



OFFICE OF THE INSPECTOR
OF CUSTODIAL SERVICES

ANNUAL REPORT

2013 14

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

RESPONSIBLE MINISTER

The Hon. Joseph (Joe) Michael Francis MLA,
Minister for Corrective Services.

ACCOUNTABLE AUTHORITY

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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 Australia community.

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



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Part One – Overview

1. Background

The Office of the Inspector of Custodial Services (‘the Office’) was established in 2000 to provide an independent inspection regime for all the state’s prisons, both public and private, and for a number of other custodial services including court custody centres, prisoner transport, and a small number of police lockups. In 2003, jurisdiction was extended to include juvenile centres.

The Inspector is Neil Morgan (previously Winthrop Professor and currently Adjunct Professor at the University of Western Australia Law School). He commenced duties on 30 March 2009 and in 2013, was appointed to another five year term.

The Deputy Inspector is Andrew Harvey, who has previously held senior positions in the Ombudsman’s office and other agencies.



Professor Neil Morgan

2. About Us

The Office is an independent statutory body with a strong focus on performance standards in custodial facilities and the rights of staff and people in detention. It reports to Parliament, providing a high level of transparency and accountability.

The Office’s responsibilities include:

- Inspecting adult custodial facilities, juvenile detention centres, court custody centres and custodial transport services.
- Conducting reviews of specific aspects of a custodial service or a specific custodial experience of individuals or groups.
- Managing the Independent Visitors Scheme.
- Carrying out thematic reviews of system-wide prison services.

Purpose and Mission

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.

Our mission is to:

- Provide valuable advice that contributes to the overall development of correctional facilities and programs in Western Australia.
 - Provide advice which is based upon information gathered through independent and objective inspections of correctional facilities, thematic reviews, investigation of current/critical issues, and from community stakeholders.
-

Our Values

Integrity: We seek to act ethically, honestly, impartially and in the best interests of the community.

Quality: We seek to be efficient in all that we do, deliver on-time, and provide well researched advice and recommendations.

Equity: We treat all people with respect and we value diversity.

Innovation: We value creativity, learning and continuous improvement in the pursuit of excellence.

Key Stakeholders

The Office key stakeholders include:

- Parliament;
- Minister for Corrective Services;
- Department of Corrective Services management and staff;
- Prisoners and their families;
- Non-government organisations; and
- The Western Australian community.

3. Primary Functions and Powers

Inspections

The *Inspector of Custodial Services Act 2003*¹ requires the Office to inspect and report to Parliament on all the state's prisons, juvenile detention centres, court custody centres and prescribed lock up facilities at least once every three years.²

The Inspector generally provides three to four months' notice to the Department of Corrective Services (the Department) as to the dates on which these formal inspections will be conducted. The Inspector also has the power, should this be necessary or appropriate, to conduct inspections that are unannounced or are preceded by a short notice period.

Formal announced inspections of a prison or detention centre are generally conducted over a one or two week on-site period. At the end of this period, the Inspector delivers an 'Exit Debrief' to management and staff (and also provides some general feedback to prisoners). The aim is to give management and staff a sense of the key findings and the likely direction of any recommendations. This also gives the Department the opportunity to discuss the findings with the Inspector and to implement changes before the report becomes public. Copies of the Exit Debrief are provided to the Minister and to the Legislative Council Standing Committee on Public Administration.

Section 20 of the *Act* requires the Inspector to prepare an inspection report following each inspection, detailing the inspection findings and recommendations. Legislative provisions and agreed practices enable the Minister and the Department to be fully aware of the contents of reports prior to their release. In essence, the *Act* requires that before expressing a critical opinion in a report, the Inspector must give the other person an opportunity to make submissions.³ Agreed protocols, including a Memorandum of Understanding between the Office and DCS, further embed due process practices.

1 The Inspector's position and role were initially set out in the *Prisons Amendment Act 1999* and are now governed by the *Inspector of Custodial Services Act 2003*. The *Act* extended the Inspector's jurisdiction to juvenile detention centres and brought all relevant matters within a single statute.

2 Sections 19–20 of the *Act*.

3 Section 37 of the *Act*.

As such, after the on-site period has concluded, a draft report is written and is sent to the Department for comment. Usually the Department has four weeks to provide comments on the facts in the report and to work on its responses to the report's recommendations, including the extent to which it supports the recommendations. Its responses are included in the report and progress against the recommendations is monitored.

Once a report has been finalised and printed, it is sent to Parliament. Generally, it is then embargoed for at least 30 days before tabling.⁴ Given these requirements, the period between an inspection being conducted and publication is rarely less than six months.

Liaison Visits

The full value of an inspection system cannot be realised if activities are limited to reports of inspections once every three years. More effective is a process of 'continuous inspection' that allows performance and risks to be monitored and identified for the Minister, the Government and Parliament on an ongoing basis. 'Liaison visits' are one of the most important tools that the Inspector uses to enable continuous inspection.

Staff (including the Inspector) conduct 'liaison visits' at all facilities at least three times per year. The purpose is to monitor performance and progress both against recommendations made after previous inspections and against other relevant standards and expectations. These visits can be announced or unannounced. Wholly unannounced visits are not frequent but are based on risk. Facilities are generally given some degree of advance notice as the purpose is to engage with key staff and prisoners and this allows the necessary arrangements to be made. However, it is not uncommon for visits to be conducted at short notice.

Reviews

The *Inspector of Custodial Services Amendment Act 2011* (proclaimed in January 2012) expanded and embedded the Inspector's powers to examine specific aspects of a custodial service or a specific custodial experience of an individual or groups of people in custody. The Office developed a new review function to exercise these powers. Reviews examine aspects of a custodial service and can include the administrative arrangements related to the provision of a service. Like inspection activities, reviews lead to findings and recommendations.

The evidence required for a review depends on the subject matter but is usually wide-ranging and cumulative. Examples include data on the Department's offender management databases, strategic plans, budget papers, business cases, reviews or evaluation reports, consultants' reports, legal opinions, contracts with private providers and internal Departmental documentation. Additionally review evidence is often sought by meeting individuals, including Department staff, service providers and stakeholders. These multiple sources of information are used to derive and validate findings.

The release of a report from a review is at the Inspector's discretion. However, for reasons of transparency and accountability, it is the intention of the current Inspector that all reports will be sent to the Standing Committee on Public Administration, the Minister and the Department. Unless there are exceptional circumstances, such as privacy or security concerns, final review reports will also be made public. Under section 34(2)(b) some review reports will be formally tabled in Parliament at the Inspector's discretion.

⁴ Section 35 of the *Act*.

Directed Reviews

The Inspector is accountable to Parliament, and not to the Minister or Commissioner for Corrective Services, and is therefore not subject to any absolute direction as to the scope, content or methodology of activities. However, s 17(2) of the *Inspector of Custodial Services Act* permits a Minister to issue a written direction to the Inspector to carry out an inspection or review in certain circumstances. The Inspector must comply with such a direction unless, in his opinion, there are exceptional circumstances for not complying.

4. Our Environment: Trends and Issues in Correctional Management

Correctional services must balance a range of objectives. Sometimes these are complementary and sometimes they are contradictory. The key objectives should include:

- Security in prisons, detention centres and custodial services such as prisoner transport and court security;
- Safety of staff, people in custody and the general public;
- Humane, decent and respectful treatment of people in custody; and
- Lower financial and social costs, and improved community safety through reduced offending.

Against this backdrop, the following issues are of particular contemporary importance.

The Department of Corrective Services: Cultural and Strategic Change

Issues of leadership, management and culture in the Department of Corrective Services were the subject of strong media and political focus in both 2012–2013 and 2013–2014. This Office's *Directed Review into the riot at Banksia Hill Detention Centre on 20 January 2013* found these issues were significant contributors to the riot. More generally, they had been impacting on Departmental reputation, direction and morale.

During 2013–2014, in line with the Directed Review findings, the Department embarked on a massive organisational and cultural reform agenda. A new Commissioner commenced in October 2013, a new organisational structure is being implemented, and new appointments are being made to most of the senior positions. At the same time, the Department has needed to tackle significant operational and reputational problems presented by high prisoner numbers and a number of escapes from privately and publicly operated services.

It is too early to assess whether the changes to the Department's structure will lead to improved outcomes. However, the establishment of separate 'Adult Justice' and 'Youth Justice' divisions should allow an improved strategic focus and better coordination of custodial and community services for both adults and juveniles. The Office particularly welcomes the new performance measures that are being developed relating to the reduction of recidivism. If recidivism can be reduced, there will be fewer victims, fewer offenders, lower financial costs, and reduced social costs.

Youth Justice

The Directed Review concluded that the Banksia Hill riot was predictable and that its causes included: lack of strategic direction; very poor management of security and safety risks (on-site and at corporate level); staff shortages and disillusionment; and an excessively restrictive regime for detainees. Addressing these issues remains a very high priority and an ongoing challenge.

As a result of the damage caused in the riot, most male detainees were transferred to Hakea Prison. This was a most unsatisfactory arrangement as the separation from adults was problematic and the detainees had too little access to essential programs to reduce offending. Fortunately the detainees were eventually able to return to Banksia Hill by October 2013.

At the time of the riot, Banksia Hill was holding 207 young people. After the riot, numbers declined and by July 2013 were 170. This lower number was sustained throughout 2013–2014. Banksia Hill should therefore have been well positioned to return to full operation and improve performance. In order to assess the extent and speed of progress, the Office will inspect the facility again in August 2014.

Western Australia continues to have the highest level of juvenile incarceration in Australia outside the Northern Territory, and by far the highest rate of Aboriginal juvenile detention in the whole country. Aboriginal children continue to comprise 70 to 75 per cent of the total detention centre population. The younger the child, the more likely it is that he or she will be Aboriginal. Over a third of detainees, including some very young children, come from regional Western Australia and are disconnected from family and culture when in Perth.⁵

A large proportion of juvenile detainees, generally around 40 per cent, is held on remand. This is double the proportion of adults held on remand.

The cost of holding a juvenile in detention far outweighs the cost for community supervision. In 2012–2013, the average cost of holding a juvenile in detention was \$645 per day and the average cost for community supervision was \$81 per day.⁶

For financial and other reasons, one of the government's primary challenges is to ensure a stronger focus on prevention, diversion and community supervision. This will require innovative engagement with other government agencies and with the non-government sector. In order to maximise these opportunities, the Directed Review recommended that youth justice be transitioned out of the Department of Corrective Services and to a stand-alone agency or commissioning body. The government did not do this, but the establishment of a specific youth justice division in the Department, along with a 'Youth Justice Board' which provides advice to the Commissioner, holds some promise for improved outcomes.

Adult Prisoners: Ten Pressure Points

Prisoner numbers and costs

The cost of imprisonment has been rising quickly and there is a substantial cost difference between imprisonment and community based supervision.⁷ In 2012–2013 the average cost per prisoner increased by almost nine per cent, well above CPI, to \$317 per day or \$115,705 per annum. Costs vary widely between different facilities. The cost of supervising an offender in the community in 2012–2013 was \$49 per person.

The prison population grew rapidly from 2009 to 2012 but in 2012–2013 fluctuated between 4,900 and 5,000. This year has seen another sharp upward movement. Whilst July to December 2013 was relatively stable, the first half of 2014 saw the population increase rapidly to over 5,250. It is a tribute to staff, management and prisoners themselves that these increases have been managed without major incidents. The prisons under the most crowding pressure are Bandyup Women's Prison, Hakea Prison and Casuarina Prison.

Trends in the number of people on community based orders are generally contrary to trends in the number of people in prison. Thus, during the rapid rise in prisoner numbers from 2009 to 2012, the number of people on community orders sank back. When the prison population was relatively stable in 2012–2013, the number of community orders increased. In 2013–2014, when prisoner numbers increased, the number of community orders declined again.

⁵ OICS, *Directed Review into an incident at Banksia Hill Detention Centre on 20 January 2013*, Report No. 85 (August 2013) Appendix 4.

⁶ Department of Corrective Services, *Annual Report 2012–2013*, 103–104.

⁷ *Ibid.*, 98–99.

It is important to emphasise that the increase in prisoner numbers over recent years has been very unevenly spread, with three areas seeing particular growth: women; Aboriginal people; and people held on remand (see below).

Measures of overcrowding

High prisoner numbers continue to bring great pressure to bear on prison infrastructure, staff and prisoners. The nationally accepted benchmark for measuring prison occupancy rates, utilised in Australia's annual *Reports on Government Services* ('ROGS') is to compare the average daily population of prisons with prison design capacity.⁸ The optimal utilisation rate for prisons is between 90 and 95 per cent to allow for gender differences, security ratings, prisoners' geographical origins, movements between prisons, the need to separate some people for risk management reasons, and to allow for upward fluctuations in prisoner numbers.

In Western Australia the Department of Corrective Services rarely refers to the national benchmark of design capacity but uses, instead, the term 'operational capacity'. This term includes the bunk beds which have been progressively installed across much of the system, especially over the past three years, in cells which were designed only for single occupancy. It does not, however, include arrangements such as mattresses placed on cell floors.

