GOVERNMENT OF
WESTERN AUSTRALIA

OFFICE OF THE INSPECTOR
OF CUSTODIAL SERVICES

ANNUAL REPORT 2014 15

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.

This document uses environmentally friendly paper, comprising 50% recycled & 50% totally chlorine free plantation pulp.

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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.


Professor Neil Morgan

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.

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 directly 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.
- Carrying out thematic reviews of system-wide prison services.
- Managing the Independent Visitors Scheme.

Purpose and Mission

The Office aims to contribute directly and indirectly to:

- Improving public confidence in the justice system.
- Reducing reoffending in Western Australia.
- 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.
- Advice that 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) of 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 at his discretion.

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 or initiate changes before the report becomes public. Copies of the Exit Debrief are provided to the Minister and the Legislative Council Standing Committee on Public Administration on a confidential basis.

Section 20 of the *Act* requires the Inspector to prepare an inspection report following each inspection, detailing the inspection findings and recommendations. A draft report is written and is sent to the Department (and any other necessary parties) 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 between inspections.

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 subject of the finding an opportunity to make

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 2003 *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*.

submissions.[3] Agreed protocols, including a Memorandum of Understanding between the Office and the Department, further embed due process practices.

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 all of these requirements, the period between an inspection being conducted and publication is rarely less than six months.

Liaison Visits

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.

To gain maximum value from the Inspections, a process of 'continuous inspections' is carried out within the three-year periods. Continuous inspections allow for performance and risks to be monitored and identified for the Minister, the Government, and Parliament on an ongoing basis.

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) review reports will be formally tabled in Parliament at the Inspector's discretion.

3 Section 37 of the *Act*.
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. The most recent example of a Directed Review related to the riot at Banksia Hill Detention Centre in January 2013.[5]

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
- lower financial and social costs, and improved community safety through reduced offending

2014–2015 has been a year of significant change for the Department. It has seen the launch of some major initiatives which, if they succeed, will have positive benefits for the community as a whole as well as the corrections system.

Cultural, Strategic and Organisational Change

Issues of leadership, management and culture in the Department have been the subject of considerable media and political focus over the past three years. Our Directed Review into the January 2013 riot at Banksia Hill Detention Centre found that these issues had contributed to the riot occurring and that, more generally, they were impacting on Departmental reputation, direction and morale.

In 2013–2014, following the appointment of a new Commissioner, the Department embarked on a major reform agenda underpinned by a drive for greater effectiveness and efficiency. 2014–2015 saw the implementation of a new organisational structure, and the development of a new *Strategic Plan 2015–2018 – Creating Value Through Performance*.

The key changes include the separation of Youth Justice Services from Adult Justice; the establishment of a Youth Justice Board; a more explicit focus on public safety outcomes (by reducing crime); re-balancing the way services are delivered by the public, private and non-government sectors; and better targeting the different needs of different cohorts of prisoners (including women, young people, Aboriginal people, and people with mental health issues).

Change takes time, and the Department still faces the challenge of addressing the legacy of poor planning. Examples of this that are highlighted in this year's reports include the neglect of female prisoners, and the failure to plan for ongoing custodial services in the Kimberley, and to manage change at Broome Regional Prison following the opening of West Kimberley Regional Prison.

It is too early to judge whether the changes that are occurring will lead to improved outcomes, because it will take time for initiatives such as improved assessment and case management systems to reach fruition. However, we have long argued for a sharper focus on reducing recidivism, for corrections to better target offenders' needs, and for there to be more innovation and cross-fertilisation between the public,

5 The Office of the Inspector of Custodial Services (OICS), *Directed Review into an Incident at Banksia Hill Detention Centre on 20 January 2013*, Report No. 85 (August 2013).

private and not-for-profit sectors. There is reason to believe that the Department has laid the foundations for these goals to be met, though budget constraints will test its capacity to achieve them.

Budget Constraints

All government agencies will be expected to reduce expenditure (or at least to cap growth) over the coming years. There is undoubtedly scope for greater efficiencies in corrections, but the Government must recognise three realities.

First, the Department only has limited control over demand for its services. While it does have some ability to reduce recidivism, demand is largely generated by a combination of factors that are outside its control. These include the impact of legislation (including laws that prescribe 'tougher' sentences); judicial practices in relation to bail and sentencing; changes to parole laws and practice; and policing practices. There is probably no other government agency where demand is so much driven by the decisions and actions of other agencies.

Secondly, the safe and decent treatment of prisoners, the safety of staff, and security must not be compromised. There must be appropriate investment in infrastructure, equipment, technology and people. Inadequate or poorly managed investment will escalate risk and lead to downstream consequences and costs.

