance at end of period</b>	<b>109,000</b>	<b>89,000</b>
<b>ACCUMULATED SURPLUS</b>		
Balance at start of period	(616,173)	(441,224)
Restated balance at start of period	(616,173)	(441,224)
Deficit for the period	275,744	(174,949)
Gains/(losses) recognised directly in equity	-	-
<b>Balance at end of period</b>	<b>(340,429)</b>	<b>(616,173)</b>
<b>Balance of equity at end of period (b)</b>	<b>(231,431)</b>	<b>(527,173)</b>
Total income and expense for the period (a)	275,744	(184,949)

(a) The aggregate net amount attributable to each category of equity is: surplus \$275,744, (2008): deficit \$184,949).

(b) The Office received capital contributions totalling \$89,000 during 2007–08, but only \$79,000 was brought to account in the 2007–08 financial statements. The balance of \$10,000 was treated incorrectly as service appropriation.

The Statement of Changes in Equity should be read in conjunction with the accompanying notes.

## Cash Flow Statement for the Year ended 30 June 2009

	Note	2008/09 \$	2007/08 \$
<b>CASH FLOWS FROM STATE GOVERNMENT</b>			
Service appropriation		2,815,000	2,241,468
Capital contributions		20,000	89,000
<b>Net cash provided by State Government</b>		<b>2,835,000</b>	<b>2,340,468</b>
Utilised as follows:			
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
<b>Payments</b>			
Employee benefits		(1,516,523)	(1,476,700)
Superannuation		(366,520)	(141,104)
Supplies and services		(443,500)	(504,135)
Administration		(175,104)	(94,197)
Accommodation		(300,375)	(261,541)
GST payments on purchases		(94,696)	(88,048)
GST payments to taxation authority		(8,633)	(16,824)
<b>Receipts</b>			
GST receipts on sales		8,716	16,822
GST receipts from taxation authority		92,738	88,111
Other receipts		8,381	165,649
<b>Net cash used in operating activities</b>	21(b)	<b>(2,795,516)</b>	<b>(2,311,967)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Proceeds from sale of non-current physical assets		600	1,221
Purchase of non-current physical assets		(33,660)	(21,451)
<b>Net cash used in investing activities</b>		<b>(33,060)</b>	<b>(20,230)</b>
Net increase/(decrease) in cash and cash equivalents		6,424	(1,729)
Cash and cash equivalents at the beginning of period		36,108	37,837
<b>CASH ASSETS AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>	21(a)	<b>42,532</b>	<b>36,108</b>

The Cash Flow Statement should be read in conjunction with the accompanying notes.

## Summary of Consolidated Fund Appropriations and Income Estimates for the Year ended 30 June 2009

	2009 Estimate \$	2009 Actual \$	Variance \$	2009 Actual \$	2008 Actual \$	Variance \$
<b>DELIVERY OF SERVICES</b>						
Item 107 – Net amount appropriated to deliver services	2,015,000	2,417,000	402,000	2,417,000	2,020,468	386,532
Amount Authorised by Other Statutes						
– Salaries and Allowances Act 1975	402,000	402,000	-	402,000	211,000	191,000
<b>Total appropriations provided to deliver services</b>	<b>2,417,000</b>	<b>2,819,000</b>	<b>402,000</b>	<b>2,819,000</b>	<b>2,231,468</b>	<b>577,532</b>
<b>CAPITAL</b>						
Item 176 Capital Contribution	20,000	20,000	-	20,000	89,000	(59,000)
<b>GRAND TOTAL</b>	<b>2,437,000</b>	<b>2,839,000</b>	<b>402,000</b>	<b>2,839,000</b>	<b>2,320,468</b>	<b>518,532</b>
<b>Details of Expenses by Service</b>						
Inspection and Review of Custodial Services	2,230,000	2,630,502	400,502	2,630,502	2,583,436	47,066
<b>Total Cost of Services</b>	<b>2,230,000</b>	<b>2,630,502</b>	<b>400,502</b>	<b>2,630,502</b>	<b>2,583,436</b>	<b>47,066</b>
Less total income	(2,000)	(87,246)	(85,246)	(87,246)	(167,019)	79,773
<b>Net Cost of Services</b>	<b>2,228,000</b>	<b>2,543,256</b>	<b>315,256</b>	<b>2,543,256</b>	<b>2,416,417</b>	<b>126,839</b>
Adjustments	189,000	275,744	86,744	275,744	(184,949)	460,693
<b>Total appropriations to deliver services</b>	<b>2,417,000</b>	<b>2,819,000</b>	<b>402,000</b>	<b>2,819,000</b>	<b>2,241,468</b>	<b>587,532</b>
<b>Capital Expenditure</b>						
Purchase of non-current physical assets	32,000	33,660	1,660	33,660	21,451	12,209
Adjustments for other	(12,000)	(13,660)	(1,660)	12,359	67,549	(55,190)
<b>Capital Contribution (appropriation)</b>	<b>20,000</b>	<b>20,000</b>	<b>-</b>	<b>46,019</b>	<b>79,000</b>	<b>(32,981)</b>
<b>DETAILS OF INCOME ESTIMATES</b>						
Income disclosed as Operating Income	2,000	87,246	(85,246)	87,246	167,019	(79,773)

Adjustments comprise movements in cash balances and other accrual items such as receivables, payables and superannuation.