This Office continues to argue against the double-bunking of cells designed for single occupancy for reasons of decency, respect, safety and the provision of a positive regime. The reality is that most prisons are overcrowded. And it is of particular concern that although double-bunking was originally badged as a necessary temporary measure, it has become widespread practice at most prisons. Almost every inspection report since 2010 has commented on the issues that this has created.

New capacity

Although there has been major investment in additional prison accommodation since 2009 this investment has been directed almost exclusively at male prisoners. In excess of 1,500 have been added for men in addition to the installation of double bunks in existing single cells.

The new West Kimberley Regional Prison in Derby was officially opened in October 2012 and is now operating at its full design capacity (around 125 males and 25 females).

Five new units with a combined double-bunked capacity of 640 have been added at Albany Regional Prison (one unit) and at Hakea and Casuarina Prisons (two units at each). Since 2009, additional accommodation units have also been added at Karnet and Wooroloo Prisons. However, investment in supporting infrastructure at these prisons has generally not kept pace with the increasing number of prisoners.

In addition, since 2009, Pardelup has become a prison rather than a work camp and new work camps for males have opened at Wyndham, Dowerin and Warburton. Acacia Prison is undergoing a major expansion which will become operational in 2014–2015 (387 beds) and Roebourne Regional Prison's new work camp for male prisoners is also opening in 2014.

In November 2012, the former Rangeview Remand Centre for juveniles re-opened as the Wandoo Reintegration Facility, a minimum-security facility designed to assist the community reintegration of young men aged 18–14. Wandoo has generally been operating below capacity as insufficient numbers are deemed eligible for placement there (see below).

Female prisoners

Female prisoners constitute an increasing proportion of a growing prisoner population (over 9% of the population compared with 7% in 2008–2009). The number of women in prison in Western Australia

⁸ *Report on Government Services 2014* (www.pc.gov.au/gsp/rogs/2014), Chapter 8. 'Design capacity' means, in essence, the number which the prison was designed and intended to hold.

has grown by 50 per cent since 2009. Over the same time period the number of men in prison has increased by around 25 per cent.

There has been far too little investment in female prisoners relative to the males, a matter this Office has constantly raised. Bandyup Women's Prison has been in particular need.⁹ During 2011–2012, a new unit was opened at Bandyup consisting of demountable units which were considered surplus to need at Karnet Prison. However, this failed to adequately meet immediate, let alone future demand.

In late 2012 one of the existing male units at Greenough Regional Prison was converted to a 72-bed female unit, with the addition of some supporting infrastructure. The opening of the West Kimberley Regional Prison in Derby also provided additional female accommodation but the Department chose to close the women's unit at Roebourne Regional Prison in 2013, and the total net gain was too little.

During 2013–2014, the Office gave a high priority to females in prison and detention. A report has been published on the female unit at Banksia Hill, and reports have been prepared on Bandyup Women's Prison and a thematic review of women's imprisonment focusing on the Greenough women's unit.

The measures taken to date for women prisoners are, at most, stop-gap measures. They do not cover current need and the situation is so serious and so urgent that it cannot await the construction of a new women's prison. The situation is such that the Department will need to reallocate some existing parts of the male system to women. As a consequence, it is likely a well-functioning area of the men's estate will be converted to provide this additional capacity, resulting in good initiatives being sacrificed because of poor planning. The Department must also ensure that the site or sites it selects is appropriate to meet the needs and risks of women prisoners.

Aboriginal prisoners

The most recent Australian Bureau of Statistics snapshot of the nation's prisons confirms that Western Australia has the highest imprisonment rate of Aboriginal people in the country, with Aboriginal people being 21 times more likely to be imprisoned than non-Indigenous adults.¹⁰

Department of Corrective Services statistics also show the total number of Aboriginal prisoners to be at unprecedented levels. At the end of June 2014, over 2,000 Aboriginal people were in prison, 40 per cent of the total prison population.

The figures were even more striking for women. In June 2014, 53 per cent of adult female prisoners were Aboriginal, an increase from 48 per cent in June 2013.

If outcomes are to be improved and these numbers reduced, there needs to be a stronger strategic focus, combined with practical initiatives to improve Aboriginal prisoners' access to positive re-entry support programs. This will require innovative partnerships with non-government organisations.

Remand prisoner numbers

The most obvious contributing factor to the rapid rise in the prison population from 2009 was the tougher stance taken to parole by the Prisoners Review Board. However, another important change was the marked increase in the number of prisoners being held on remand.

During 2008–09 and 2009–10, remandees generally constituted around 16 per cent of the population but this has steadily increased. In July 2013, there were more than 950 remand prisoners (19.5% of the population). By June 2014, numbers had risen to more than 1150 (22%).

⁹ OICS, *Report of an Announced Inspection of Bandyup Women's Prison*, Report No. 73 (August 2011). An inspection of Bandyup was conducted in March 2014 and the report will be released in 2014–2015.

¹⁰ The 2013 age-standardised imprisonment rate for Aboriginal and Torres Strait Islander adults compared to non-Indigenous adults were: Western Australia – 21 times higher; ACT 18.4; NT 16.3; NSW 13.5; VIC 12.8; QLD 12.2; and TAS 3.6 times higher. See Australian Bureau of Statistics, *Prisoners in Australia 2013*: <http://www.abs.gov.au/ausstats/abs@.nsf/mf/4517.0>

It is of very serious concern that more than one in five people in the state's jails is legally innocent. The reasons behind the trends are far from clear but the issue requires further analysis and action across government agencies.

Young adults

The Wandoo Reintegration Facility for minimum-security males aged 18 to 24 opened in November 2012. Serco, which already runs Acacia Prison, was contracted to run the facility. Wandoo represents an opportunity to provide improved rehabilitation and reintegration opportunities for a complex cohort of prisoners and it is an initiative which this Office has welcomed.

However, it is regrettable that the opening of Wandoo was not accompanied by intelligently targeted initiatives in other prisons. Leveraging off the Wandoo experience, there is much to be said for examining alternative approaches to the management of young men in prison. Too many are disaffected, disengaged and spend their time in prison unproductively. The consequence of not developing such initiatives has also been that the 'flow' of prisoners to Wandoo has been slow and the facility has been operating at below design capacity.

More consideration should also be given to young women prisoners. Their needs, often as young mothers and victims as well as offenders, are invariably very high. They deserve initiatives that draw on the experience with young men but are female-specific.

Mental health

It is universally acknowledged that prisoners have very high mental health needs. Unfortunately, the state's secure forensic psychiatric unit (the Frankland Centre) only has 30 beds, the same number as when it opened in 1993.

This has created acute pressures for the prison system. Many extremely unwell people are being held in prisons rather than in dedicated mental health facilities, without the specialist mental health interventions they need.¹¹

This is unsustainable in terms of the risks it generates to staff and prisoners. It is also a false economy as unaddressed mental health issues will often result in further conflict with the criminal justice system. A whole of government approach is urgently needed and the upfront costs of better investment will undoubtedly be outweighed by future benefits.

Prisoner security ratings and prison beds

Different prisons have different security ratings, as do different prisoners. The Department has an assessment and classification tool that uses a number of criteria to determine a prisoner's security rating that helps to determine the person's risks and needs, and where he or she is best placed.

The first part of 2014 saw some dramatic changes in the number of people given different security classifications. In December 2013, 1492 prisoners were rated minimum-security. By June 2014, the number had dropped by to 1389 (a 7% drop). Up to March 2014, the proportion of maximum-security prisoners remained relatively constant and was under 500. However, by June 2014, Departmental figures showed almost 1000 maximum-security prisoners, an increase of over 50 per cent in just three months.

The upgrades in security classifications no doubt reflected in large part the number of escapes which occurred from prisons, prisoner transport and hospital 'sit' situations in late 2013 and early 2014. The operational implications of these changes, and their impact on the management of prisons and prisoners is a matter this Office will continue to review.

¹¹ This point has been made in many inspection reports, most notably OICS, *Report of an Announced Inspection of Bandyup Women's Prison*, Report No. 73 (August 2011) and *Mentally impaired accused on 'custody orders': Not guilty, but incarcerated indefinitely*, April 2014.

Despite the changes, there is also still a poor alignment between the security ratings of prisoners and the available accommodation. As a result of investment decisions in 2009–2010, there are now in excess of 2,500 maximum–security beds for fewer than 1000 prisoners. This means that many prisoners are being subjected to more restrictive and more expensive regimes than the Department’s assessment system dictates.

Bandyup Prison presents a particularly good example. It is designated maximum–security and at the end of June 2014 held 285 prisoners. However, only 13 women (5%) were actually rated maximum–security. The majority of the women (226) were rated medium–security. They therefore still required a significant level of closed security and supervision but not the same as their maximum–security peers. However, 46 of the women (16%) were rated minimum–security. Unfortunately, because it is a maximum–security facility, the minimum–security women do not have access to any of the benefits of a minimum–security regime, including the possibility of activities outside the prison designed to assist them re–enter society without re–offending. They are very seriously disadvantaged compared with their male counterparts.

Evaluations: ‘What works’?

Planning, policy decisions and investment decisions in corrective services should be based on evidence as to the success of different initiatives in improving prisoners’ ability to successfully re–enter the community. Unfortunately there continues to be a dearth of good evidence on such matters. This makes it almost impossible to assess what works in reducing recidivism, for what people and why.

The new Commissioner is committed to improving the Department’s evidence base and the new Departmental structure is intended to achieve this. As part of the review function, this Office has conducted an assessment of the state’s recidivism rates during 2013–2014, the results of which will be published in 2014.

5. Achievements in 2013–2014

Directed Review

Report 85: Directed Review into a Riot at Banksia Hill Detention Centre

In January 2013, an extremely serious incident of mass disorder erupted at Banksia Hill Juvenile Detention Centre. It started when three detainees climbed onto a roof and escalated when they assisted other detainees to break out of their cells. Extensive damage was caused and forced the transfer of the majority of boys to Hakea prison.

In January 2013, the then Minister for Corrective Services announced that he had directed the Inspector to undertake a review of the 20 January incident. Although the trigger for the review was the riot, its scope was much broader, encompassing a wide range of issues relating to juvenile justice, especially those relating to juveniles in custody. In August 2013 the Inspector tabled a primary report and six supporting review papers on the riot in Parliament.¹² Thirty five recommendations were made, several of which aimed at improvements across the whole of government.

Reviews

Funeral attendances by incarcerated people in Western Australia

The Department allows approved adult prisoners and juvenile detainees to attend funerals. In the decade from 2003–2012, 6,014 mostly Aboriginal prisoners and detainees were escorted to funerals across WA. Prisoner and detainee attendance at funerals poses inherent difficulties which must be managed by the Department including managing security concerns and victim issues as well as the costs associated with

¹² The Auditor General published a review of the Banksia Hill Redevelopment Project contemporaneously with Report 85: see <https://audit.wa.gov.au/reports-and-publications/reports/the-banksia-hill-detention-centre-redevelopment-project/>

the travel. The review found the current policy, by not acknowledging kinship ties, does not comply with whole of government substantive equality requirements. In addition the Department was unable to substantiate cost saving claims that had resulted in a tightening of funeral access. Despite the significant impact on prisoners, particularly Aboriginal prisoners, the Department did not adequately analyse or understand the impact of its policy changes.

Mentally impaired accused on 'custody orders': Not guilty, but incarcerated indefinitely

Under the *Criminal Law (Mentally Impaired Accused) Act 1996* people with mental impairments can be found to be unfit to stand trial because they cannot understand court proceedings or acquitted of an offence because they were unable to control or understand the implications of their actions. This can lead to them being placed on a custody order and detained indefinitely in a prison, detention centre or hospital. The review found that the custody order system is unjust, under-resourced and ineffective.

People under a custody order are often held in custody far longer than the offence would normally warrant. Furthermore, limited placement options frequently result in people being detained in prison, a situation which can exacerbate their mental health issues. For more than 10 years, there has been general agreement that reform is needed, but progress has been painfully slow.

Inspections

This financial year, the Office completed the on-site physical inspection of six custodial facilities:

- Casuarina Prison (July 2013);
- Roebourne Regional Prison (September 2013);
- Acacia Prison (November 2013);
- Eastern Goldfields (January 2014);
- Bandyup Women's Prison (March 2014); and
- Wandoo Reintegration Facility (May 2014).

In each case the on-site inspection work was completed within the three-year time frame required by the *Act*. Advanced notice was given for each of these inspections. In addition five inspection reports were completed during 2013–2014, including reports from inspections conducted in 2012–2013.

Report 84: Report of an Announced Inspection of Karnet Prison Farm

Karnet Prison Farm is a minimum-security prison for adult males, which contributes to food production for other prisons. The inspection found that the prison, which has historically been a very good performer, has generally continued with its strong performance. Even so, a number of key challenges were identified. The greatest change to take place at Karnet in the past three years has been its significant increase in prisoner population. This has seen a corresponding increase in the numbers of custodial staff, but not in the area of administrative support staff and services.

In the prison's 50th year of operation, the age and size of some of its buildings are problematic. A great deal of work has been done on external aspects of the prison, however the interiors of the older cells require the same level of attention. Similarly, whilst a new reception building and laundry have gone a long way toward addressing the needs of an increased population, plans for the extension of the medical building have yet to be progressed.