Thirdly, the up-front cost 'per prisoner per day' of incarceration is a false measure: assessments of cost should factor in 'outcomes'. This year's report on recidivism rates and treatment programs (see below) found that prisoners released from prisons with service deficiencies were more likely to re-offend than those released from better-resourced facilities. On average, it costs over $1 million a year to keep just ten people in prison. The message is obvious: inadequate investment in measures that reduce recidivism (including education, programs, skill development and support on release) will increase the long term costs to the state.

Commissioning, Contestability and Privatisation

In October 2014, the government announced that the Economic Regulation Authority (ERA) had been directed to conduct an *Inquiry into the Efficiency and Performance of Western Australia Prisons.* We warmly welcomed the establishment of this Inquiry. It is being conducted independently of us, but we have provided information, suggestions and advice, and both the ERA's Issues Paper (November 2014) and Discussion Paper (March 2015) drew heavily on evidence contained in our published reports.

The ERA is not due to issue its final report until the last quarter of 2015, but it appears clear that it will advocate a sharper focus on measuring costs, performance and effectiveness. It also appears almost certain to advocate a greater role for contestability and commissioning of services.

Contestability involves evaluating all service delivery options, public, private or not-for-profit, and deciding who is best placed to deliver a particular service. Services will be commissioned from a range of providers and performance will be assessed. The service in question may then be 're-commissioned' from them, or from another provider, at a future date. This model draws sharp attention to 'results' and is likely to lead to 'payment by results' incentives. Mature models of contestability are very different from a simple 'public/private' divide, and envisage a 'churn' in providers. For example, in England and Wales, the public sector has been successful in bidding against the private sector to operate some prisons.

The commissioning debate is timely, and innovation and performance measurement are vital if outcomes are to be improved. In fact, our 2013 Inquiry into the Banksia Hill riot suggested a commissioning model for youth justice. This was not adopted, but the broad intent of that report was reflected in the Department's re-structure and new focus.

As discussed in this year's report on Acacia Prison, this Office takes no position for or against public or private service delivery. History demonstrates that both the public sector and the private sector can deliver high quality or poor quality services, and Acacia has performed strongly through most of its history. This year's inaugural inspection of the privately-operated Wandoo Reintegration Facility also found a strongly-performing facility. Equally, though, we were extremely impressed with the achievements of the publicly-operated West Kimberley Regional Prison, and a number of Western Australia's publicly operated prisons have a solid track record.

Information and Evaluation: Reliability, Consistency and Accessibility

Discussions of efficiency and effectiveness should be based on good quality data, underpinned by consistent and robust methodologies. This Office has drawn attention to serious deficiencies in this regard over the years, especially in terms of the lack of evaluations of 'what works' in corrections. Unfortunately, the work of this Office, the ERA, and the Auditor General in the past year has shown continuing serious weaknesses in the Department's data. Fortunately, the Department has committed to improving the quality of its data.

Over the year, partly triggered by the ERA Inquiry, the relative cost of different prisons has attracted considerable attention. This is an important issue but there have proved to be serious information gaps and inconsistencies in the Department's data concerning this. Two examples may be given. First, every prison plays a different role, and different cohorts of prisoners generate different costs. For example, maximum-security remand centres (such as Hakea Prison) face major up-front costs as they tend to have prisoners for shorter periods, and receive people 'off the street' who may be stressed, under the influence, or volatile. It is also generally acknowledged that female prisoners will cost more per head than males because of their high levels of victimisation and health needs, and their family responsibilities. In June 2015, however, in response to a report on bail by the Auditor General, the opposition sought information from the Minister during estimates on:

> 'what it costs to accept a prisoner into prison; an outline of additional costs on a case-by-case basis that would make that initial cost of accepting a prisoner more expensive; and also a breakdown on that prison by prison across the state.'

The Department subsequently advised Parliament "that the information requested is not recorded in a manner that is easily retrievable in the timeframe required."[6]

Secondly, the Department has provided disparate estimates of the total cost of the Acacia Prison contract. What is known is what <u>is</u> paid to the contractor, currently Serco. However, the Department also incurs costs in monitoring the contract and in delivering central services. In responding to this year's Acacia inspection report, the Department estimated that its costs were 13–15 per cent of what was paid to Serco. This was far removed from the 30 per cent it had previously estimated, and the methodology used to calculate this figure appeared far from robust.

The absence of robust data on key issues impacts negatively on political debate, public understanding, and the capacity for evidence-based decision making.