Note 26 'Explanatory Statement' provides details of any significant variations between estimates and actual results for 2009 and between the actual results for 2008 and 2009.

## Schedule of Assets and Liabilities by Service as at 30 June 2009

	Inspection and Review of Custodial Services		Total	
	2009	2008	2009	2008
	\$	\$	\$	\$
<b>ASSETS</b>				
Current Assets	199,807	109,243	199,807	109,243
Non-current Assets	49,136	48,774	49,136	48,774
<b>Total Assets</b>	<b>248,943</b>	<b>158,017</b>	<b>248,943</b>	<b>158,017</b>
<b>LIABILITIES</b>				
Current Liabilities	394,381	608,350	394,381	608,350
Non-current Liabilities	85,991	76,840	85,991	76,840
<b>Total Liabilities</b>	<b>480,372</b>	<b>685,190</b>	<b>480,372</b>	<b>685,190</b>
<b>NET ASSETS</b>	<b>(231,429)</b>	<b>(527,173)</b>	<b>(231,429)</b>	<b>(527,173)</b>

The Schedule of Assets and Liabilities by Service should be read in conjunction with the accompanying notes.

## Notes to the Financial Statements for the year ended 30 June 2009

### Note 1 Office mission and funding

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The Office's mission is to establish and maintain an independent, expert and fair inspection service so as to provide Parliament, the Minister, stakeholders, the media, and the general public with up-to-date information and analysis about prison and detention centre operations and custodial services, so that debate and discussion may be enhanced as to whether and to what extent the key objectives of these activities are being achieved.

The Office is funded by Parliamentary appropriations.

### Note 2 Australian equivalents to International Financial Reporting Standards

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#### General

The Office's financial statements for the year ended 30 June 2009 have been prepared in accordance with Australian equivalents to International Financial Reporting Standards (AIFRS), which comprise a Framework for the Preparation and Presentation of Financial Statements (the Framework) and Australian Accounting Standards (including the Australian Accounting Interpretations).

In preparing these financial statements the Office has adopted, where relevant to its operations, new and revised Standards and Interpretations from their operative dates as issued by the AASB and formerly the Urgent Issues Group (UIG).

#### Early adoption of standards

The Office cannot early adopt an Australian Accounting Standard or Australian Accounting Interpretation unless specifically permitted by TI 1101 'Application of Australian Accounting Standards and Other Pronouncements'. No Standards and Interpretations that have been issued or amended but are not yet effective have been early adopted by the Office for the annual reporting period ended 30 June 2009.

### Note 3 Summary of significant accounting policies

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#### (a) General Statement

The financial statements constitute a general purpose financial report which has been prepared in accordance with Australian Accounting Standards, the Framework, Statements of Accounting Concepts and other authoritative pronouncements of the Australian Accounting Standards Board as applied by the Treasurer's Instructions. Several of these are modified by the Treasurer's Instructions to vary application, disclosure, format and wording.

The Financial Management Act and the Treasurer's Instructions are legislative provisions governing the preparation of financial statements and take precedence over the Australian Accounting Standards, the Framework, Statements of Accounting Concepts and other authoritative pronouncements of the Australian Accounting Standards Board.

Where modification is required and has a material or significant effect upon the reported results, details of that modification and the resulting financial effect are disclosed in the notes to the financial statements.

#### (b) Basis of preparation

The financial statements have been prepared on the accrual basis of accounting using the historical cost convention.



The accounting policies adopted in the preparation of the financial statements have been consistently applied throughout all periods presented unless otherwise stated.

The financial statements are presented in Australian dollars.

### **(c) Reporting Entity**

The Office of the Inspector of Custodial Services is the reporting entity.

### **(d) Contributed Equity**

UIG Interpretation 1038 'Contributions by Owners Made to Wholly-Owned Public Sector Entities' requires transfers, other than as a result of a restructure of administrative arrangements, in the nature of equity contributions to be designated by the Government (the owner) as contributions by owners (at the time of, or prior to transfer) before such transfers can be recognised as equity contributions. Capital contributions (appropriations) have been designated as contributions by owners by Treasurer's instruction (TI) 955 'Contributions by Owners made to Wholly Owned Public Sector Entities' and have been credited directly to Contributed Equity.

### **(e) Income**

#### *Revenue Recognition*

Revenue is measured at the fair value of consideration received or receivable. Revenue is recognised for the major business activities as follows:

#### **Service Appropriations**

Service Appropriations are recognised as revenues in the period in which the Office gains control of the appropriated funds. The Office gains control of appropriated funds at the time those funds are deposited into the Office's bank account or credited to the holding account held at the Department of Treasury and Finance. See note 12 'Income from State Government' for further detail.

#### **Net Appropriation Determination**

The Treasurer may make a determination providing for prescribed receipts to be retained for services under the control of the Office. In accordance with the determination specified in the 2008–09 Budget Statements, the Office retained \$87,246 in 2009 (\$167,019 in 2008).