Report 86: The management of young women and girls at Banksia Hill Detention Centre

As a comparatively small proportion of the overall youth in custody, girls have historically been marginalised. The 2009 announcement that all Banksia Hill would be redeveloped into the single accommodation option for all juvenile offenders provided an opportunity for the unique needs of girls in custody to be considered and accommodated. This inspection sought to examine the extent to which

this opportunity had been realised. At the time of the inspection, Yeeda held only nine girls aging from 12 through to 18 years of age. The inspection took place just over three months after the major riot by boys held at the Centre. Its overall conclusion was that there was some progress in improving services and outcomes for girls but that a good deal remained to be done. To some degree the shortfalls reflected the ‘backwash’ from the riot.

Report 87: Court Custody Centres’ Inspection

This report summarised inspections of all the custody centres that exist at the various courts across the state and the small number of lock-ups that currently come within the jurisdiction of this Office. The standards of the court custody cells, staff amenities, passageways, docks and control rooms vary across locations. They range from large, secure centres clean of graffiti to rather rundown centres in desperate need of upgrading.

The number and mix of cells was not always appropriate for the volume of people that use the centres. Sites such as Bunbury and Armadale regularly experience heavy traffic, sometimes up to around 20 people per day, and are forced to manage large numbers of people in only three or four small cells. People can sometimes be placed in temporary holding cells or in non-contact interview rooms for extended periods of time without access to fresh water or amenities. Apart from a select few, most sites do not provide adequate break areas or secure places for the custody staff to store their belongings. Most centres lack cell cameras, or experience blind spots.

People in custody were very well looked after by both Departmental and contractor employees with obvious signs of mutual respect generally demonstrated throughout the course of the inspection.

Report 88: Report of an Announced Inspection of Casuarina Prison

Casuarina Prison is the State’s main maximum-security prison for male prisoners, particularly long-term prisoners. The Inspection of this facility found that the prison has been doing a decent job with stretched resources. Investment is needed in infrastructure particularly the kitchen, medical facility, infirmary, workshops and new specialist mental health facilities. Staffing shortages were a key cause of limited services in areas including industries and education. There was a large amount of prisoner unemployment and under-employment. This was particularly true for Aboriginal prisoners.

Report 89: Report of an Announced Inspection of Roebourne Regional Prison

Roebourne Regional Prison has always been a source of concern to the Office, demonstrated by the fact that whilst we usually report on prisons once every three years, previous inspections of Roebourne have been conducted, on average, every two years. The 2013 Inspection found ongoing concerns with education, the Aboriginal Visitors Scheme, offender program delivery, limited industrial employment opportunities and prison infrastructure. Nevertheless, the inspection did identify a noticeable improvement in the prison’s staff culture. In addition the education and vocational training unit had created a young and capable team with the potential to deliver a much more effective program in 2014.

Office Initiatives

This year the Office redesigned its website, with the particular aim of improving the ease of access to information from reports, providing more information on work that was underway and in general making information more accessible to a wider range of audiences. The new website went on line in May 2014.

6. Key Effectiveness Indicators

In early 2013 the Under Treasurer approved changes to the Office's key performance indicators (KPIs). These changes, included for the first time in the 2013–2014 Budget Papers, were outlined in detail in last year's Annual Report. The following commentary aligns with the new, approved KPIs.

Reports

The number of published reports released each year has been rising, partially due to the introduction of the review function in 2012. The number of reports produced this year was also influenced by the Banksia Hill Inquiry.

Number of reports completed each financial year

	Actual				
Key Effectiveness Indicators	2009–10*	2010–11	2011–12	2012–13	2013–14
Number of reports	5	7	6	10	14

* Includes one issues paper

Recommendations

This year 153 recommendations were made in our reports. None of the Banksia Hill Inquiry supporting reviews contained recommendations; therefore all this year's recommendations were generated from eight out of the 14 reports.

The number of recommendations in each report in 2013–2014

Report	Number of recommendations	Percentage supported (%)*
84 Karnet Prison Farm	19	68.4
85 Banksia Hill Inquiry	35	97.1
BH Supporting review – Emergency management	-	-
BH Supporting review – Legal context	-	-
BH Supporting review – Physical Infrastructure	-	-
BH Supporting review – Post Incident	-	-
BH Supporting review – Security	-	-
BH Supporting review – Staffing	-	-
R Funeral attendance	13	100.0
86 Management of young women at Banksia Hill	8	87.5
87 Court custody centres	21	76.2
88 Casuarina Prison	22	86.4
89 Roebourne Regional Prison	30	83.3
R Mentally impaired accused held on custody orders	5	100.0
TOTAL	153	86.3

* Includes recommendations that are supported in principle and recommendations that the Department states to be existing initiatives.

As in previous years, not all of the recommendations that were accepted received a simple unqualified response of ‘supported’ by the Department. In previous years, only one-third of the recommendations received unqualified support. This year this rose to over half. Another third were partially supported or supported in principle and the rest were supported but claimed to already be the subject of existing initiatives.

Support for recommendations

Level of support	2011–12 (%)	2012–13 (%)	2013–14 (%)
Supported	29	31	49
Supported – existing initiative	19	27	9
Partially supported or qualified	33	25	28
Not supported	17	11	11
Unable to be determined	2	6	3

The percentage of recommendations not supported by the Department remained the same as last year, despite an improvement in the percentage of recommendations supported outright. This result was particularly influenced by the responses to the Karnet Prison Farm and Roebourne Prison inspections.

It is understandable that some recommendations will not be supported, particularly where there are substantial budgetary issues. In some cases, however, it is very difficult to comprehend the Department’s reasoning. For example, the Karnet inspection report recommended that labels are applied to any food produced at Karnet containing allergens. Our independent expert on food safety reported the lack of labelling to be a serious risk to food safety and prisoners’ health. Despite the risks, the Department did not support this recommendation, noting that there was ‘no requirement under health regulations for individual labelling for products intended for internal use’.

The extent to which the Department has placed caveats around its acceptance of some recommendations continues to concern the Office, particularly where it is claimed that an existing initiative is in place which addresses the substance of a recommendation. In some cases there was evidence to support the claim that work had already been done to address the issue, but in too many cases there was little evidence that the issue was under active detailed consideration or that the initiatives in question were actually having any impact. When such a response is received, the Office may request further supporting evidence and will attempt to monitor the initiatives in question.

There are also times when, even though a recommendation is ‘not supported’, the Department does in fact pursue the recommended course of action. On the other hand, support for a recommendation does not necessarily mean that the Department adequately progresses the issue.

During an inspection, the Department’s progress against recommendations made during the inspection three years previously is assessed. Only three inspections this year were carried out on previously inspected facilities; namely Karnet Prison Farm, Casuarina Prison and Roebourne Regional Prison. Of the 40 recommendations previously made for these facilities, this Office considered that the Department has made adequate or better progress on only 43 per cent. While this was an improvement on the very poor progress made in the preceding year it is still unacceptably low.

Progress against past inspection recommendations

Rating	2011–12 (%)	2012–13 (%)	2013–14 (%)
Poor	11	13	35
Less than acceptable	30	61	23
Acceptable	44	20	38
More than acceptable	16	7	3
Excellent			3

Timeliness of Inspection Reports

As described earlier,¹³ a number of statutory requirements and agreed protocols limit the speed at which inspection reports can become public. These include time for the Department to respond to the text and recommendations in draft reports, for the Office to seek further clarification, and for completed reports to be embargoed for at least 30 days after they are sent to Parliament.

In 2013–2014 the average time taken from the start of the inspection to producing a report was 30 weeks.¹⁴ This included an average of five weeks for the Department to consider and respond to the report. The average time taken to complete inspection reports was extended this year due to the increased time needed to complete the complex inspection of all the state’s court custody centres. Travel to each of the sites was interspersed between other inspections to allow for cost efficiencies. If this report is removed from calculations the average time taken from the start of an inspection to producing a report was only 16 weeks.

Upcoming Inspections

The Inspector is required to provide notice via the Annual Report of announced inspections that will be conducted in the next financial year.¹⁵ Inspections proposed for 2014–2015 are:

- Broome and West Kimberley Regional Prisons (July 2014);
- Banksia Hill Detention Centre (August 2014);
- Bunbury Prison (November 2014);
- Albany Regional Prison (January 2015);
- Boronia Pre-release Centre (March 2015); and
- Wooroloo Prison Farm (May 2015).

Liaison Visits

Every prison and detention centre is the subject of a structured formal liaison visit at least three times a year but usually four times per year. Each work camp receives at least one liaison visit each year. The frequency of visits may be adjusted according to the assessed risk of each facility. Custody centres are visited on a risk-assessment basis, but generally once each year.

In the normal course of events, the Office aims to achieve 90 such visits per year. This year, commensurate with an increased risk profile in many custodial facilities, the Office exceeded its visit target, completing 101 liaison visits.

¹³ See section 3.1 of this Report.

¹⁴ This does not include the additional 30-day embargo period before the report is made public.

¹⁵ Section 33(2)(e) of the *Act*.

Independent Visitor Service

The Independent Visitor Service ('IVS') is administered by the Office and is an integral part of the state's accountability mechanisms. Independent Visitors ('IVs') are appointed by the Minister on the advice of the Inspector. The scheme provides an opportunity for people held in custody and staff in prisons and juvenile facilities to express their views, comments and complaints about their treatment and conditions to an impartial community volunteer. Feedback is reported to the Inspector, who in turn reports to the Minister during the course of his regular meetings. The Inspector recognises the valuable contribution made by IVs and acknowledges their voluntary efforts.

This year a total of 177 reports were submitted by IVs and referred to the Department of Corrective Services.

At the completion of the year there were 32 IVs appointed to the 16 adult and one juvenile facilities. Of these, nine IVs visited more than one facility, with some visiting up to four facilities.

The Independent Visitor Service has a full complement of Visitors but recruiting of volunteers is an ongoing effort to cover resignations and retirements. A special focus on recruiting Aboriginal Independent Visitors has occurred for the last two years with some success, and will continue in 2014–2015.

Community Relations

Consulting with volunteer organisations and externally located stakeholders, which provide services in 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.

In 2013–2014 the Office continued to further develop links with the Aboriginal community across Western Australia through effective communication and networking by the Community Liaison Officer. The Inspector would like to acknowledge the contribution made by and to thank all community-based individuals and groups contributing to the activities of the Office this year.

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, and has been asked to act in a consultative capacity to organisations in other jurisdictions seeking to investigate custodial practices or to establish similar accountability offices.

In 2013–2014 the Inspector made a number of presentations to professional audiences in Western Australia, nationally and overseas. These included the Australasian Parole Authorities Conference (Perth, October 2013); the District Court of Western Australia (Perth, November 2013); the Prison Planning, Design, Construction and Maintenance Conference (Melbourne, December 2013); the Malaysian Prison Department's Healthy Prison Conference (February 2014); and the Office of the Director of Public Prosecutions (Perth, April 2014). He served as Rapporteur for the Asian and Pacific Conference of Correctional Administrators (www.apcca.org) in India in September 2013. He has continued to conduct university seminars at undergraduate or postgraduate level, and to research into the criminal law of Malaysia and Singapore.

7. Staff

In 2013–2014 the Office had 20 Full Time Equivalent staff made up of full-time and part-time employees. Staff comprise the Inspector, Deputy Inspector, and three teams comprising: Operations; Strategy, Review and Community Relations; and Corporate Services.

As permitted under section 12 of the *Act*, the Inspector delegated his powers to the acting Deputy Inspector twice during the year from:

- 23 September to October 2013
- 28 March to 23 May 2014

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 during inspections throughout the year. The participation of these experts, who are outlined in each report, added great value to the work of the Office and provided an added depth to the inspection work. The Inspector would like to acknowledge the contributions of these departments and agencies and to thank them for their support throughout the year.

8. Relationships

Parliament

The statutory scheme of the *Inspector of Custodial Services Act 2003* makes the Inspector accountable to Parliament. The Inspector tables reports in Parliament directly, not through the Minister. This accountability model is designed to allow the Parliament to evaluate the performance and objectives of the Department of Corrective Services by way of the Inspector's reports.

The Inspector welcomes these opportunities 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 a very important safeguard for balanced criminal justice policies and for the rights of both staff and people in custody.

Minister

Ministerial responsibility for Corrective Services has changed frequently since the Inspector's appointment in March 2009. Current responsibility resides with the Honourable Joe Francis MLA who was appointed on 21 March 2013. The former Ministers were:

- Murray Cowper MLA: 29 June 2012 to 20 March 2013;
- Terry Redman MLA: 14 December 2010 – 29 June 2012; and
- Christian Porter MLA: 23 September 08 – 14 December 2010.

The Inspector is an independent officer who reports to the Parliament and is not subject to Ministerial direction under the *Act*, except for the power for the Minister to 'direct' a review.¹⁶ The Inspector must comply with such a direction unless, in the Inspector's opinion, there are exceptional circumstances for not complying.

This was exercised in January 2013 where the former Minister directed the Inspector to undertake a review into an incident at the Banksia Hill detention centre. The Inspector not only complied with the direction, but worked with the former Minister to establish the terms of reference for the review. While ministerial responsibility changed during the process of this review, the Inspector maintained open communication on emerging findings and their implications to the appropriate Minister.