These problems are compounded by issues of accessibility. Over the past year, the Department has sometimes proved reluctant to share information which it does have. This has extended not only to the dissemination of public information, but also to providing information to accountability agencies such as this Office.

6 Hansard Western Australia, Legislative Assembly Estimates Committee A, 11 Jun 2015, page E29.

Security and Safety

Safety (of staff, prisoners and the community) and security are obviously critical issues for the Department. They have also informed this Office's priorities, including the selection of review topics.

Our reviews of escapes found that escapes are rare and very few involve high risk prisoners escaping from truly secure places: the vast majority are opportunistic escapes by minimum-security prisoners, and most escapes are short-lived.

Assaults by prisoners on staff are also rare. Bandyup Women's Prison has by far the highest rate of such assaults, but most of these are a reflection of mental illness and the prison's impoverished environment. Serious assaults on staff are very rare.

The Department, its staff and its contractors deserve credit and appreciation for these achievements.

Prisoner Numbers and Costs

The prison population has grown by almost 40 per cent from early 2009 to June 2015, from around 4,000 to 5,550. From June 2014 to June 2015, the increase was around 300 prisoners (6%). Whilst a six per cent increase may appear manageable, many of the state's prisons have a total capacity of less than 300. In other words, the population is still growing by the equivalent of one medium sized prison per year.

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

It is a tribute to staff, management and prisoners themselves that these increases have been managed without major incidents. Almost every prison is crowded and the prisons under most pressure are Bandyup Women's Prison, Hakea Prison, and Casuarina Prison.

The cost of imprisonment has also been rising quickly.[7] In 2013–2014 the average cost per prisoner increased by 5.4 per cent, to $334 per day or $121,910 per annum. This came on top of a nine per cent increase in 2012–2013. An increase in the cost per prisoner per day of 14 per cent over two years is clearly unsustainable. And it does not factor in the capital and operational costs of housing a growing number of prisoners.

There is a substantial cost difference between imprisonment and supervision in the community under parole or a sentence. The cost of supervising an offender in the community in 2013–2014 was $46 per person (down from $49 in 2012–2013). It is imperative, given the economic and social costs of imprisonment, and advances in tracking/monitoring technologies, that the opportunities for community supervision are maximised without compromising public safety.

Measures of Crowding/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.

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7 Department of Corrective Services, *Annual Report 2013–2014*, 142–143.

8 *Report on Government Services 2015* (<www.pc.gov.au/gsp/rogs/2015>), Chapter 8. 'Design capacity' means, in essence, the number which the prison was designed and intended to hold.

In Western Australia the Department of Corrective Services rarely refers to the national benchmark of design capacity. Prior to 2014, it had used, instead, the term 'operational capacity'. This term included 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 (a matter which this Office continues to argue against for reasons of decency, respect, safety and the provision of a positive regime). 'Operational capacity' did not, however, include arrangements such as mattresses placed on cell floors or 'mothballed' parts of the system. In 2014, however, the Department introduced yet another 'measure', called 'total capacity'. This produces a higher figure than 'operational' capacity, as it includes beds that are intended only for special purpose use (such as crisis care), and also beds in unused units.

The reality is that most prisons are overcrowded, and the new measures should not obscure this fact. Furthermore, as the Smith Report into the 1998 riot at Casuarina Prison said:

> 'The term "overcrowding" is actually an oxymoron, because the condition that spells mismanagement is "crowding" – that is too many people in a facility or space … Overcrowding is thus not really about gross numbers – it is about management and resource capacity.'

Comparisons with the United Kingdom are instructive. In a most unusual move, in June 2015 the Prisons Minister for England and Wales apologised to Parliament for the government having understated the extent of overcrowding. He said that the government had been wrong not to count doubled-up single cells as being overcrowded, and concluded: 'publication of clear, reliable figures on how many prisoners we hold in crowded conditions is an important part of making sure we can be held to account … It is unacceptable that these figures have been published over the last six years.'[9]

Female Prisoners

Female prisoners constitute an increasing proportion of a growing prisoner population (over 9% of the population compared with 7% in 2008). In June 2009 there were around 340 women in prison, and in June 2015 there were 510 (an increase of 50%). Over the same time period, the number of men in prison had increased from 4,075 to 5,040 (around 25%).

During 2014–2015, reflecting many years of concern, we published two major reports on women's imprisonment: a thematic review of women's imprisonment (including the new women's unit at Greenough), and a report on Bandyup Women's Prison. These reports criticised the lack of investment in female prisoners relative to males and found severe failings at Bandyup. Our review of assaults on staff also found that Bandyup had by far the highest rate of assaults in the state, the result of a debilitating mix of stressed prisoners and stressed staff in a stressed, overcrowded and impoverished prison.