#### **Grants and Other Contributions Revenue**

Revenue is recognised at fair value when the Office obtains control over the assets comprising the contributions which is usually when cash is received.

#### *Gains*

Gains may be realised or unrealised and are usually recognised on a net basis. These include gains arising on the disposal of non-current assets.

### **(f) Property, Plant and Equipment**

#### *Capitalisation / Expensing of assets*

Items of property, plant and equipment costing over \$5,000 are recognised as assets and the cost of utilising assets is expensed (depreciated) over their useful lives. Items of property, plant and equipment costing less than \$5,000 are expensed direct to the Income Statement (other than where they form part of a group of similar items which are significant in total).

*Initial recognition and measurement*

All items of property, plant and equipment are initially recognised at cost.

For items of property, plant and equipment acquired at no cost or for nominal consideration, the cost is their fair value at the date of acquisition.

*Subsequent measurement*

After recognition as an asset, the Office uses the cost model for all property, plant and equipment. All items of property, plant and equipment are carried at cost less accumulated depreciation and accumulated impairment losses.

*Depreciation*

All non-current assets having a limited useful life are systematically depreciated over their estimated useful lives in a manner that reflects the consumption of their future economic benefits.

Depreciation is calculated using the straight line method, using estimated useful lives which are reviewed annually. Estimated useful lives for each class of depreciable asset are:

Office furniture and equipment	4 to 5 years
Office fit-out	6.6 years

**(g) Impairment of Assets**

Property, plant and equipment are tested for any indication of impairment at each balance sheet date. Where there is an indication of impairment, the recoverable amount is estimated. Where the recoverable amount is less than the carrying amount, the asset is considered impaired and the asset is written down to the recoverable amount and an impairment loss is recognised. As the Office is a not-for-profit entity, unless an asset has been identified as a surplus asset, the recoverable amount is the higher of an asset's fair value less costs to sell and depreciated replacement cost.

The risk of impairment is generally limited to circumstances where an asset's depreciation is materially understated or where the replacement cost is falling or where there is a significant change in useful life. Each relevant class of assets is reviewed annually to verify that the accumulated depreciation/amortisation reflects the level of consumption or expiration of asset's future economic benefits and to evaluate any impairment risk from falling replacement costs.

The recoverable amount of assets identified as surplus assets is the higher of fair value less costs to sell and the present value of future cash flows expected to be derived from the asset. Surplus assets carried at fair value have no risk of material impairment where fair value is determined by reference to market-based evidence. Where fair value is determined by reference to depreciated replacement cost, surplus assets are at risk of impairment and the recoverable amount is measured. Surplus assets at cost are tested for indications of impairments at each balance sheet date.

**h) Leases**

The Office has not entered into any finance leases.

The Office has entered into a number of operating lease arrangements for the rent of office accommodation and office equipment. Lease payments are expensed on a straight line basis over the lease term as this represents the pattern of benefits derived from the leased property.

### (i) Financial Instruments

In addition to cash on hand, the Office has two categories of financial instrument:

- Receivables
- Payables

Initial measurement and recognition of financial instruments is at fair value which normally equates to the transaction cost or the face value. Subsequent measurement is at amortised cost using the effective interest method.

The fair value of short term receivables and payables is the transaction cost or the face value because there is no interest rate applicable and subsequent measurement is not required as the effect of discounting is not material.

### (j) Cash and Cash Equivalents

For the purpose of the Cash Flow Statement, cash and cash equivalents includes restricted cash and cash equivalents. These are comprised of cash on hand and short-term deposits with original maturities of three months or less that are readily convertible to a known amount of cash and which are subject to insignificant risk of changes in value.

### (k) Accrued salaries

The accrued salaries suspense account (refer note 13) consists of amounts paid annually into a suspense account over a period of 10 financial years to largely meet the additional cash outflow in each eleventh year when 27 pay days occur instead of the normal 26. No interest is received on this account.

Accrued salaries (refer note 18) represent the amount due to staff but unpaid at the end of the financial year, as the pay date for the last pay period for that financial year does not coincide with the end of the financial year. Accrued salaries are settled within a fortnight of the financial year end. The Office considers the carrying amount of accrued salaries to be equivalent to its net fair value.

### (l) Amounts Receivable for Services (Holding Account)

The Office receives appropriation funding on an accrual basis that recognises the full annual cash and non-cash cost of services. The appropriations are paid partly in cash and partly as an asset (Holding Account receivable) that is accessible on the emergence of the cash funding requirement to cover items such as leave entitlements and asset replacement.

### (m) Receivables

Receivables are recognised and carried at original invoice amount less any allowance for uncollectable amounts (impairment). The collectability of receivables is reviewed on an ongoing basis and any receivables identified as uncollectable are written off. The allowance for uncollectable amounts (doubtful debts) is raised when there is objective evidence that the Office will not be able to collect its debts. The carrying amount is equivalent to fair value as it is due for settlement in 30 days. See note 27 'Financial Instruments' and note 14 'Receivables'.

### (n) Payables

Payables are recognised when the Office becomes obliged to make future payments as a result of a purchase of assets or services. The carrying amount is equivalent to fair value as they are generally settled within 30 days. See note 18 'Payables'.