¹⁶ As set out in sections 17–18. In essence, these sections empower the Minister to direct in writing that the Inspector should inspect and report on a place of custody or a custodial service.

The Inspector aims for a positive, regular engagement with the Minister to keep the Minister informed of areas of concern. On several occasions in 2013–14, the Inspector provided advice on specific matters to the Minister. There are regular scheduled meetings, and other meetings are held as required, between the Inspector and the Deputy Inspector (or other Office staff) and the Minister, the Chief of Staff or relevant policy advisors.

Other Agencies

The Inspector recognises that many matters falling within the Office's jurisdiction raise or arise out of factors that go 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 the Inspector scrutinises directly. Section 27 of the *Act* provides the statutory basis for these activities. This year the reports on the Banksia Hill Inquiry and court custody centres, as well as the review of mentally impaired accused held on custody orders all made recommendations beyond the scope of the Department of Corrective Services.

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 is 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 quarterly basis and at other times as required.

9. Other Functions

Risk Notices

The Inspector raises matters of risk with the Department and the Minister in several ways. These include inspection reports, correspondence and meetings with the Minister and/or the Commissioner for Corrective Services, and the process of issuing a 'risk notice'. Risk notices are used sparingly and generally will not be used if the issue has been raised in other ways and is being addressed as a result. There were no risk notices issues this financial year, though many areas of risk were raised with the Minister and the Commissioner for Corrective Services.¹⁷

'Show Cause' Notices

In addition to the new review function, the Government's response to the Coroner's inquest into the death of Mr Ward included power for the Inspector to issue a 'show cause notice' to the Department.¹⁸ If the Inspector suspects, on reasonable grounds, that there is a serious risk to the security, control, safety, care or welfare of a prisoner, or that a person is being subject to cruel, inhuman or degrading treatment, he can issue a notice to the Department requiring it to 'show cause' why the matter should not be referred to the Minister.

This power came into force on 18 January 2012. It was not exercised in 2013–2014 though issues of risk were regularly raised through other means. Ideally, the avenues of communication between the Inspector, the Department and the Minister will be such that matters can be raised and will receive a response without needing to consider the issue of a show cause notice. In practice, it is therefore likely to be used primarily: (i) where issues have been raised in other ways but have not received an adequate response; or (ii) where there is a sudden matter of high risk which requires an immediate response.

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*.

¹⁷ Some of the general issues raised are discussed in section 5 of this report – 'Trends in Correctional Services'.

¹⁸ Section 33A of the *Act*.

Disclosure of Information

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 *Act* the Office may only deal with a complaint or a grievance received by referring it to another agency or dealing with them within the context of an inspection or review. This year 70 letters were received.

Part Two – Source Reference

FMA sec 61
TI 902

HON JOSEPH (JOE) MICHAEL FRANCIS MLA
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 2014.

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*.



Neil Morgan

Accountable Authority

12 August 2014

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Operational Structure

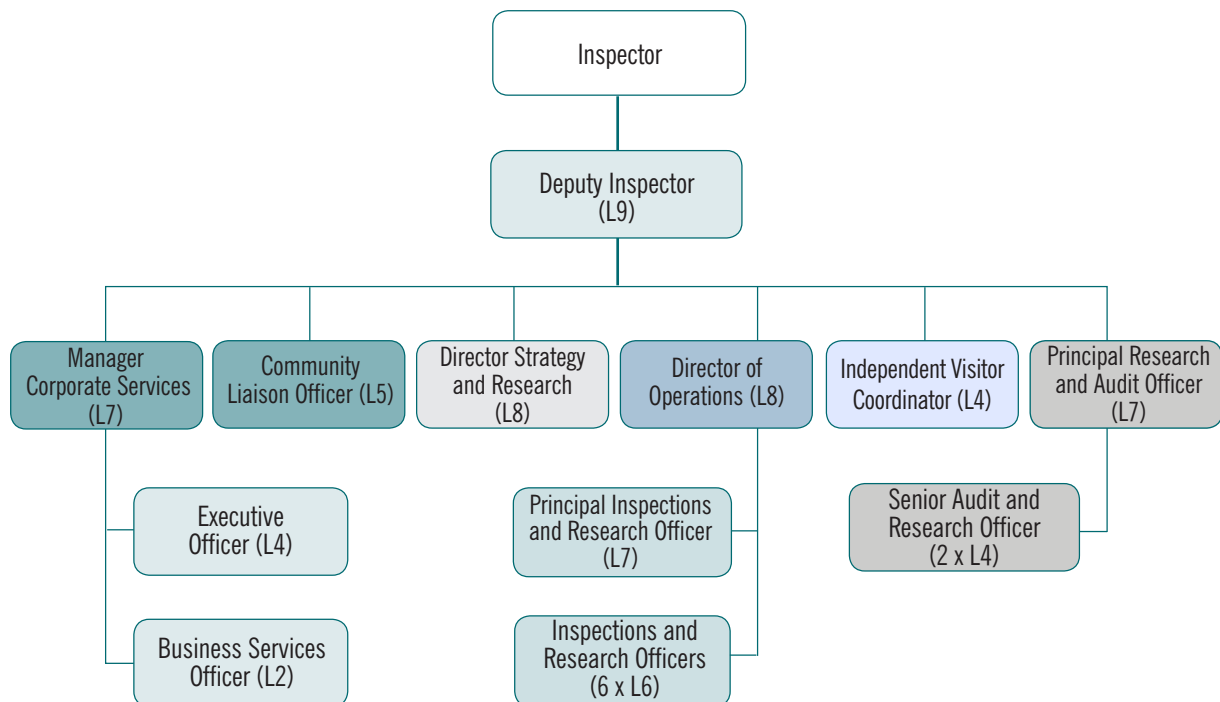
Enabling Legislation

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

Responsible Minister

The Hon. Joseph (Joe) Michael Francis MLA, Minister for Corrective Services.

Organisational Chart



Senior Officers

Professor Neil Morgan (The Inspector of Custodial Services)

Appointed Inspector on 30 March 2009, Neil Morgan is the second Inspector of Custodial Services in Western Australia, following Professor Richard Harding. He was 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 Richard Harding) *Implementing the Optional Protocol to the Convention Against Torture: Options for Australia* (2008) –www.hreoc.gov.au/human_rights/publications.

Deputy Inspector: Andrew Harvey

Andrew was appointed Deputy Inspector in the Office of the Inspector of Custodial Services on 3 January 2012. Andrew has worked in a diverse range of senior management roles in Commonwealth and State public sector agencies, including as a Senior Manager at the Australian Bureau of Statistics and at the Office of the Auditor General where Andrew led teams managing compliance, control and accountability audits. He also managed the licencing of Western Australia's water, electricity and gas service providers at the Economic Regulation Authority.

Immediately prior to joining the Office Andrew undertook the role of assistant Ombudsman, Complaint Resolution at the WA Ombudsman where he oversaw significant improvements in both the timelines and effectiveness of complaint and investigation handling.

Andrew holds a Bachelor of Arts (Politics and Anthropology) and a Masters in Criminal Justice.

Administered Legislation

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

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. We have exercised controls which provide reasonable assurance that the receipt and expenditure of money 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

Outcome Based Management Framework

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

Service: Inspection and review of custodial services

Shared Responsibilities with Other Agencies

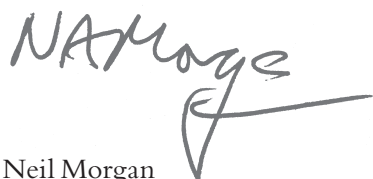
The Office did not deliver services jointly with any other agency in 2013/14.

Summary Of Key Performance Indicators: Actual Performance Compared to Budget Targets

	2013–14 Target (000's)	2013–14 Actual (000's)	2013–14 Variation (000's)
Key Effectiveness Indicator (%) The extent to which the Department of Corrective Services and, where relevant, other agencies accept recommendations contained in reports.	80	86	+6
Key Efficiency Indicators (\$) Average cost per Report	250	206	-44
Average cost per Independent Visitors' Scheme Report	1	1.3	+0.3
Average cost per Liaison Visit Report	5	4.8	-0.2

Certification of Key Performance Indicators

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 2014.



Neil Morgan

12 August 2014

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 Social and Environmental Responsibility – one of the 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 about 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.

Service: Inspection and Review of Custodial Services

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

Key Effectiveness Indicators

The extent to which the Department of Corrective Services ('the Department') and, other agencies accept recommendations contained in Reports.

Key Effectiveness Indicator	Number of Inspection Report Recommendations		Percentage of Recommendations Accepted (%)	
	Target	Actual	Target	Actual
2010–11	50	89	90	90
2011–12	50	127	90	85
2012–13	90	78	90	86
2013–14	100	153	80	86

Comparison of Actual Results and Budget Targets

The number of recommendations made this year is higher than expected due to more recommendations raised from eight of the 14 reports published. The surge in recommendations is due to the diverse range of facilities and issues covered.

The percentage of recommendations accepted, although more than the target is consistent with the previous year.

Key Efficiency Indicators

Key Efficiency Indicators	Actual 2010–11	Actual 2011–12	Actual 2012–13	Target 2013–14	Actual 2013–14
Report ¹	n/a	n/a	n/a	9	14
Average cost per Report	n/a	n/a	n/a	250,000	206,064
Liaison Visit Report	98	100	101	100	101
Average cost per Liaison Visit Report	5,823	4,944	5,036	5,000	4,826
Independent Visitors' Scheme Report	158	159	163	150	177
Average cost per Independent Visitors' Scheme Report	908	949	853	1,000	1,328

¹ In 2013–14, the efficiency key performance indicators for inspection reports, exit debriefs, ministerial advices and discussion papers have been replaced with a new indicator for reports. Hence no prior year comparatives have been presented for the new efficiency indicator. For full disclosure of efficiency key performance indicators for 2010 to 2013 relating to inspection reports, exit debriefs, ministerial advices and discussion papers, refer to prior year annual reports.

Other Financial Disclosures

Source Reference

Employment and Industrial Relations

Staff Profile

	2013–14	2012–13
Full-time permanent	16	16
Full-time contract		
Part-time measured on an FTE basis	2	3
On secondment	1	1
	19	20

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.

Governance Disclosures

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

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
Number of breaches found, including details of multiple breaches per application:	nil
Number still under review	nil



Neil Morgan

Inspector of Custodial Services

12 August 2014

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	\$0
Expenditure with Market Research Agencies	\$0
Expenditure with Polling Agencies	\$0
Expenditure with Direct Mail Agencies	\$0
Expenditure with Media Advertising Agencies	\$0
TOTAL EXPENDITURE	\$0

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).

This year the Office revised its original DAIP and submitted it to the Disability Services Commission on November 2013. The Plan will guide us from 2013 to 2018 in maintaining, and where necessary improving our ability to ensure people with disability have the same opportunities as other people to access employment in this Office, communicate with us and access information produced by us. The new plan is available on the Office's website.

In addition to revising the DAIP, and developing a corresponding implementation plan, this year the Office sought to improve the ability for people with disability to access information from our Office through a major upgrade of our website. The new web design makes it easier for all people to access information and includes specific designs to enhance access for people with disability. The website meets WCAG guidelines. It went live in May 2014.

Recordkeeping Plans

The State Records Commission approved the Office's recordkeeping plan in October 2009 for a period of five years. The recordkeeping plan is currently being updated for re-approval in October 2014.

On-line training in records management continues to be provided to staff upon commencing employment at the Office. The Office 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 with staff to discuss occupational safety and health 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.

The Inspectorate has completed an external accredited assessment of its occupational safety and health management systems. Identified gaps and recommendations are in the process of being implemented.

Annual Performance

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	n/a
Percentage of managers trained in occupational safety, health and injury management responsibilities (%)	50	60

Sustainability

The Office supports environmental sustainability and demonstrates this by having its own Sustainability Action Plan. Staff members adhere to sustainability measures wherever possible on a day-to-day basis by exercising the following disciplines:

- Using recycled paper for photocopying and printing;
- Reducing the vehicle fleet from four to three;
- Using recycled printer and toner cartridges; and
- Using sensor lighting in all work areas including meeting 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 processes are aimed at ensuring that members of staff are aware of their responsibilities with the primary objective of ensuring that standards are maintained and to encourage improvement.

Part Three – Financial Statements

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 2014 and the financial position as at 30 June 2014.

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

Chief Finance Officer

12 August 2014



Neil Morgan

Accountable Authority

12 August 2014



Auditor General

INDEPENDENT AUDITOR'S REPORT

To the Parliament of Western Australia

OFFICE OF THE INSPECTOR OF CUSTODIAL SERVICES

Report on the Financial Statements

I have audited the accounts and financial statements of the Office of the Inspector of Custodial Services.

The financial statements comprise the Statement of Financial Position as at 30 June 2014, the Statement of Comprehensive Income, Statement of Changes in Equity, Statement of Cash Flows, and Summary of Consolidated Account Appropriations and Income Estimates for the year then ended, and Notes comprising a summary of significant accounting policies and other explanatory information.