In addition, our reports on Eastern Goldfields and West Kimberley regional prisons discussed the treatment of female prisoners, and the report on Banksia Hill Detention Centre examined the treatment of girls in detention.

After too many years of inertia, the Department has now, at last, given greater priority to women prisoners. Bandyup remains severely crowded and stressed but, as a result of our 2013 inspection, efforts have been made to improve the environment. Most of these are simple and long-overdue (including bunk beds instead of mattresses on the floor; carrying out of basic maintenance; and making better use of available space and assets). However, the prison remains wholly inadequate for the number of people it holds and the complexity of its functions.

As a result of the neglect of the women's prison estate, and the time-lag before new purpose-built prison accommodation could come on line, it became necessary for the Department to find an area of the male prison system that could be re-purposed as a female facility. It has decided to convert two recently-finished units at Hakea Prison for use by female prisoners. The design capacity of the two units is 128 single cells, but most of the cells are double-bunked.

9 <http://www.theguardian.com/society/2015/jun/11/prison-overcrowding-understated-years-admits-minister-andrew-selous>

The re-development of the units at Hakea for women will give the Department significant increased capacity for women but it is far from ideal. As soon as the initiative became known, the Inspector made it clear that the facility must be 'stand-alone' and provided advice as to how this might be achieved. It must be adequately separated (visually and aurally) from the male prison, with its own entrance, visits facilities and services. It must also be separately managed and staffed, have a distinct female focus, and provide sufficient health, education, programs, and other services to meet the needs of its prisoners.

Planning is underway for the facility to open in late 2016, but it is not yet clear whether it will be publicly or privately operated (see above). This Office will conduct a formal inspection as soon as appropriate after it opens, probably within 12 to 18 months.

Aboriginal People in Prison and Detention

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. Across Australia, one in every 46 Aboriginal people is in prison, but in Western Australia it is one in 27. And Aboriginal Western Australians are over 18 times more likely to be in prison than non-Indigenous adults.[10]

Department of Corrective Services statistics show that while the proportion of Aboriginal prisoner has slightly dropped (from 39.6% in June 2014 to 38.3% in June 2015), the total number of Aboriginal prisoners has continued to increase (from 2,075 to 2,122).

The levels of over-representation are even more pronounced for women and children, with 50 per cent of adult female prisoners in June 2015 being Aboriginal, while Aboriginal children comprised 68 per cent of the detention centre population. 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, and the younger the child, the more likely it is that he or she will be Aboriginal. Around a third of detainees, including some very young children, come from regional Western Australia. They are severely disconnected from family and culture when in Perth.[11]

If outcomes for Aboriginal people are to be improved, and the numbers in prison reduced, there needs to be a stronger strategic focus, combined with practical initiatives to improve diversion from the justice system and access to positive re-entry support programs. It has been very clear for a long time, that this will require 'new ways of doing business', including innovative partnerships with the private sector and with Aboriginal and non-government organisations. 2014–2015 saw some positive developments in this regard. For example, the Roebourne Regional Prison Work Camp (which opened in June 2014) has links with industry, and in the youth justice area, the Department has entered contracts with the Kimberley Aboriginal Law and Cultural Centre, the Aboriginal Legal Service, and the Wirrpanda Foundation.

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 massively important change has been the increase in the number of prisoners being held on remand ('remandees').

From 2008 to 2010, remandees generally constituted around 16 per cent of the prison population but this has steadily increased. By June 2013, there were around 950 remand prisoners (over 19% of the population). By June 2014, numbers had risen to 1,150 (22%), and by June 2015 to 1,300 (23.3%). It is of serious concern that almost a quarter of the state's prisoners are being held on charges that have not yet been proved against them.

10 The 2014 age-standardised imprisonment rate for Aboriginal and Torres Strait Islander adults compared to non-Indigenous adults were: Western Australia – 18.1 times higher; NT 15.4; ACT 11.7; NSW 11.3; VIC 11.1; QLD 10.9; SA 12.2; TAS 3.6 times higher. See Australian Bureau of Statistics, *Prisoners in Australia 2014*: <http://www.abs.gov.au/AUSSTATS/abs@.nsf/DetailsPage/4517.02014?OpenDocument>

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

There are also some concerning gender and race dimensions to the problem. In June 2015, close to 30 per cent of all Aboriginal female prisoners were on remand. This compared with around a quarter of non-Aboriginal females and Aboriginal males, and around 22 per cent of non-Aboriginal males. By comparison, in mid-2011 men were more likely to be on remand than women.