### (o) Provisions

Provisions are liabilities of uncertain timing and amount and are recognised where there is a present legal, equitable or constructive obligation as a result of a past event and when the outflow of resources embodying economic benefits is probable and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at each balance sheet date. See note 19 'Provisions'.

#### (i) Annual and Long Service Leave

The liability for annual and long service leave expected to be settled within 12 months after the balance sheet date is recognised and measured at the undiscounted amounts expected to be paid when the liabilities are settled. Annual and long service leave expected to be settled more than 12 months after the balance sheet date is measured at the present value of amounts expected to be paid when the liabilities are settled. Leave liabilities are in respect of services provided by employees up to the balance sheet date.

When assessing expected future payments consideration is given to expected future wage and salary levels including non-salary components such as employer superannuation contributions. In addition, the long service leave liability also considers the experience of employee departures and periods of service.

The expected future payments are discounted using market yields at the balance sheet date on national government bonds with terms to maturity that match, as closely as possible, the estimated future cash outflows.

All annual leave and unconditional long service leave provisions are classified as current liabilities as the Office does not have an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

#### (ii) Superannuation

The Government Employees Superannuation Board (GESB) administers the following superannuation schemes.

Employees may contribute to the Pension Scheme, a defined benefits pension scheme now closed to new members, or to the Gold State Superannuation Scheme (GSS), a defined benefit and lump sum scheme also closed to new members. The Office has no liability for superannuation charges under the Pension or GSS Schemes as the liability has been assumed by the Treasurer.

Employees commencing employment prior to 16 April 2007 who were not members of either the Pension or the GSS Schemes became non-contributory members of the West State Superannuation Scheme (WSS). Employees commencing employment on or after 16 April 2007 became members of the GESB Super Scheme (GESBS). Both of these schemes are accumulation schemes. The Office makes concurrent contributions to GESB on behalf of employees in compliance with the Commonwealth Government's Superannuation Guarantee (Administration) Act 1992. These contributions extinguish the liability for superannuation charges in respect of the WSS and GESBS Schemes.

The GESB makes all benefit payments in respect of the Pension and GSS Schemes, and is recouped by the Treasurer for the employer's share.

### (p) Superannuation expense

The following elements are included in calculating the superannuation expense in the Income Statement:

(a) Defined benefit plans – For 2007–08, the change in the unfunded employer's liability (i.e. current service cost and, actuarial gains and losses) assumed by the Treasurer in respect of current employees who are members of the Pension Scheme and current employees who accrued a benefit on a transfer from that Scheme to the Gold State Superannuation Scheme (GSS); and

(b) Defined contribution plans – Employer contributions paid to the GSS (concurrent contributions), the West State Superannuation Scheme (WSS), and the GESB Super Scheme (GESBS).

Defined benefit plans – For 2007–08, the movements (i.e. current service cost, and actuarial gains and losses) in the liabilities in respect of the Pension Scheme and the GSS Scheme transfer benefits are recognised as expenses directly in the Income Statement. The superannuation expense does not include payment of pensions to retirees, as this does not constitute part of the cost of services provided in the current year.

Defined contribution plans – in order to reflect the Office’s true cost of services, the Office is funded for the equivalent of employer contributions in respect of the GSS Scheme (excluding transfer benefits). These contributions were paid to the GESB during the year and placed in a trust account and administered by the GESB on behalf of the Treasurer. The GESB subsequently paid these contributions in respect of the GSS Scheme to the Consolidated Account.

The GSS Scheme is a defined benefit scheme for the purposes of employees and whole-of-government reporting. However, apart from the transfer benefit, it is a defined contribution plan for agency purposes because the concurrent contributions (defined contributions) made by the agency to GESB extinguishes the agency’s obligations to the related superannuation liability.

#### (q) Comparative figures

Comparative figures are, where appropriate, reclassified to be comparable with the figures presented in the current financial year.

### Note 4 Disclosure of changes in accounting policy and estimates

#### Initial application of an Australian Accounting Standard

The Office has applied the following Australian Accounting Standards and Australian Accounting Interpretations effective for annual reporting periods beginning on or after 1 July 2008 that impacted on the Office:

Review of AAS 27 ‘Financial Reporting by Local Governments’, AAS 29 ‘Financial Reporting by Government Departments and AAS 31 ‘Financial Reporting by Governments’. The AASB has made the following pronouncements from its short term review of AAS 27, AAS 29 and AAS 31:

AASB 1004 ‘Contributions’;

AASB 1050 ‘Administered Items’;

AASB 1051 ‘Land Under Roads’;

AASB 1052 ‘Disaggregated Disclosures’;

AASB 2007–9 ‘Amendments to Australian Accounting Standards arising from the review of AASs 27, 29 and 31 [AASB 3, AASB 5, AASB 8, AASB 101, AASB 114, AASB 116, AASB 127 & AASB 137];

Interpretation 1038 ‘Contributions by Owners Made to Wholly-Owned Public Sector Entities’.