Inspector of Custodial Services' Responsibility for the Financial Statements

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 and the Treasurer's Instructions, and for such internal control as the Inspector of Custodial Services determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

As required by the Auditor General Act 2006, my responsibility is to express an opinion on the financial statements based on my audit. The audit was conducted in accordance with Australian Auditing Standards. Those Standards require compliance with relevant ethical requirements relating to audit engagements and that the audit be planned and performed to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Office's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by the Inspector of Custodial Services, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements are based on proper accounts and present fairly, in all material respects, the financial position of the Office of the Inspector of Custodial Services at 30 June 2014 and its financial performance and cash flows for the year then ended. They are in accordance with Australian Accounting Standards and the Treasurer's Instructions.

Report on Controls

I have audited the controls exercised by the Office of the Inspector of Custodial Services during the year ended 30 June 2014.

Controls exercised by the Office of the Inspector of Custodial Services are those policies and procedures established by the Inspector of Custodial Services to ensure 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.

Inspector of Custodial Services' Responsibility for Controls

The Inspector of Custodial Services is responsible for maintaining an adequate system of internal control to ensure that the receipt, expenditure and investment of money, the acquisition and disposal of public and other property, and the incurring of liabilities are in accordance with the Financial Management Act 2006 and the Treasurer's Instructions, and other relevant written law.

Auditor's Responsibility

As required by the Auditor General Act 2006, my responsibility is to express an opinion on the controls exercised by the Office of the Inspector of Custodial Services based on my audit conducted in accordance with Australian Auditing and Assurance Standards.

An audit involves performing procedures to obtain audit evidence about the adequacy of controls to ensure that the Office complies with the legislative provisions. The procedures selected depend on the auditor's judgement and include an evaluation of the design and implementation of relevant controls.

I believe that the audit evidence obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the controls exercised by the Office of the Inspector of Custodial Services are sufficiently adequate to 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 during the year ended 30 June 2014.

Report on the Key Performance Indicators

I have audited the key performance indicators of the Office of the Inspector of Custodial Services for the year ended 30 June 2014.

The key performance indicators are the key effectiveness indicators and the key efficiency indicators that provide information on outcome achievement and service provision.

Inspector of Custodial Services' Responsibility for the Key Performance Indicators

The Inspector of Custodial Services is responsible for the preparation and fair presentation of the key performance indicators in accordance with the Financial Management Act 2006 and the Treasurer's Instructions and for such controls as the Inspector of Custodial Services determines necessary to ensure that the key performance indicators fairly represent indicated performance.

Auditor's Responsibility

As required by the Auditor General Act 2006, my responsibility is to express an opinion on the key performance indicators based on my audit conducted in accordance with Australian Auditing and Assurance Standards.

An audit involves performing procedures to obtain audit evidence about the key performance indicators. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the key performance indicators. In making these risk assessments the auditor considers internal control relevant to the Inspector of Custodial Services' preparation and fair presentation of the key performance indicators in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the relevance and appropriateness of the key performance indicators for measuring the extent of outcome achievement and service provision.

I believe that the audit evidence obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the key performance indicators of the Office of the Inspector of Custodial Services are relevant and appropriate to assist users to assess the Office's performance and fairly represent indicated performance for the year ended 30 June 2014.

Independence

In conducting this audit, I have complied with the independence requirements of the Auditor General Act 2006 and Australian Auditing and Assurance Standards, and other relevant ethical requirements.

Matters Relating to the Electronic Publication of the Audited Financial Statements and Key Performance Indicators

This auditor's report relates to the financial statements and key performance indicators of the Office of the Inspector of Custodial Services for the year ended 30 June 2014 included on the Office's website. The Office's management is responsible for the integrity of the Office's website. This audit does not provide assurance on the integrity of the Office's website. The auditor's report refers only to the financial statements and key performance indicators described above. It does not provide an opinion on any other information which may have been hyperlinked to/from these financial statements or key performance indicators. If users of the financial statements and key performance indicators are concerned with the inherent risks arising from publication on a website, they are advised to refer to the hard copy of the audited financial statements and key performance indicators to confirm the information contained in this website version of the financial statements and key performance indicators.



GLEN CLARKE
DEPUTY AUDITOR GENERAL
Delegate of the Auditor General for Western Australia
Perth, Western Australia
15 August 2014

Statement of Comprehensive Income for the year ended 30 June 2014

COST OF SERVICES	Note	2014	2013
		\$	\$
Expenses			
Employee benefits expense	6	2,351,942	2,463,166
Supplies and services	7	817,309	906,340
Depreciation and amortisation expense	8	50,871	54,223
Accommodation expenses	9	313,513	279,690
Other expenses	10	73,780	34,413
Total Cost of Services		3,607,415	3,737,832
Income			
<i>Revenue</i>			
Other revenue	11	11,289	19,680
Total Revenue		11,289	19,680
Total Income other than Income from State Government		11,289	19,680
Net Cost of Services		3,596,126	3,718,152
Income from State Government			
Service Appropriation	12	3,490,000	3,623,000
Resources received free of charge	12	108,918	111,985
Total Income from State Government		3,598,918	3,734,985
SURPLUS/(DEFICIT) FOR THE PERIOD		2,792	16,833
Total Other comprehensive Income		-	-
TOTAL COMPREHENSIVE INCOME/(DEFICIT) FOR THE PERIOD		2,792	16,833

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

Statement of Financial Position as at 30 June 2014

ASSETS	Note	2014	2013
		\$	\$
Current Assets			
Cash and cash equivalents	23	261,490	280,539
Receivables	14	25,023	130,954
Amounts receivable for services	15	26,000	26,000
Other assets	16	48,222	-
Total Current Assets		360,735	437,493
Non-Current Assets			
Restricted cash and cash equivalents	13, 23	73,307	60,307
Amounts receivable for services	15	173,000	169,000
Plant and equipment	17	20,704	68,532
Intangible asset	18	549	3,592
Total Non-Current Assets		267,560	301,431
TOTAL ASSETS		628,295	738,924
LIABILITIES			
Current Liabilities			
Payables	20	177,215	293,145
Provisions	21	615,567	626,727
Total Current Liabilities		792,782	919,872
Non-Current Liabilities			
Provisions	21	100,744	87,075
Total Non-Current Liabilities		100,744	87,075
TOTAL LIABILITIES		893,526	1,006,947
NET LIABILITIES		(265,231)	(268,023)
EQUITY			
	22		
Contributed equity		274,000	274,000
Accumulated deficit		(539,231)	(542,023)
TOTAL EQUITY/(DEFICIT)		(265,231)	(268,023)

The Statement of Financial Position should be read in conjunction with the accompanying notes.

Statement of Changes in Equity for the year ended 30 June 2014

	Note	Contributed equity	Accumulated deficit	Total equity deficit
		\$	\$	\$
Balance at 1 July 2012	22	274,000	(558,855)	(284,855)
Surplus		-	16,833	16,833
Total Comprehensive Income for the Period		-	16,833	16,833
Transactions with owners in their capacity as owners:				
- Capital contributions		-	-	-
Total		-	-	-
Balance at 1 July 2013		274,000	(542,023)	(268,023)
Balance at 1 July 2013		274,000	(542,023)	(268,023)
Surplus		-	2,792	2,792
Total Comprehensive Income for the Period		-	2,792	2,792
Transactions with owners in their capacity as owners:				
- Capital contributions		-	-	-
Total		-	-	-
BALANCE AT 30 JUNE 2014		274,000	(539,231)	(265,231)

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

Statement of Cash Flows for the year ended 30 June 2014

CASH FLOWS FROM STATE GOVERNMENT	Note	\$	\$
Service appropriations		3,460,000	3,556,000
Capital contributions			-
Holding account drawdown		26,000	25,000
Net Cash Provided by State Government		<u>3,486,000</u>	<u>3,581,000</u>
Utilised as follows:			
CASH FLOWS FROM OPERATING ACTIVITIES			
Payments			
Employee benefits		(2,269,629)	(2,233,489)
Supplies and services		(872,715)	(933,483)
Accommodation		(313,513)	(279,690)
Other payments		(73,780)	(29,739)
GST payments on purchases		(129,326)	(141,508)
Receipts			
GST receipts on sales		11,107	84
GST receipts from taxation authority		144,518	144,976
Other receipts		11,289	-
Net Cash Used in Operating Activities	23	<u>(3,492,049)</u>	<u>(3,472,849)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments			
Purchase of non-current physical assets		-	-
Purchase of non-current intangible assets		-	-
Receipts			
Proceeds from sale of non-current assets		-	-
Net Cash Used in Investing Activities		<u>-</u>	<u>-</u>
Net Increase/(Decrease) in Cash and Cash Equivalents		(6,049)	108,151
Cash and cash equivalents at the beginning of the period		340,846	232,695
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	23	<u>334,797</u>	<u>340,846</u>

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

Summary of Consolidated Account Appropriations and Income Estimates for the year ended 30 June 2014

	2013	2013		2013	2012	
	Estimate	Actual	Variance	Actual	Actual	Variance
	\$	\$	\$	\$	\$	\$
Delivery of Services						
Item 115 net amount appropriated to deliver services	3,243,000	3,243,000	-	3,243,000	3,399,000	(156,000)
Amount Authorised by Other Statutes						
<i>Salaries and allowances Act 1975</i>	247,000	247,000	-	247,000	224,000	23,000
Total Appropriations Provided to Deliver Services	3,490,000	3,490,000	-	3,490,000	3,623,000	(133,000)
Capital						
Capital appropriations	-	-	-	-	-	-
GRAND TOTAL	3,490,000	3,490,000	-	3,490,000	3,623,000	(133,000)
Details of Expenses by Services						
Inspection and review of custodial services	3,495,000	3,607,415	112,415	3,607,415	3,737,832	(130,417)
Total cost of services	3,495,000	3,607,415	112,415	3,607,415	3,737,832	(130,417)
Less: Total Income	(5,000)	(11,289)	(6,289)	(11,289)	(19,680)	8,391
Net Cost of Services	3,490,000	3,596,126	106,126	3,596,126	3,718,152	(122,026)
Adjustments	-	(106,126)	(106,126)	(106,126)	(95,152)	(10,974)
Total Appropriations Provided to Deliver Services	3,490,000	3,490,000	-	3,490,000	3,623,000	(133,000)

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

Note 27 'Explanatory Statement' provides details of any significant variations between estimates and actual results for 2014 and between the actual results for 2014 and 2013.

Notes to the Financial Statements for the year ended 30 June 2014

Note 1. Australian Accounting Standards

General

The Office's financial statements for the year ended 30 June 2014 have been prepared in accordance with Australian Accounting Standards. The term 'Australian Accounting Standards' includes Standards and Interpretations issued by the Australian Accounting Standards Board (AASB).

The Office has adopted any applicable new and revised Australian Accounting Standards from their operative dates.

Early Adoption of Standards

The Office cannot early adopt an Australian Accounting Standard unless specifically permitted by TI 1101 Application of Australian Accounting Standards and Other Pronouncements. There has been no early adoption of Australian Accounting Standards that have been issued or amended (but not operative) by the Office for the annual reporting period ended 30 June 2014.

Note 2. Summary of Significant Accounting Policies

(a) General Statement

The Office is a not-for-profit reporting entity that prepares general purpose financial statements in accordance with Australian Accounting Standards, the Framework, Statements of Accounting Concepts and other authoritative pronouncements of the AASB 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 impose legislative provisions that govern the preparation of financial statements and take precedence over Australian Accounting Standards, the Framework, Statements of Accounting Concepts and other authoritative pronouncements of the AASB.

Where modification is required and has had a material or significant financial 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 and all values are rounded to the nearest dollar.

Note 3 'Judgements Made by Management in Applying Accounting Policies' discloses judgements that have been made in the process of applying the Office's accounting policies resulting in the most significant effect on amounts recognised in the financial statements.

Note 4 'Key Sources of Estimation Uncertainty' discloses key assumptions made concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

(c) Reporting Entity

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

Mission

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 predominantly funded by Parliamentary appropriations.

Service

The Office provides only one service which relates to inspection and review of custodial services. Hence, both the "Schedule of Income and Expenses by Service" and "Schedule of Assets and Liabilities by Service" have not been presented in the financial statements for the year ended 30 June 2014.

(d) Contributed Equity

AASB Interpretation 1038 Contributions by Owners Made to Wholly-Owned Public Sector Entities requires transfers in the nature of equity contributions, other than as a result of a restructure of administrative arrangements, 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 appropriations have been designated as contributions by owners by 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 recognised and 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 at fair value 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 to the bank account or credited to the 'Amounts Receivable for Services' (Holding Account) held at Treasury.

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 2013–2014 Budget Statements, the Office retained \$11,289 in 2014 (\$19,680 in 2013) from the following:

- Other departmental revenue.

Gains

Realised or unrealised gains are usually recognised on a net basis. These include gains arising on the disposal of non-current assets.

Note 2. Summary of Significant Accounting Policies (Contd.)

(f) Plant and Equipment

Capitalisation/Expensing of Assets

Items of plant and equipment costing \$5,000 or more are recognised as assets and the cost of utilising assets is expensed (depreciated) over their useful lives. Items of plant and equipment costing less than \$5,000 are immediately expensed direct to the Statement of Comprehensive Income.