The reasons behind these trends and differentials are far from clear. The issue requires much more rigorous analysis and action across government agencies.

Youth Justice

Our 2013 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.

At the time of the riot, Banksia Hill held 207 young people. After the riot, numbers declined and in 2014–2015 were between 140 and 170. This lower number has assisted Banksia Hill to address a number of issues but our 2014 report found that progress had been much slower than could reasonably have been expected.

This Office remains concerned that Banksia Hill is the only Detention Centre in the state. Consideration needs to be given to developing smaller, more diverse options to better reflect the needs of different cohorts of children across the state. If Banksia Hill is no longer to be used as a juvenile detention centre, it would be able to fulfil other purposes as an adult prison.

The cost of holding a juvenile in detention far outweighs the cost for community supervision. In 2013–2014, the average cost of holding a juvenile in detention was $817 per day (an increase from $645 in 2012–2013) compared to the average cost for community supervision of $90 per day (an increase from $81).[12]

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. As noted earlier, this Office therefore welcomes the fact that in 2014–2015, the Department signed contracts with the Kimberley Aboriginal Law and Cultural Centre, the Aboriginal Legal Service, and the Wirrpanda Foundation to provide support to children in contact with the justice system. Such initiatives are long overdue and hold considerable promise.

Young Men and Women: Wandoo and Acacia

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 represented an opportunity to provide improved rehabilitation and reintegration opportunities for a complex cohort of prisoners. It is an initiative which this Office welcomed, and this year's inaugural inspection of Wandoo was very positive.

However, it was regrettable that the opening of Wandoo was not accompanied by intelligently targeted initiatives in other prisons. This meant there was no system-wide approach and the 'flow' of prisoners to Wandoo was so slow that for its first two years it operated below design capacity. Following the release of our report in early 2015, the Department took measures to increase numbers, mainly by increasing the upper age limit.

This year also saw another important development. Acacia Prison has undergone a massive expansion, increasing from 1,000 prisoners to 1,400. It is a tribute to both Serco and the Department that the 'fill', which took place over a period of just three months, was successfully completed. Importantly, as part of

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

the expansion, Acacia has also established a 'Young Adult Unit'. The aim is to provide a more targeted approach to the needs of young men in prison, to provide additional support services for release, and to improve the flow to Wandoo and other minimum-security prisons.

However, nothing has yet been developed for 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.

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: the up front costs of investment in mental health will undoubtedly be outweighed by future benefits.

This year saw the release of the *Western Australian Mental Health, Alcohol and Other Drug Services Plan 2015–2025*. This acknowledged that forensic mental health services are wholly inadequate and developed a comprehensive plan to improve services in the community, in secure hospital settings, and in prisons and detention centres.

This Office warmly welcomes the new focus on mental health services and supports the development of prison-based units (for both women and men) which have a mental health focus. However, the prison-based units must not be regarded as a cheaper 'alternative' to secure forensic hospital beds: their role should be to supplement and support hospital-based services.

5. Achievements in 2014–2015

Reviews

Escapes and attempted escapes from corrections in Western Australia

A well-functioning corrections system prepares prisoners for their release and helps reduce the likelihood they will reoffend. This is balanced against managing the risk of escape and other potential management problems. For some people in prison this means strict supervision under maximum-security conditions. For others it means limited or low supervision, increased autonomy and, as far as is possible, an environment that is close to what they will return to on release. In addition, hundreds of prisoners are moved throughout Western Australia every day. This means each day, more than a quarter of people in custody are in circumstances where the opportunity for escape is elevated.

This review found that the low number of escapes (70) and attempted escapes (38) from January 2008 to August 2014 indicated that the Department has generally been very successful in managing risk. It also found that most escapes are opportunistic. Heightened vigilance of staff members to opportunistic risks, particularly when managing people outside custodial facilities, is therefore essential in managing the risk of escape. It is also essential that policies and procedure are properly followed and mechanisms to prevent escapes, such as the use of restraints, are carried out correctly and consistently.

Areas identified for improved performance related to the Department's escape alert system and monitoring the impact of changes to policy and procedure.

Recidivism rates and the impact of treatment programs

Crime costs Australia approximately $36 billion dollars per year. National trends show an increasing expenditure on the criminal justice system and Western Australia reflects this. Over the past five years, the yearly cost of Corrective Services has increased by nearly $200 million (34%), with an additional $655 million of capital expenditure.