The existing requirements in AAS 27, AAS 29 and AAS 31 have been transferred to the above new and revised topic-based Standards and Interpretation. These requirements remain substantively unchanged. The new and revised Standards and Interpretation make some modifications to disclosures and provide additional guidance (for example, Australian Guidance to AASB 116 ‘Property, Plant and Equipment’ in relation to heritage and cultural assets has been introduced), otherwise there is no financial impact.

### Future impact of Australian Accounting Standards not yet operative

The Office cannot early adopt an Australian Accounting Standard or Australian Accounting Interpretation unless specifically permitted by TI 1101 'Application of Australian Accounting Standards and Other Pronouncements'. Consequently, the Office has not applied the following Australian Accounting Standards and Australian Accounting Interpretations that have been issued and which may impact the Office but are not yet effective. Where applicable, the Office plans to apply these Standards and Interpretations from their application date:

Title	Operative for reporting periods beginning on/after
AASB 101 'Presentation of Financial Statements' (September 2007). This Standard has been revised and will change the structure of the financial statements. These changes will require that owner changes in equity are presented separately from non-owner changes in equity. The Office does not expect any financial impact when the Standard is first applied.	1 January 09
AASB 2008-13 'Amendments to Australian Accounting Standards from AASB Interpretation 17 – Distributions of Non-cash Assets to Owners [AASB 5 & AASB 110]. This Standard amends AASB 5 'Non-current Assets Held for Sale and Discontinued Operations' in respect of the classification, presentation and measurement of non-current assets held for distribution to owners in their capacity as owners. This may impact on the presentation and classification of Crown land held by the Office where the Crown land is to be sold by the Department for Planning and Infrastructure. The Office does not expect any financial impact when the Standard is first applied prospectively.	1 July 09

### Note 5 Employee benefits expense

	2009	2008
	\$	\$
Salaries	1,548,202	1,520,810
Superannuation	363,220	144,404
Long service leave	(151,187)	(18,744)
Annual leave	(13,141)	(33,391)
	<b>1,747,094</b>	<b>1,613,079</b>

Employee expenses consisting of workers compensation premiums and other employment on-costs associated with the recognition of annual and long service leave liability are included under other staff costs. Refer note 8. The related on-costs liability is included in the employee entitlement provisions. Refer Note 19.

**Note 6 Supplies and Services**

	2009	2008
	\$	\$
Consultants and contractors	149,143	175,155
Materials	126,099	203,310
Repairs and maintenance (Accommodation)	19,661	69,325
Travel	103,908	115,431
Other	12,235	18,897
	<b>411,046</b>	<b>582,118</b>

**Note 7 Depreciation expense**

	2009	2008
	\$	\$
Office equipment and furniture	12,101	10,124
Office fit-out	5,177	19,530
	<b>17,278</b>	<b>29,654</b>

**Note 8 Administration expenses**

	2009	2008
	\$	\$
Communication	51,096	30,805
Consumables	2,794	336
Other staff costs	99,091	58,147
Sundry expenses	20,531	6,318
	<b>173,512</b>	<b>95,606</b>

**Note 9 Accommodation expenses**

	2009	2008
	\$	\$
Lease Rentals	273,925	255,233
Cleaning	7,647	6,308
	<b>281,572</b>	<b>261,541</b>

**Note 10 Other revenues**

	2009	2008
	\$	\$
Contributions to Executive Vehicle Scheme	4,651	4,456
Expense recoveries from other agencies	75,879	162,563
Sundry revenue	6,116	-
	<b>86,646</b>	<b>167,019</b>

**Note 11 Net Gain/(Loss) on disposal of non-current assets**

	2009	2008
	\$	\$
Costs of Disposal of Non-Current Assets	-	(2,659)
Proceeds from Disposal of Non-Current Assets	600	1,221
<b>Net gain/(loss)</b>	<b>600</b>	<b>(1,438)</b>

**Note 12 Income from State Government**

	2009	2008
	\$	\$
Appropriation received during the year :		
<i>Service appropriations (i)</i>	2,819,000	2,241,468
	<b>2,819,000</b>	<b>2,241,468</b>

(i) Service appropriations are accrual amounts reflecting the full cost of services delivered. The appropriation revenue comprises a cash component and a receivable (asset). The receivable (holding account) comprises the depreciation expense for the year and any agreed increase in leave liability during the year.

**Note 13 Restricted cash and cash equivalents**

	2009	2008
	\$	\$
<i>Current</i>		
Operating account	14,909	20,308
Cashiers advance	300	300
	<b>15,209</b>	<b>20,608</b>
<i>Non-current</i>		
Accrued salaries suspense account	27,323	15,500
	<b>27,323</b>	<b>15,500</b>

Amount held in the suspense account is only to be used for the purpose of meeting the 27th pay in a financial year that occurs every 11 years.

**Note 14 Receivables**

	2009	2008
	\$	\$
<i>Current</i>		
Trade debtors	80,872	2,607
GST receivable	12,403	10,528
	<b>93,275</b>	<b>13,135</b>



**Note 15 Amounts receivable for services**

	2009	2008
	\$	\$
<i>Current</i>		
	64,000	60,000
	<b>64,000</b>	<b>60,000</b>

Represents the non-cash component of service appropriations. It is restricted in that it can only be used for asset replacement or payment of leave liability.