Initial Recognition and Measurement

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

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

Subsequent Measurement

Subsequent to initial recognition as an asset, the historical cost model is used for plant and equipment. All items of plant and equipment are stated at historical 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 rates which are reviewed annually. Estimated useful lives for each class of depreciable asset are:

- | | |
|--------------------------|---------|
| • Communications | 5 Years |
| • Computer Hardware | 3 Years |
| • Leasehold Improvements | 7 Years |
| • Office Equipment | 5 Years |

(g) Intangible Assets

Capitalisation/Expensing of Assets

Acquisitions of intangible assets costing \$5,000 or more are capitalised. The cost of utilising the assets is expensed (amortised) over their useful life. Costs incurred below these thresholds are immediately expensed directly to the Statement of Comprehensive Income.

Intangible assets are initially recognised at cost. For assets acquired at no cost or for nominal cost, the cost is their fair value at the date of acquisition.

The cost model is applied for subsequent measurement requiring the asset to be carried at cost less any accumulated amortisation and accumulated impairment losses.

Amortisation for intangible assets with finite useful lives is calculated for the period of the expected benefit (estimated useful life which is reviewed annually) on the straight line basis. All intangible assets controlled by the Office have a finite useful life and zero residual value.

The expected useful lives for each class of intangible asset are:

- | | |
|---------------------|---------|
| • Computer Software | 3 Years |
|---------------------|---------|
-

Computer Software

Software that is an integral part of the related hardware is recognised as plant and equipment. Software that is not an integral part of the related hardware is recognised as an intangible asset. Software costing less than \$5,000 is expensed in the year of acquisition.

(h) Impairment of Assets

Plant and equipment assets are tested for any indication of impairment at the end of each reporting period. 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 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, 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.

Intangible assets not yet available for use are tested for impairment at the end of each reporting period irrespective of whether there is any indication of impairment.

(i) Leases

The Office has not entered into any finance leases.

The Office holds operating leases for office accommodation and motor vehicles. Lease payments are expensed on a straight line basis over the lease term as this represents the pattern of benefits derived from the leased properties.

(j) Financial Instruments

In addition to cash, the Office has two categories of financial instruments:

- Receivables; and
- Financial liabilities measured at amortised cost.

Financial instruments have been disaggregated into the following classes:

- Financial Assets
 - » Cash and cash equivalents
 - » Restricted cash and cash equivalents
 - » Receivables
 - » Amounts receivable for services
- Financial Liabilities
 - » Payables

Initial recognition and measurement 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.

Note 2. Summary of Significant Accounting Policies (Contd.)

(k) Cash and Cash Equivalents

For the purpose of the Statement of Cash Flows, cash and cash equivalent (and restricted cash and cash equivalent) assets comprise 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.

(l) Accrued Salaries

Accrued salaries represent the amount due to staff but unpaid at 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 fair value.

The accrued salaries suspense account 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.

(m) Amounts Receivable for Services (Holding Account)

The Office receives funding on an accrual basis. The appropriations are paid partly in cash and partly as an asset (holding account receivable). The accrued amount receivable is accessible on the emergence of the cash funding requirement to cover leave entitlements and asset replacement.

(n) Receivables

Receivables are recognised at original invoice amount less an allowance for any uncollectible amounts (i.e. impairment). The collectability of receivables is reviewed on an ongoing basis and any receivables identified as uncollectible are written-off against the allowance account. The allowance for uncollectible amounts (doubtful debts) is raised when there is objective evidence that the Office will not be able to collect the debts. The carrying amount is equivalent to fair value as it is due for settlement within 30 days.

(o) Payables

Payables are recognised at the amounts payable 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 settlement is generally within 30 days.

(p) Provisions

Provisions are liabilities of uncertain timing or amount and are recognised where there is a present legal 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 the end of each reporting period.

Provisions – Employee Benefits

All annual leave and long service leave provisions are in respect of employees' services up to the end of the reporting period.

Annual Leave

Annual leave is not expected to be settled wholly within 12 months after the end of the reporting period and is therefore considered to be "other long-term employee benefits". The annual leave liability is recognised and measured at the present value of amounts expected to be paid when the liabilities are settled using the remuneration rate expected to apply at the time of settlement.

When assessing expected future payments consideration is given to expected future wage and salary levels including non-salary components such as employer superannuation contributions, as well as the experience of employee departures and periods of service. The expected future payments are discounted using market yields at the end of the reporting period on national government bonds with terms to maturity that match, as closely as possible, the estimated future cash outflows.

The provision for annual leave is classified as a current liability as the Office does not have an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

Long Service Leave

The liability for long service leave that is expected to be settled within 12 months after the end of the reporting period is recognised and measured at the undiscounted amounts expected to be paid when the liability is settled.

Long service leave that is not expected to be settled within 12 months after the end of the reporting period is recognised and measured at the present value of amounts expected to be paid when the liabilities are settled using the remuneration rate expected to apply at the time of settlement.

When assessing expected future payments consideration is given to expected future wage and salary levels including non-salary components such as employer superannuation contributions, as well as the experience of employee departures and periods of service. The expected future payments are discounted using market yields at the end of the reporting period on national government bonds with terms to maturity that match, as closely as possible, the estimated future cash outflows.

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 end of the reporting period. Pre-conditional and conditional long service leave provisions are classified as noncurrent liabilities because the Office has an unconditional right to defer the settlement of the liability until the employee has completed the requisite years of service.

Purchased Leave

The provision for purchased leave relates to Public Service employees who have entered into an agreement to self-fund up to an additional ten weeks leave per calendar year. The provision recognises the value of salary set aside for employees and is measured at the nominal amounts expected to be paid when the liabilities are settled. The liability is measured on the same basis as annual leave.

Superannuation

The Government Employees Superannuation Board (GESB) and other funds administers public sector superannuation arrangements in Western Australia in accordance with legislative requirements. Eligibility criteria for membership in particular schemes for public sector employees varies according to commencement and implementation dates.

Eligible employees contribute to the Pension Scheme, a defined benefit pension scheme closed to new members since 1987, or the Gold State Superannuation Scheme (GSS), a defined benefit lump sum scheme closed to new members since 1995.

Employees commencing employment prior to 16 April 2007 who were not members of either the Pension Scheme or the GSS 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). From 30 March 2013, existing members of the WSS or GESBS and new employees become able to choose their preferred superannuation fund. The Office makes concurrent contributions to GESB or other funds on behalf of employees in compliance with the *Commonwealth Government's Superannuation Guarantee (Administration) Act 1992*. Contributions to these accumulation schemes extinguish the Office's liability from superannuation charges in respect of employees who are not members of the Pension Scheme or GSS.

Note 2. Summary of Significant Accounting Policies (Contd.)

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

The Office has no liabilities under the Pension Scheme or the GSS. The liabilities for the unfunded Pension Scheme and the unfunded GSS transfer benefits attributable to members who transferred from the Pension Scheme, are assumed by the Treasurer. All other GSS obligations are funded by concurrent contributions made by the Office to the GESB. The concurrently funded part of the GSS is a defined contribution scheme as these contributions extinguish all liabilities in respect of the concurrently funded GSS obligations.

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

Provisions – Other

Employment On-Costs

Employment on-costs, including workers' compensation insurance, are not employee benefits and are recognised separately as liabilities and expenses when the employment to which they relate has occurred. Employment on-costs are included as part of 'Other Expenses' and are not included as part of the Office's 'Employee Benefits Expense'. The related liability is included in 'Employment On-Costs Provision'.

(q) Superannuation Expense

The superannuation expense in the Statement of Comprehensive Income comprises of employer contributions paid to the GSS (concurrent contributions), the WSS, the GESBS, or other superannuation fund. The employer contribution paid to the GESB in respect of the GSS is paid back into the Consolidated Account by the GESB.

(r) Services Received Free of Charge or for Nominal Cost

Services received free of charge or for nominal cost that can be reliably measured are recognised as income at fair value. Where the service received represents a service that the Office would otherwise pay for, a corresponding expense is recognised.

Services are received from other State Government agencies are separately disclosed under Income from State Government in the Statement of Comprehensive Income.

(s) Comparative Figures

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

Note 3. Judgements Made by Management in Applying Accounting Policies

The preparation of financial statements requires management to make judgements about the application of accounting policies that have a significant effect on the amounts recognised in the financial statements. The Office evaluates these judgements regularly.

Operating Lease Commitments

The Office has entered into a lease for a building used for office accommodation and separate leases for three motor vehicles. It has been determined that the lessor in each instance retains substantially all the risks and rewards incidental to ownership. Accordingly, this lease has been classified as an operating lease.

Note 4. Key Sources of Estimation Uncertainty

Key estimates and assumptions concerning the future are based on historical experience and various other factors that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year.

Long Service Leave

Several estimations and assumptions used in calculating the Office's long service leave provision include expected future salary rates, discount rates, employee retention rates and expected future payments. Changes in these estimations and assumptions may impact on the carrying amount of the long service leave provision.

Note 5. Disclosure of Changes in Account Policy and Estimates

Initial Application of an Australian Accounting Standard

The Office has applied the following Australian Accounting Standards effective for annual reporting periods beginning on or after July 2013 that impacted on the Office.

- AASB 13** *Fair Value Measurement*
This Standard defines fair value, sets out a framework for measuring fair value and requires disclosures about fair value measurements. There is no financial impact.
- AASB 119** *Employee Benefits*
This Standard supersedes AASB 119 (October 2010). As the Office does not operate a defined benefit plan, the impact of the change is limited to measuring annual leave as a long-term employee benefit. The resultant discounting of annual leave benefit has an immaterial impact.
- AASB 1048** *Interpretation of Standards*
This Standard supersedes AASB 1048 (June 2012), enabling references to the Interpretations in all other Standards to be updated by reissuing the service Standard. There is no financial impact.
- AASB 2011-8** *Amendments to Australian Accounting Standards arising from AASB 13*
[AASB 1, 2, 3, 4, 5, 7, 9, 2009-11, 2010-7, 101, 102, 108, 110, 116, 117, 118, 119, 120, 121, 128, 131, 132, 133, 134, 136, 138, 139, 140, 141, 1004, 1023 & 1038 and Int 2, 4, 12, 13, 14, 17, 19, 131 & 132]
This Standard replaces the existing definition and fair value guidance in other Australian Accounting Standards and Interpretations as the result of issuing AASB 13 in September 2011. There is no financial impact.
- AASB 2011-10** *Amendments to Australian Accounting Standards arising from AASB 119 (September 2011)*
[AASB 1, 8, 101, 124, 134, 1049 & 2011-8 and Int 14]
This Standard makes amendments to other Australian Accounting Standards and Interpretations as a result of issuing AASB 119 in September 2011. The resultant discounting of annual leave liabilities that were previously measured at the undiscounted amounts is not material.
-

- AASB 2012-2** *Amendments to Australian Accounting Standards – Disclosures – Offsetting Financial Assets and Financial Liabilities [AASB 7&132]*
 This Standard amends the required disclosures in AASB 7 to include information that will enable users of an entity’s financial statements to evaluate the effect or potential effect of netting arrangements, including rights of set-off associated with the entity’s recognised financial assets and recognised financial liabilities, on the entity’s financial position. There is no financial impact.
- AASB 2012-5** *Amendments to Australian Accounting Standards arising from Annual Improvements 2009-11 Cycle [AASB 1, 101, 116, 132 & 134 and Int 2]*
 This Standard makes amendments to the Australian Accounting Standards and Interpretations as a consequence of the annual improvements process. There is no financial impact.
- AASB 2012-6** *Amendments to Australian Accounting Standards – Mandatory Effective Date of AASB 9 and Transition Disclosures [AASB 9, 2009-11, 2010-7, 2011-7 & 2011-8]*
 This Standard amends the mandatory effective date of AASB 9 Financial Instruments to 1 January 2015. Further amendments are also made to consequential amendments arising from AASB 9 that will now apply from 1 January 2015 and to consequential amendments arising out of the Standards that will still apply from 1 January 2013. There is no financial impact.
- AASB 2012-9** *Amendment to AASB 1048 arising from the Withdrawal of Australian Int 1039*
 The withdrawal of Int 1039 Substantive Enactment of Major Tax Bills in Australia has no financial impact for the Authority during the reporting period and at balance date. Measurement of tax assets and liabilities continues to be measured in accordance with enacted or substantively enacted tax law pursuant to AASB 112.46–47.
- AASB 2012-10** *Amendments to Australian Accounting Standards – Transition Guidance and Other Amendments [AASB 1, 5, 7, 8, 10, 11, 12, 13, 101, 102, 108, 112, 118, 119, 127, 128, 132, 133, 134, 137, 1023, 1038, 1039, 1049, & 2011-7 and Int 12]*
 This Standard makes amendments to AASB 10 and related Standards to revise the transition guidance relevant to the initial application of those Standards, and to clarify the circumstances in which adjustments to an entity’s previous accounting for its involvement with other entities are required and the timing of such adjustments.
 The Standard was issued in December 2012. There is no financial impact.
- AASB 2013-9** *Amendments to Australian Accounting Standards - Conceptual Framework, Materiality and Financial instruments*
 Part A of this omnibus Standard makes amendments to other Standards arising from revisions to the Australian Accounting Conceptual Framework for periods ending on or after 20 December 2013. Other Parts of this Standard become operative in later periods. There is no financial impact for Part A of the Standard.

Voluntary Changes in Accounting Policy

There are no voluntary changes in accounting policy which has been adopted by the Office.