Cost increases in the Western Australian correctives services system coincide with an unprecedented increase in prisoner population. The number of prisoners in adult prisons has increased from approximately 3,000 in 2004 to over 5,000 in 2014.

These cost and population pressures underline the importance of an effective corrective services system. In an effective system, imprisonment will positively influence a prisoner's life by making them less likely to reoffend in the future. Reoffending is less likely if a person undertakes a relevant treatment program.

This review found that the Department is missing opportunities in reducing reoffending among those most likely to return to prison. It also found that prisoners released from prisons where there were identified deficiencies in service provision were more likely to reoffend.

Assaults on staff in Western Australian prisons

Prisons are very challenging environments where violence is a significant risk. The vast majority of violence occurs between prisoners, with more than 350 prisoner-on-prisoner assaults being formally recorded every year in Western Australian prisons. Occasionally, violence spills over towards staff. In 2013 prisoner-on-staff assaults accounted for almost one in every four recorded assaults.

The most important finding from this review is that staff assaults, particularly serious staff assaults are rare. This is both commendable and expected. Keeping staff safe is a primary concern for any workplace and prisons are no exception.

The small number of assaults triggered when the prisoner was agitated or stressed, or during high risk activities such as escorts or restraints, indicates that many staff are highly skilled in dealing with volatile situations. However, the report found that risk is heightened for staff where prisoners had mental health issues, were unemployed or underemployed, and were being held in more secure facilities than their security rating dictated. These factors also overlapped to produce a cumulative effect, particularly at Bandyup Women's Prison.

Prisoner and staff perceptions of Western Australian custodial facilities from 2010 to 2012

The Office is required to inspect and report to Parliament on all of Western Australia's prisons, juvenile detention centres, court custody centres and prescribed lock up facilities at least once every three years. A full cycle of inspections occurs once all facilities have been visited. The Office is currently nearing the completion of the fifth cycle of inspections.

As part of the inspection process, standard surveys are conducted of staff and prisoners. Questions generally remain stable through a cycle, and are based on subject areas that reflect the Office's inspection standards. The method of distribution for each survey is adapted for each prison. This report provides a summary of findings from the fourth round of inspections conducted from early 2010 to the end of 2012.

Inspections

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

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

Under the *Act*, each site must be inspected at least once every three years. In the past year, both Bunbury Regional Prison and Albany Regional Prison fell outside the required timeframe by two months. This was due to the urgent need to conduct an additional inspection in 2014/15 of the Banksia Hill Detention Centre. Banksia Hill had experienced a riot in January 2013 and the Office had conducted a Directed Review of its causes. The additional inspection was necessary to follow up on recommendations from the review 18 months after the riot.

Advanced notice was given for all inspections conducted in 2014/15. In addition, eight inspection reports were completed during 2014–2015, including reports from inspections conducted in 2013–2014.

Report 90: Report of an announced inspection of Acacia Prison

Acacia is both the largest, and first privately managed prison in Western Australia. It was originally established in 2001 and managed by Australasian Integrated Management Services (AIMS). In 2006 the contract was awarded to Serco Australia, who was still delivering Acacia's prison services during the time of this inspection.

The inspection was very complex: encompassing the operations and practices of the prison; as well as both the management of the contract and the project to expand the prison's accommodation by 387 beds. Overall the prison was performing well but, in some areas, performance had slipped when compared with the relatively higher standards seen in the 2010 inspection. Some slippage had occurred because the expansion project was diverting energy and focus from the 'here and now', although this was not the only factor.

The expansion project was of a scale and complexity that had no parallel in Western Australia, and involved more stakeholders than other prison expansion projects. The expansion provided an opportunity to designate new areas for specific purposes, such as mental health, drug and alcohol programs, and young people. Ideally, this would have been decided by the Department before the build, however, at the time of the inspection the role of the new units was still uncertain.[13]

Report 91: Female prisons in Western Australia and the Greenough Women's Precinct

This report provides a review of services for women prisoners at Greenough Regional Prison. It also provides a thematic overview of the state of women's imprisonment in Western Australia, and the historical context that brought about the need for the creation of the Greenough Women's Precinct within the dual-gender prison.

Women still form a relatively small proportion of Western Australia's prison population but their numbers have grown quickly, and at a much faster rate than males. At the time of writing women's imprisonment had risen by 40 per cent in five years, whereas male rates had only increased by 15 per cent over the same period. The report examines some possible reasons behind this, and the State's inadequate response to the phenomenon at a time when massive amounts of money were being dedicated to new male prisoner accommodation.