**Note 16 Property, Plant and Equipment**

	2009	2008
	\$	\$
<i>Office Fit-out</i>		
At cost	196,760	196,760
Accumulated depreciation	(178,425)	(173,248)
	<b>18,335</b>	<b>23,512</b>
<i>Furniture and equipment</i>		
At cost	62,114	44,474
Accumulated depreciation	(31,313)	(19,212)
	<b>30,801</b>	<b>25,262</b>
	<b>49,136</b>	<b>48,774</b>

All office fit-out purchased during the year has been included in the financial statements at cost value.

**Reconciliations**

Reconciliations of the carrying amounts of property, plant, equipment and vehicles at the beginning and end of the current financial year are set out below.

2009	Office Fit-out \$	Furniture and equipment \$	Total \$
Carrying amount at start of year	23,512	25,262	48,774
Additions	-	17,640	17,640
Disposals	(5,177)	(12,101)	(17,278)
<b>Carrying amount at end of year</b>	<b>18,335</b>	<b>30,801</b>	<b>49,136</b>

2008	Office Fit-out \$	Furniture and equipment \$	Total \$
Carrying amount at start of year	27,042	32,594	59,636
Additions	16,000	-	16,000
Disposals	-	(65)	(65)
Depreciation	(19,530)	(7,267)	(26,797)
<b>Carrying amount at end of year</b>	<b>23,512</b>	<b>25,262</b>	<b>48,774</b>

### Note 17 Impairment of assets

There were no indications of impairment to property, plant and equipment, at 30 June 2009.

The Office held no goodwill or intangible assets with an indefinite useful life during the reporting period and at balance sheet date there were no intangible assets not yet available for use.

### Note 18 Payables

	2009	2008
	\$	\$
<i>Current</i>		
Trade payables	68,443	79,483
Accrued expenses	58,299	78,447
Accrued salaries	23,320	30,150
	<b>150,062</b>	<b>188,080</b>

### Note 19 Provisions

	2009	2008
	\$	\$
<i>Current</i>		
<i>Employee benefits provision</i>		
Annual leave	102,735	128,650
Long service leave	104,395	245,384
Employment on-cost	37,189	46,236
	<b>244,319</b>	<b>420,270</b>
<i>Non-current</i>		
<i>Employee benefits provision</i>		
Long service leave	69,422	70,496
Employment on-cost	16,569	6,344
	<b>85,991</b>	<b>76,840</b>

The settlement of annual and long service leave liabilities gives rise to the payment of employment on-costs including superannuation and workers compensation premiums. The liability for such on-costs is included here. The associated expense is included.

The Office considers the carrying amount of employee benefits to approximate the net fair value.

(a) Annual leave liabilities have been classified as current as there is no unconditional right to defer settlement for at least 12 months after balance sheet date. Assessments indicate that actual settlement of the liabilities will occur as follows:

	2009	2008
	\$	\$
Within 12 months of balance sheet date	102,735	128,650
	<b>102,735</b>	<b>128,650</b>

(b) Long service leave liabilities have been classified as current where there is no unconditional right to defer settlement for at least 12 months after balance sheet date. Assessments indicate the actual settlement of liabilities will occur as follows:

	2009	2008
	\$	\$
Within 12 months of balance sheet date	104,395	245,384
More than 12 months after balance sheet date	69,422	70,496
	<b>173,817</b>	<b>315,880</b>

(c) The settlement of of annual and long service leave liabilities gives rise to the payment of employment on-costs including workers compensation insurance. The provision is the present value of expected future payments. The associated expense, apart from the unwinding of the discount (finance cost), is disclosed in Note 5 'Employee benefits expense'.

## Note 20 Equity

Equity represents the residual interest in the net assets of the Office.

The Government holds the equity interest in the Office on behalf of the community.

	2009	2008
	\$	\$
<b>Contributed equity</b>		
Balance at start of period	89,000	-
Capital contribution	20,000	89,000
<b>Balance at the end of the year</b>	<b>109,000</b>	<b>89,000</b>
<b>Accumulated (deficiency)</b>		
Balance at the start of the year	(616,173)	(431,224)
Result for the period	275,744	(184,949)
Income and expense recognised directly to equity	-	-
<b>Balance at the end of the year</b>	<b>(340,429)</b>	<b>(616,173)</b>

## Note 21 Notes to the Statement of Cash Flows

	2009	2008
	\$	\$
<b>Reconciliation of cash</b>		
Cash at the end of the financial year as shown in the Statement of Cash Flows is reconciled to the related items in the Balance Sheet as follows:		
Cash and cash equivalents	15,209	20,608
Restricted cash equivalents (refer to note 13)	27,323	15,500
	<b>42,532</b>	<b>36,108</b>

Reconciliation of net cost of services to net cash flows used in operating activities	2009	2008
	\$	\$
<b>Net cost of services</b>	(2,543,256)	(2,416,417)
<i>Non-cash items:</i>		
Depreciation expense	17,278	29,654
Net Loss/(Gain) on disposal of non-current assets	(600)	1,438
<i>(Increase)/decrease in assets:</i>		
Current receivables	(78,265)	(2,139)
<i>Increase/(decrease) in liabilities:</i>		
Current payables	(21,999)	107,499
Current provisions	(175,950)	(88,418)
Non-current provisions	9,151	56,355
<b>Net GST payment</b>		
<i>Net GST receipts/(payments)</i>		
Change in GST in receivables/ payables	(1,875)	61
<b>Net cash provided/used in operating activities</b>	<b>(2,795,516)</b>	<b>(2,311,967)</b>

## Note 22 Resources provided free of charge

Nil

## Note 23 Commitments

### Capital expenditure commitments

The Office has no capital expenditure commitments.