Future Impact of Australian Accounting Standards Not Yet Operative

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

Operative for reporting periods
beginning on/after

Int 21	<i>Levies</i> This Interpretation clarifies the circumstances under which a liability to pay a government levy imposed should be recognised. There is no financial impact for the Authority at reporting date	1 Jan 2014
AASB 9	<i>Financial Instruments</i> This Standard supersedes AASB 139 <i>Financial Instruments: Recognition and Measurement</i> , introducing a number of changes to accounting treatments. The mandatory application date of this Standard was amended to 1 January 2018 by AASB 2014-1 <i>Amendments to Australian Accounting Standards</i> . The Authority has not yet determined the application or the potential impact of the Standard.	1 Jan 2018
AASB 10	<i>Consolidated Financial Statements</i> This Standard supersedes requirements under AASB 127 <i>Consolidated and Separate Financial Statements and Int 112 Consolidation – Special Purpose Entities</i> , introducing a number of changes to accounting treatments. AASB 2012-10 <i>Amendments to Australian Accounting Standards – Transition Guideline and Other Amendments</i> amends the mandatory application date of this Standard to 1 January 2014 for not-for-profit entities. The Office has not yet determined the application or the potential impact of the Standard.	1 Jan 2014
AASB 11	<i>Joint Arrangements</i> This Standard supersedes AASB 131 <i>Interests in Joint Ventures</i> , introducing a number of changes to accounting treatments. AASB 2012-10 amends the mandatory application date of this Standard to 1 January 2014 for not-for-profit entities. The Department has not yet determined the application or the potential impact of the Standard.	1 Jan 2014
AASB 12	<i>Disclosure of Interests in Other Entities</i> This Standard supersedes disclosure requirements under AASB 127 <i>Consolidated and Separate Financial Statements</i> , AASB 128 <i>Investments in Associates</i> and AASB 131 <i>Interests in Joint Ventures</i> . AASB 2012-10 amends the mandatory application date of this Standard to 1 January 2014 for not-for-profit entities. The Office has not yet determined the application or the potential impact of the Standard.	1 Jan 2014
AASB 14	<i>Regulatory Deferral Accounts</i> The Authority has not yet determined the application or the potential impact of the Standard.	–

		Operative for reporting periods beginning on/after
AASB 127	<p><i>Separate Financial Statements</i></p> <p>This Standard supersedes requirements under AASB 127 <i>Consolidated and Separate Financial Statements</i>, introducing a number of changes to accounting treatments.</p> <p>AASB 2012-10 amends the mandatory application date of this Standard to 1 January 2014 for not-for-profit entities. The Office has not yet determined the application or the potential impact of the Standard.</p>	1 Jan 2014
AASB 128	<p><i>Investments in Associates and Joint Ventures</i></p> <p>This Standard supersedes AASB 128 <i>Investments in Associates</i>, introducing a number of changes to accounting treatments. AASB 2012-10 amends the mandatory application date of this Standard to 1 January 2014 for not-for-profit entities. The Office has not yet determined the application or the potential impact of the Standard.</p>	1 Jan 2014
AASB 1031	<p><i>Materiality</i></p> <p>This Standard is an interim standard cross-referencing definitions of materiality, in other Standards and will remain operative until references to AASB 1031 are removed from other Standards.</p> <p>There is no financial impact</p>	1 Jan 2014
AASB 1055	<p><i>Budgetary Reporting</i></p> <p>This Standard specifies the nature of budgetary disclosures, the circumstances in which they are to be included in the general purpose financial statements of not-for-profit entities within the GGS.</p> <p>The Authority will be required to disclose additional budgetary information and explanations of major variances between actual and budgeted amounts, though there is no financial impact.</p>	1 July 2014
AASB 2009-11	<p><i>Amendments to Australian Accounting Standards arising from AASB 9 (AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 121, 127, 128, 131, 132, 136, 139, 1023 & 1038 and Int 10 & 12)</i></p> <p>[Modified by AASB 2010-7]</p>	1 Jan 2015
AASB 2010-7	<p><i>Amendments to Australian Accounting Standards arising from AASB 9 (December 2010).</i></p> <p>[AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 120, 121, 127, 128, 131, 132, 136, 137, 139, 1023 & 1038 and Int 2, 5, 10, 12, 19 & 127]</p> <p>This Standard makes consequential amendments to other Australian Accounting Standards and Interpretations as a result of issuing AASB 9 in December 2010. AASB 2012-6 amended the mandatory application date of this Standard to 1 January 2015. The Office has not yet determined the application or the potential impact of the Standard.</p>	1 Jan 2015
AASB 2011-7	<p><i>Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards [AASB 1, 2, 3, 5, 7, 9, 2009-11, 101, 107, 112, 118, 121, 124, 132, 133, 136, 138, 139, 1023 & 1038 and Int 5, 9, 16 & 17]</i></p> <p>This Standard gives effect to consequential changes arising from the issuance of AASB 10, AASB 11, AASB 127 <i>Separate Financial Statements</i> and AASB 128 <i>Investments in Associates and Joint Ventures</i>. The Model Statutory Authority has undertaken an analysis of the suite of Consolidation and Joint Arrangements Standards and determined that there is no financial impact arising from adoption of the various Standards.</p>	1 Jan 2014

		Operative for reporting periods beginning on/after
AASB 2012-3	<i>Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities [AASB 132]</i> This Standard adds application guidance to AASB 132 to address inconsistencies identified in applying some of the offsetting criteria, including clarifying the meaning of “currently has a legally enforceable right of set-off” and that some gross settlement systems may be considered equivalent to net settlement. There is no financial impact.	1 Jan 2014
AASB 2013-3	<i>Amendments to AASB 136 – Recoverable Amount Disclosures for Non-Financial Assets.</i> This Standard introduces editorial and disclosure changes. There is no financial impact.	1 Jan 2014
AASB 2013-4	<i>Amendments to Australian Accounting Standards – Novation of Derivatives and Continuation of Hedge Accounting [AASB 139]</i> This Standard permits the continuation of hedge accounting in circumstances where a derivative, which has been designated as a hedging instrument, is novated from one counterparty to a central counterparty as a consequence of laws or regulations. The model Authority does not routinely enter into derivatives or hedges, therefore there is no financial impact.	1 Jan 2014
AASB 2013-8	<i>Amendments to Australian Accounting Standards – Australian Implementation Guidance for Not-for-Profit Entities – Control and Structured Entities [AASB 10, 12 & 1049].</i> The amendments, issued in October 2013, provide significant guidance to clarify whether determine whether a not-for-profit entity controls another entity when financial returns are not a key attribute of the investors relationship. The Standard has no financial impact in its own right, rather the impact results from the adoption of the amended AASB 10.	1 Jan 2014
AASB 2013-9	<i>Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments.</i> This omnibus Standard makes amendments to other Standards arising from the deletion of references to AASB 1031 in other Standards for periods beginning on or after 1 January 2014 (Part B), and, defers the application of AASB 9 to 1 January 2017 (Part C). The Authority has not yet determined the application or the potential impact of AASB 9, otherwise there is no financial impact for Part B.	1 Jan 2014 to 1 Jan 2017
AASB 2014-1	<i>Amendments to Australian Accounting Standards</i> The Authority has not yet determined the application or the potential impact of the Standard.	1 July 2014 1 Jan 2015 1 Jan 2016 1 Jan 2018

Changes in Accounting Estimates

There were no changes in accounting estimates that will have an effect on the current reporting period.

6. Employee Benefits Expense	2014	2013
	\$	\$
Wages and salaries (a)	2,110,903	2,225,681
Superannuation – defined contribution plans (b)	200,487	192,649
Other related expenses	40,552	44,836
	2,351,942	2,463,166

(a) Includes leave entitlements including superannuation contribution.

(b) Defined contribution plans include West State, Gold State and GESB Super Scheme (contributions paid).

Employment on-costs expenses, such as workers' compensation insurance, are included at Note 10 'Other Expenses'.

Employment on-costs liability is included in Note 21 'Provisions'.

7. Supplies and Services	2014	2013
	\$	\$
Communications	76,756	77,577
Consultants and contractors	382,258	458,165
Consumables	40,405	43,156
Materials	103,798	84,588
Lease, rent and hire costs	33,442	48,290
Travel	116,841	110,579
Other	63,809	83,985
	817,309	906,340

8. Depreciation and Amortisation Expense	2014	2013
	\$	\$
Depreciation		
Computer hardware	43,225	46,700
Office equipment	4,603	4,521
Total Depreciation	47,828	51,221
Amortisation		
Intangible assets	3,043	3,002
Total Amortisation	3,043	3,002
Total Depreciation and Amortisation	50,871	54,223

9. Accommodation Expenses	2014	2013
	\$	\$
Lease rentals	313,513	279,690

10. Other Expenses	2014	2013
	\$	\$
Employment on-cost (a)	3,337	62
Audit fees (b)	70,443	34,351
	73,780	34,413

(a) Includes workers' compensation insurance and other employment on-costs. The on-costs liability associated with the recognition of annual and long service leave liability is included at Note 21 'Provisions'. Superannuation contributions accrued as part of the provision for leave are employee benefits and are not included in employment on-costs.

(b) The cost represents internal and external audit fees. Refer also to Note 30 'Remuneration of Auditor'.

11. Other Revenue	2014	2013
	\$	\$
Contributions to Executive Vehicle Scheme	-	124
Expense recoveries from other agencies	2,154	4,847
Sundry revenue	9,135	-
GST refund relating to prior years	-	14,709
	11,289	19,680

12. Income from State Government	2014	2013
	\$	\$
Appropriation received during the period:		
Service appropriation(a)	3,490,000	3,623,000
Resources received free of charge (b)		
Determined on the basis of the following estimates provided by agencies:		
Department of Finance – Building and Management Works	95,521	93,775
State Solicitors Office	13,397	18,210
	108,918	111,985

(a) Service appropriations fund the net cost of services delivered. 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.

(b) Assets or services received free of charge or for nominal cost are recognised as revenue at fair value of the assets and/or services that can be reliably measured and which would have been purchased if they were not donated. Contributions of assets or services in the nature of contributions by owners are recognised direct to equity.

13. Restricted Cash and Cash Equivalents	2014	2013
	\$	\$
Non-Current		
Accrued salaries suspense account (a)	73,307	60,307

(a) Funds held in the suspense account used only for the purpose of meeting the 27th pay in a financial year that occurs every 11 years.

14. Receivables	2014	2013
	\$	\$
Current		
Receivables	5,830	79,632
Allowance for impairment of receivables	(5,830)	-
GST receivable	25,023	51,322
Total Current	25,023	130,954

Reconciliation of changes in the allowance for impairment of receivables

Balance at start of period	-	-
Doubtful debts expense	5,830	-
Amounts written off during the period	-	-
Impairment losses reversed during the period	-	-
Balance at end of period	5,830	-

The Office does not hold any collateral or other credit enhancements as security for receivables.

15. Amounts Receivable for Services (Holding Account)	2014	2013
	\$	\$
Current	26,000	26,000
Non-Current	173,000	169,000
	199,000	195,000

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.

16. Other Assets	2014	2013
	\$	\$
Current		
Prepayments	48,222	-

17. Plant and Equipment	2014	2013
	\$	\$
Computing hardware (at cost)	143,828	143,828
Less: Accumulated depreciation	(128,356)	(85,131)
	<u>15,472</u>	<u>58,697</u>
Office equipment (at cost)	23,027	23,027
Less: Accumulated depreciation	(17,795)	(13,192)
	<u>5,232</u>	<u>9,835</u>
Total Plant and Equipment	<u>20,704</u>	<u>68,532</u>

Reconciliations of the carrying amounts of plant and equipment at the beginning and end of the reporting period are set out in the table below:

	Computer Hardware	Leasehold Improvements	Office Equipment	Total
2014	\$	\$	\$	\$
Carrying amount at start of year	58,697	-	9,835	68,532
Additions	-	-	-	-
Depreciation	(43,225)	-	(4,603)	(47,828)
Carrying Amount at End of Year	<u>15,472</u>	<u>-</u>	<u>5,232</u>	<u>20,704</u>
2013				
Carrying amount at start of year	105,397	-	14,356	119,753
Additions	-	-	-	-
Depreciation	(46,700)	-	(4,521)	(51,221)
Carrying Amount at End of Year	<u>58,697</u>	<u>-</u>	<u>9,835</u>	<u>68,532</u>

18. Intangible Assets	2014	2013
	\$	\$
Computer software (at cost)	9,130	9,130
Less: Accumulated amortisation	(8,581)	(5,538)
Total Intangible Assets	<u>549</u>	<u>3,592</u>

Reconciliation:

Computer Software

Carrying amount at beginning of period	3,592	6,594
Additions	-	-
Amortisation expense	(3,043)	(3,002)
Carrying amount at end of period	<u>549</u>	<u>3,592</u>

19. Impairment of Assets

There were no indications of impairment to plant and equipment as at 30 June 2014.

The Office held no goodwill or intangible assets with an indefinite useful life during the reporting period. At the end of the reporting period there were no intangible assets not yet available for use. All surplus assets at 30 June 2014 have either been classified as assets held for sale or written-off.