13 Fortunately, the contractors (Serco) developed a plan for a new 'Young Adult Unit' (YAU) for young men aged 18–25. The YAU commenced operations in 2014–2015.

Greenough Regional Prison has always accommodated a number of women, usually around 25 and historically in Unit 5, a claustrophobic, confined and run down area. In 2012, in response to the crisis of increased women prisoner numbers, a newer larger unit, Unit 4, was converted for the use of women prisoners. Women began to be transferred from other prisons, especially Bandyup and Roebourne Regional Prison, from late January 2013. When Unit 4 is fully occupied, it has a total capacity of 69. Importantly though, the new Women's Precinct offered an opportunity to do much more for women being held at Greenough than had been done in the past.

This inspection found that while there was still work to be done, Greenough offered an improved environment, culture and services to its female prisoners. This was a credit to the prison management and staff, especially given the very limited additional resources that were made available.

Report 92: Report of an announced inspection of Eastern Goldfields Regional Prison

Eastern Goldfields Regional Prison was opened in 1980 and has a large majority Aboriginal prisoner population. The current site will cease operation in late-2015 with the opening of an adjacent new, purpose-built facility that will increase capacity from 110 to 350. The old prison is inadequate and inappropriate, but the new facility has been designed to reduce recidivism by improving service delivery and through care.

The inspection found a sound management team overseeing delivery of services in trying circumstances. Construction of the new prison facility had required closure of the oval and removal of workshops, but despite the disruptions, staff morale was high, infrastructure was well maintained, and the majority Goldfields/Ngaanyatjarra Aboriginal prisoner population were pleased to be in country.

Health services had improved since the last inspection, and the education campus continued to provide appropriate opportunities for safe and pro-social gender mixing. It was unfortunate that the Department had been unable to provide therapeutic programs to meet the particular criminogenic needs of Goldfields/Ngaanyatjarra prisoners, despite the high recidivism rate among those groups. Transitional services for minimum-security prisoners were well integrated with community providers, but capacity to assist higher security prisoners was limited by their short, end-of-term placement at the prison.

Report 93: Report of an announced inspection of Bandyup Women's Prison

Bandyup Women's Prison is an extremely complex and challenging prison, holding remandees alongside sentenced prisoners, and women of all security levels. Some of the women have cognitive impairments and extremely high mental health needs. Its population is up to 50 per cent Aboriginal, and it also holds women with infants as well as pregnant women from across Western Australia.

Bandyup is the most crowded prison in Western Australia. The prison has an 'operational capacity' of 259, but there is no official cap on the number of women that can be held there, and its population had peaked as high as 319, up to the time of the report's publication. At the time of the inspection female prisoners were in the undignified position of having to sleep on mattresses on the floor of cells designed for a single occupant.

At the conclusion of the inspection, and on the heels of significant investment in extra male-estate capacity but little for women, the Inspector labelled Bandyup the most neglected prison in Western Australia. The inspection found that little progress had been made against the 2011 recommendations, and in many areas the situation had worsened considerably. Specifically, we found that Bandyup was unable to adequately service the following cohorts: women with mental health needs, minimum-security prisoners, and those on remand.

Report 94: Report of an announced inspection of Wandoo Reintegration Facility

In May 2009, the Government announced that the Rangeview Remand Centre for juveniles would be converted to an 80-bed young-adults' prison. This resulted in the transformation of the facility into Wandoo Reintegration Facility. The age range of prisoners allowed at the prison was set at 18–24 years to ensure a large enough catchment. In November 2011 Serco was announced as the preferred tenderer to operate the prison. The initial five year contract (with potential renewals having a total value of $172m over its maximum 15 year life) commenced in March 2012, although due to delays the prison's opening was delayed to November 2012.

This first inspection of Wandoo revealed a good news story, with many examples of good practice. Serco had inherited a degraded facility but had worked well to 'rehabilitate' the site. Positive findings included: the quality of relationship between staff and residents (which supported effective dynamic security), implementation of restorative justice in its operating philosophy, access to external activities, and a highly organised and supportive approach to through care services from admission to post-release.

Report 95: Report of an announced inspection of Work Camps in Western Australia

Work camps have been a feature of the Western Australian prison system since 1998. They give prisoners a staged transition from custody to freedom, enhancing rehabilitation and providing reparation through community work projects. Access to work camps has been limited to prisoners presenting low risk to the community, with only minimum-security prisoners being permitted to apply for the additional status of 'work camp readiness'.