### Finance lease commitments

The Office has no finance lease commitments.

### Non-cancellable operating lease commitments

Commitments for minimum lease payments are payable as follows:

	2009	2008
	\$	\$
Within 1 year	202,336	187,128
Later than 1 year, and not later than 5 years	361,408	555,786
Later than 5 years	-	-
	<b>563,744</b>	<b>742,914</b>

### Other expenditure commitments

The Office has no other expenditure commitments.

## Note 24 Contingent liabilities and contingent assets

The Office has no contingent liabilities and assets.

## Note 25 Events occurring after the balance sheet date

There were no significant events occurring after the balance sheet date, which have a material effect on the financial statements.

## Note 26 Explanatory statement

Significant variations between estimates and actual results for income and expense as presented in the financial statement titled 'Summary of Consolidated Account Appropriations and Income Estimates' are shown below. Significant variations are considered to be those greater than \$50,000.

### Significant variances between estimate and actual for 2009 – Total appropriation to deliver services:

	2009	2008	Variance
	\$	\$	\$
Employee benefits expense	1,574,000	1,747,094	173,094
Supplies and services	259,000	411,046	152,046
Other revenue	2,000	86,646	84,646
Administration expenses	-	173,512	173,512

#### *Employee benefit expenses*

The variance was caused when the Inspector retired in August 2008 and received a lump sum payout in lieu of annual and long services leave.

#### *Supplies and services*

The variance was caused by across the board increases.

#### *Other revenue*

This variance was caused upon recruiting a senior officer from another State government department with a large amount of annual and long service leave entitlements.

#### *Administration Expense*

The variance was caused by recategorising of expenses previously accounted for under other headings such as Supplies and Services and employee benefits expenses. This standardisation exercise was done during the year in preparation for the transition to the Office of Shared Services

### Significant variances between actuals for 2008 and 2009 – Total appropriation to deliver services:

	2009	2008	Variance
	\$	\$	\$
Employee benefits expense	1,747,094	1,613,079	134,015
Supplies and services	411,046	582,118	(171,072)
Other revenue	86,646	167,019	(80,373)
Administration	173,512	95,606	77,906

#### *Employee benefit expenses*

The variance was caused when the Inspector retired in August 2008 and received a lump sum payout in lieu of annual and long services leave entitlements.

#### *Supplies and services*

The variance was caused by a complete replacement of desktop computers and minor office fitout in the previous year.

#### *Other revenue*

This variance was caused upon recruiting a senior officer from another State government department with a large provision for annual and long service leave entitlements.

#### *Administration Expense*

The variance was caused by recategorising of expenses previously accounted for under other headings such as Supplies and Services and employee benefits expenses. This standardisation exercise was done during the year in preparation for the transition to the Office of Shared Services

### **Note 27 Financial Instruments**

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#### **a) Financial Risk Management Objectives and Policies**

Financial instruments held by the Office are cash and cash equivalents, restricted cash and cash equivalents, and receivables and payables. All of the Office's cash is held in the public bank account (non-interest bearing) apart from restricted cash held in a special purpose account. The Office has limited exposure to financial risks. The Office's overall risk management program focuses on managing the risks identified below.

#### *Credit risk*

Credit risk arises when there is the possibility of the Office's receivables defaulting on their contractual obligations resulting in financial loss to the Office. The Office measures credit risk on a fair value basis and monitors risk on a regular basis.

The maximum exposure to credit risk at balance sheet date in relation to each class of recognised financial assets is the gross carrying amount of those assets inclusive of any provisions for impairment, as shown in the table at Note 27(c).

Credit risk associated with the Office's financial assets is minimal because the main receivable is the amounts receivable for services (holding account). For receivables other than government, the Office trades only with recognised, creditworthy third parties. The Office has policies in place to ensure that sales of products and services are made to customers with an appropriate credit history. In addition, receivable balances are monitored on an ongoing basis with the result that the Office's exposure to bad debts is minimal. At the balance sheet date there were no significant concentrations of credit risk.

#### *Liquidity risk*

The Office is exposed to liquidity risk through its trading in the normal course of business. Liquidity risk arises when the Office is unable to meet its financial obligations as they fall due.

The Office has appropriate procedures to manage cash flows including drawdowns of appropriations by monitoring forecast cash flows to ensure that sufficient funds are available to meet its commitments.