20. Payables	2014	2013
	\$	\$
Current		
Trade payables	70,528	157,378
Accrued expenses	50,687	85,770
Accrued salaries	56,000	49,997
	<u>177,215</u>	<u>293,145</u>

21. Provisions	2014	2013
	\$	\$
Current		
<i>Employee Benefits Provision</i>		
Annual Leave (a)	225,936	264,766
Long service leave (b)	386,556	361,678
	<u>612,492</u>	<u>626,444</u>
<i>Other Provisions</i>		
Employment on-costs (c)	3,075	283
	<u>615,567</u>	<u>626,727</u>
Non-Current		
<i>Employee Benefits Provision</i>		
Long service leave (b)	100,243	87,075
<i>Other Provisions</i>		
Employment on-costs (c)	501	-
	<u>100,744</u>	<u>87,705</u>

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

Within 12 months of the end of the reporting period	104,225	163,189
More than 12 months after the end of the reporting period	121,711	101,578
	<u>225,936</u>	<u>264,767</u>

(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 the end of the reporting period. Assessments indicate that actual settlement of the liabilities is expected to occur as follows:

	2014	2013
	\$	\$
Within 12 months of the end of the reporting period	91,835	118,084
More than 12 months after the end of the reporting period	394,964	330,669
	<u>486,799</u>	<u>448,753</u>

(c) The settlement 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 10 'Other Expenses'.

Movements in Other Provisions

Movements in each class of provisions during the financial year, other than employee benefits, are set out below.

Current

– Employment On-Cost Provision

– Carrying amount at start of period	283	221
– Additional provisions recognised	2,792	62

Carrying amount at end of period

3,075 **283**

Non-Current

– Carrying amount at start of period	-	-
– Additional provisions recognised	501	-

Carrying amount at end of period

501 **-**

22. Equity

The Government holds the equity interest in the Office on behalf of the community. Equity represents the residual interest in the net assets of the Office.

	2014	2013
	\$	\$
Contributed Equity		
Balance at start of period	274,000	274,000
<i>Contributions by owners</i>		
– Capital appropriation	-	-
Total contributions by owners	<u>-</u>	<u>-</u>
Balance at end of period	<u>274,000</u>	<u>274,000</u>

22. Equity (Contd.)	2014	2013
	\$	\$
Accumulated Deficit		
Balance at start of period	(542,023)	(558,855)
Result for the period	2,792	16,833
Balance at end of period	(539,231)	(542,023)
Total Deficit at End of Period	(265,231)	(268,023)

Liabilities exceed assets for the Office and therefore there is no residual interest in the assets of the Office. This equity deficit arose through approved excessive unfunded spending in the early years (2000 to 2010) when the Office was still growing into its role as an inspector of custodial services.

23. Notes to the Statement of Cash Flows	2014	2013
	\$	\$
Reconciliation of Cash		
Cash at the end of the financial year as shown in the Statement of Cash Flows is reconciled to the related items in the Statement of Financial Position as follows:		
Cash and cash equivalents	261,490	280,539
Restricted cash and cash equivalents	73,307	60,307
	334,797	340,846
Reconciliation of net cost of services to net cash flows used in operating activities		
Net cost of services	(3,596,126)	(3,718,152)
Non-Cash Items:		
- Depreciation and amortisation	50,872	54,223
- Resources received free of charge	108,918	111,984
- Provision for doubtful debts	5,830	-
(Increase)/Decrease in Assets:		
- Current receivables (a)	73,801	(25,015)
- Other asset	(48,222)	4,674
Increase/(Decrease) in Liabilities:		
- Current payables	(115,930)	(127,773)
- Current provisions	(150,668)	194,476
- Non-current provisions	153,177	29,182
- Net GST receipts/(payments) (b)	1,993	3,552
- Change in GST receivables/(payables) (c)	24,306	-
Net Cash Used in Operating Activities	(3,492,049)	(3,472,849)

(a) Note that the Australian Taxation Office (ATO) receivable/payable in respect of GST and the receivable/payable in respect of the sale/purchase of non-current assets are not included in these items as they do not form part of the reconciling items.

(b) This is the net GST paid/received, i.e. cash transaction.

(c) This reverses out the GST in receivables and payables.

24. Commitments	2014	2013
	\$	\$

The commitments below are inclusive of GST where relevant.

Non-Cancellable Operating Lease Commitments

Commitments for minimum lease payments are payable as follows:

– Within 1 year	353,201	337,563
– Later than 1 year and not later than 5 years	9,424	346,432
	362,625	683,995

Other Expenditure Commitments

Other expenditure commitments (IT services) contracted at the end of the reporting period but not recognised as liabilities, are payable as follows:

– Within 1 year	26,590	25,911
– Later than 1 year and not later than 5 years	-	25,911
	26,590	51,822

25. Contingent Liabilities and Contingent Assets

There were no contingent liabilities or contingent assets as at 30 June 2014.

26. Events Occurring After the End of the Reporting Period

There were no events occurring after the reporting date that impact on the financial statements.

27. 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 10 per cent or \$50,000.

	2014 Actual	2014 Estimate	Variance
	\$	\$	\$
Significant variances between estimate and actual for 2014:			
Employee benefits	2,351,942	2,437,000	(85,058)
Supplies and services	817,309	466,000	351,309
Other expenses	73,780	219,000	(145,220)

27. Explanatory Statement (Contd.)

Employee Benefits

The variance represents an election by the Office to use professional consulting services rather than hire an additional full-time employee.

Supplies and Services

The variance reflects classification differences of expenses between supplies and services and other expenses from the time of budgeting and recording in these financial statements. The variance also represents an election by the Office to use professional consulting services rather than hire an additional full-time employee. Furthermore, supplies and services includes \$102,918 of free of charge services.

Other Expenses

The variance reflects classification differences of expenses between supplies and services and other expenses from the time of budgeting and recording in these financial statements.

	2014 Actual	2014 Estimate	Variance
	\$	\$	\$
Significant variances between actual results for 2013 and 2014:			
Total appropriation	3,598,918	3,623,000	(24,082)
Employee benefits	2,351,943	2,463,166	(111,223)
Supplies and services	817,309	906,340	(89,031)

Total Appropriation

During 2013, the Office received an increased appropriation to fund the directed review of the Banksia Hill Detention Centre and to source services previously provided by the Office of Shared Services.

Employee Benefits

Costs were higher in 2013 reflecting an increase in the number of staff employed to assist the Director of Operations undertake the review of and report on the Banksia Hill Detention Centre.

Supplies and Services

The variance reflects a reduction in consultant and professional services. Additional consultant and professional services were engaged during the year ended 30 June 2013 to assist with the Directed Review into the Banksia Hill Detention Centre Riot.

28. Financial Instruments

(a) Financial Risk Management Objectives and Policies

Financial Instruments held by the Office are cash and cash equivalents, restricted cash and cash equivalents, receivables and payables. 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 maximum exposure to credit risk at the end of the reporting period in relation to each class of recognised financial assets is the gross carrying amount of those assets inclusive of any allowance for impairment as shown in the table at Note 28 (c) 'Financial Instrument Disclosures' and Note 14 'Receivables'.

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 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 end of the reporting period there were no significant concentrations of credit risk.

Liquidity Risk

Liquidity risk arises when the Office is unable to meet its financial obligations as they fall due.

The Office is exposed to liquidity risk through its trading in the normal course of business.

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 value of its holdings of financial instruments. The Office does not trade in foreign currency and is not materially exposed to other price risks.

(b) Categories of Financial Instruments

The carrying amounts of each of the following categories of financial assets and financial liabilities at the end of the reporting period are:

	2014	2013
	\$	\$
Financial Assets		
Cash and cash equivalents	261,490	280,539
Restricted cash and cash equivalents	73,307	60,307
Receivables (i)	5,830	79,632
Amounts receivable for services	199,000	195,000
Financial Liabilities		
Financial liabilities measured at amortised cost	177,215	293,145

(i) The amount of receivables excludes GST recoverable from the ATO (statutory receivable).

28. Financial Instruments (Contd.)

(c) Financial Instrument Disclosures

Credit Risk

The following table details the Office's maximum exposure to credit risk and the ageing analysis of financial assets. The Office's maximum exposure to credit risk at the end of the reporting period is the carrying amount of the financial assets as shown below. The table discloses the ageing of financial assets that are past due but not impaired and impaired financial assets. The table is based on information provided to senior management of the Office.

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

Ageed analysis of financial assets

	Carrying Amount \$	Not past due and not impaired \$	Past due but not impaired					Impaired financial assets \$
			Up to 1 month \$	1-3 months \$	3 months to 1 year \$	1-5 years \$	More than 5 years \$	
2014								
Cash and cash equivalents	261,490	261,490	-	-	-	-	-	-
Restricted cash and cash equivalent	73,307	73,307	-	-	-	-	-	-
Receivables (i)	5,830	-	-	-	-	-	-	5,830
Amounts receivable for service	199,000	199,000	-	-	-	-	-	-
	539,627	533,797	-	-	-	-	-	5,830
2013								
Cash and cash equivalents	280,539	280,539	-	-	-	-	-	-
Restricted cash and cash equivalent	60,307	60,307	-	-	-	-	-	-
Receivables (i)	79,632	79,632	-	-	-	-	-	-
Amounts receivable for service	195,000	195,000	-	-	-	-	-	-
	615,478	615,478	-	-	-	-	-	-

(i) The amount of receivables excludes the GST recoverable from the ATO (statutory receivable).

Liquidity Risk and Interest Rate Exposure

The following table details the Office's interest rate exposure and the contractual maturity analysis of financial assets and financial liabilities. The maturity analysis section includes interest and principal cash flows. The interest rate exposure section analyses only the carrying amounts of each item.

Interest rate exposure and maturity analysis of financial assets and financial liabilities

	Interest rate exposure					Maturity Dates					
	Weighted Average Effective Interest Rate %	Carrying Amount \$	Fixed Interest rate \$	Variable Interest rate \$	Non-Interest Bearing \$	Nominal Amount \$	Up to 1 month \$	1–3 months \$	3 months to 1 year \$	1–5 years \$	More than 5 years \$
2014											
Financial Assets											
Cash and cash equivalents		261,490	-	-	261,490	261,490	261,490	-	-	-	-
Restricted cash and cash equivalent		73,307	-	-	73,307	73,307	-	-	-	73,307	-
Receivables (i)		5,830	-	-	5,830	5,830	5,830	-	-	-	-
Amounts receivable for service		199,000	-	-	199,000	199,000	-	-	26,000	173,000	-
		539,627	-	-	539,627	539,627	267,320	-	26,000	246,307	-
Financial Liabilities											
Payables		177,215	-	-	177,215	177,215	177,215	-	-	-	-
		177,215	-	-	177,215	177,215	177,215	-	-	-	-

(i) The amount of receivables excludes the GST recoverable from the ATO (statutory receivable).

Interest rate exposure and maturity analysis of financial assets and financial liabilities

	Interest rate exposure					Maturity Dates					
	Weighted Average Effective Interest Rate %	Carrying Amount \$	Fixed Interest rate \$	Variable Interest rate \$	Non-Interest Bearing \$	Nominal Amount \$	Up to 1 month \$	1–3 months \$	3 months to 1 year \$	1–5 years \$	More than 5 years \$
2014											
Financial Assets											
Cash and cash equivalents		280,539	-	-	280,539	280,539	280,539	-	-	-	-
Restricted cash and cash equivalent		60,307	-	-	60,307	60,307	-	-	-	60,307	-
Receivables (i)		79,632	-	-	79,632	79,632	79,632	-	-	-	-
Amounts receivable for service		195,000	-	-	195,000	195,000	-	-	26,000	169,000	-
		615,478	-	-	615,478	615,478	360,171	-	26,000	229,307	-
Financial Liabilities											
Payables		293,145	-	-	293,145	293,145	293,145	-	-	-	-
		293,145	-	-	293,145	293,145	293,145	-	-	-	-

(i) The amount of receivables excludes the GST recoverable from the ATO (statutory receivable).

Interest Rate Sensitivity Analysis

None of the Office's financial assets and liabilities at the end of the reporting period are sensitive to movements in interest rates, hence movements in interest rates have no bottom line impact on the Office's surplus or equity.

Fair Values

All financial assets and liabilities recognised in the Statement of Financial Position, whether they are carried at cost or fair value, are recognised at amounts that represent a reasonable approximation of fair value unless otherwise stated in the applicable notes.

29. Remuneration of Senior Officers

The number of senior officers whose total fees, salaries, superannuation, non-monetary benefits and other benefits for the financial year fall within the following bands are:

	2014	2013
150,001 – 160,000	1	-
170,001 – 180,000	-	1
240,001 – 250,000	1	-
300,001 – 310,000	-	1
	\$	\$
Base remuneration and superannuation	461,362	446,821
Annual leave and long service leave accruals	(73,126)	17,128
Other benefits	4,547	-
Total remuneration of senior officers	392,783	463,949

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

30. Remuneration of Auditor

Remuneration paid or payable to the Auditor General in respect of the audit for the current financial year is as follows:

	2014	2013
	\$	\$
Auditing the accounts, financial statements and key performance indicators	26,000	33,300

31. Supplementary Financial Information

The Office had no write-offs of public property; no losses through theft or default; and, no gifts of public property for 2013 and 2014.

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