#### *Market risk*

Market risk is the risk that changes in market prices such as foreign exchange rates and interest rates will affect the Office's income or the value of its holdings of financial instruments. The Office does not trade in foreign currency and is not materially exposed to other price risks (for example, equity securities or commodity prices changes). The Office is not exposed to interest rate risk because apart from minor amounts of restricted cash, all other cash and cash equivalents and restricted cash are non-interest bearing, and have no borrowings other than the Treasurer's advance (non-interest bearing) and finance leases (fixed interest rate).

**(b) Categories of Financial Instruments**

In addition to cash and bank overdraft, the carrying amounts of each of the following categories of financial assets and financial liabilities at the balance sheet date are as follows:

	2009	2008
	\$	\$
<i>Financial Assets</i>		
Cash and cash equivalents	15,209	20,608
Restricted cash and cash equivalents	27,323	15,500
Receivables (a)	93,275	13,135
<i>Financial Liabilities</i>		
Financial liabilities measured at amortised cost	150,063	188,080

(a) The amount of loans and receivables excludes GST recoverable from the ATO (statutory receivable).

**(c) Financial Instrument disclosures**

The following table details the exposure to liquidity risk and interest rate risk as at the balance sheet date. The Office's maximum exposure to credit risk at the balance sheet date is the carrying amount of the financial assets as shown on the following table. The table is based on information provided to senior management of the Office. The contractual maturity amounts in the table are representative of the undiscounted amounts at the balance sheet date. An adjustment for discounting has been made where material.

The Office does not hold any collateral as security or other credit enhancements relating to the financial assets it holds.

The Office does not hold any financial assets that had to have their terms renegotiated that would have otherwise resulted in them being past due or impaired.

	Weighted average effective interest rate %	Interest rate exposure		Past due but not impaired			
		Carrying Amount \$	Variable interest rate \$	Non interest bearing \$	Within 1 year \$	1 to 5 years \$	More than 5 years \$
<i>Financial Assets</i>							
<b>2009</b>							
Cash and cash equivalents		15,209	-	15,209	-	-	-
Restricted cash and cash equivalents		27,323	-	27,323	-	-	-
Receivables		157,275	-	157,275	-	-	-
		<b>199,807</b>	<b>-</b>	<b>199,807</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>2008</b>							
Cash and cash equivalents		20,608	-	20,608	-	-	-
Restricted cash and cash equivalents		15,500	-	15,500	-	-	-
Receivables		73,135	-	73,135	-	-	-
		<b>109,243</b>	<b>-</b>	<b>109,243</b>	<b>-</b>	<b>-</b>	<b>-</b>

	Interest rate exposure			Past due but not impaired			
	Weighted average effective interest rate %	Carrying Amount \$	Variable interest rate \$	Non interest bearing \$	Within 1 year \$	1 to 5 years \$	More than 5 years \$
<i>Financial Liabilities</i>							
<b>2009</b>							
Payables		150,062	-	150,062	-	-	-
		<b>150,062</b>	<b>-</b>	<b>150,062</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>2008</b>							
Payables		188,080	-	188,080	-	-	-
		<b>188,080</b>	<b>-</b>	<b>188,080</b>	<b>-</b>	<b>-</b>	<b>-</b>

The amounts disclosed are the contractual undiscounted cash flows of each class of financial liabilities

No interest rate sensitivity analysis has been provided as the Office has no financial assets or liabilities that are subject to any interest rates.

## Note 28 Remuneration of senior officers

### Remuneration

The number of senior officers, whose total of fees, superannuation, salaries and other benefits received, or due and receivable, for the financial year, falls within the following bands:

	2009	2008
\$120,001 – \$130,000		
\$190,001 – \$200,000		
\$201,001 – \$240,000	1	1
\$270,001 – \$280,000	1	1

The total remuneration of senior officers is: \$340,625 2009 \$506,982 2008

The total remuneration includes the superannuation expense incurred by the Office in respect of senior officers.

No senior officers are members of the Pension Scheme.

## Note 29 Remuneration of auditor

	2009	2008
	\$	\$
Remuneration payable to the Auditor General for the financial year is as follows:		
Auditing the accounts, financial statements and performance indicators.	17,500	17,500



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**Note 30 Related and affiliated bodies**

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The Office had no related bodies during the financial year.

**Note 31 Supplementary financial information**

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*Write-Offs*

During the year, there were no assets written off the Office's asset register.

*Losses through theft, defaults and other causes*

During the year, there were no losses of public moneys and public and other property through theft or default.

*Gifts of Property*

There were no gifts provided by the Office during the year.

*The Office of the Inspector of Custodial Services is an independent statutory body that provides external scrutiny to the standards and operational practices of custodial services in Western Australia.*

*The Office aims to contribute directly and indirectly to*

- Improving public confidence in the justice system;*
- Reducing re-offending in Western Australia; and*
- Ensuring the justice system provides value for money.*



OFFICE OF THE INSPECTOR  
OF CUSTODIAL SERVICES

[www.custodialinspector.wa.gov.au](http://www.custodialinspector.wa.gov.au)

Level 27, 197 St George's Terrace, Perth, Western Australia, Australia 6000  
Telephone: +61 8 9212 6200 Facsimile: +61 8 9226 4616