Before 2011, Western Australian work camps were low budget and small scale, often re-purposing existing infrastructure. Low-key work camps operated, usually successfully, at ten regional and remote sites. A successful 2008 business cases for purpose-built work camp infrastructure resulted in an expansion project, delivering four large new camps between 2011 and 2014; each with robust, high-quality accommodation and well equipped training facilities. A number of older, smaller facilities closed.

The Office has previously examined work camps in the context of inspections of their host prisons but this was the first full review of all the work camps. Previous reports had long recommended increased investment in the camps, recognising their positive contribution to successful transition from custody to freedom. The report found current effectiveness was hampered by under-utilisation due to risk aversion. More formalised training programs for prisoners would also better enhance outcomes.

Report 96: Report of an announced inspection of West Kimberley Regional Prison (including Broome Regional Prison)

This is a report of the Office's first formal inspection of West Kimberley Regional Prison in Derby. The report also examines the use and future of Broome Regional Prison, which had been marked for closure at the end of 2015.

West Kimberley opened in November 2012 with a philosophy of meeting the needs of its local population client group – predominantly regional and remote Kimberley prisoners. The $150 million, 120-bed facility was built as a mixed security (maximum, medium and minimum) prison to accommodate both male and female prisoners.

West Kimberley Regional Prison has achieved what could reasonably have been expected of it. The inspection found a solid focus on the needs of the prisoners and a genuine concern for culturally appropriate operational practices and procedures.

In contrast to West Kimberley, Broome Regional Prison had been mired in doubt, confusion and a communication vacuum since it was announced in 2012 that it was to close at the end of 2015. The prison population had been reduced to a level of minimum-security male prisoners to keep 'essential services' operational, short term higher security prisoners on remand to appear in court, and occasionally one or two female prisoners held for a variety of different reasons. Services had been pared back to a bare minimum and the staff who remained on-site had no idea about how long they might be required at the prison or where their futures lay.

It was both perplexing and unacceptable that planning for custodial services in the Kimberley region remained rudimentary, and in particular that the issue of servicing the obvious needs of the Broome courts was unresolved.

Report 97: Report of an announced inspection of Banksia Hill Juvenile Detention Centre

This inspection was conducted as a follow-up to monitor the progress of the Centre approximately 18 months after the riot of January 2013. This included an assessment of Banksia Hill's recovery from the riot and the extent to which the recommendations made in the Directed Review had been addressed. In addition, it was also important to examine the various aspects of operations that had not formed a central part of the Directed Review. This included areas such as the management of young women, health services, education, case management, programs, and psychological services.

The inspection found that progress at Banksia Hill since the riot had been considerably slower than hoped. While improvements were noted in a number of areas, the centre remained fragile. The youth custodial system had benefited from relatively low detainee numbers since mid-2013 but much of the progress made would be at risk if the population increased. Most of the recommendations from the Directed Review relating to emergency management had been addressed, as had most aspects of security. However, Banksia Hill remained very much a 'work in progress'.

Office Initiatives

The Office committed resources this year to the development of a comprehensive Communications Strategy, through an External Communications Committee led by the Deputy Inspector and comprising a number of interested staff. The plan was formally approved in October 2014.

The Business Services directorate undertook a review and update of the Office's Human Resources manual in compliance with public sector grievance procedures.

6. Key Efficiency and Effectiveness Indicators

In early 2013 the Under Treasurer approved changes to the Office's key performance indicators (KPIs). These changes were outlined in detail in 2012–2013's Annual Report. The following commentary aligns with the new, approved KPIs.

Reports

The number of published reports incorporates all inspection and review reports. The KPI target is nine reports per year. In 2014–2015, the Office published 12 reports. One of these reports also included inspections of two separately located facilities (West Kimberley Regional Prison and Broome Regional Prison). The very high 2013–2014 figure of 14 reports reflected the specific circumstances surrounding the Inquiry into the Banksia Hill riot.

Number of reports completed each financial year

	2010–11	2011–12	2012–13	2013–14	2014–15
Number of reports	7	6	10	14	12

Recommendations

This year 180 recommendations were made in our reports. This is well above the KPI target of 100 recommendations. This reflects the complexity, stress and risks of some facilities, especially Bandyup Women's Prison, Banksia Hill Detention Centre and Acacia Prison.

The KPI target for the acceptance of recommendations is 80 per cent. In 2014–2015, the acceptance rate was 91 per cent.

The number of recommendations in each report in 2014–2015

Report		Number of recommendations	Percentage supported (%)*
90	Acacia Prison	24	100
91	Greenough Women and the Women's Estate	19	90
R	Assaults on Staff	8	88
R	Prisoner and Staff Perceptions of WA custodial facilities from 2010–2012	0	n/a
92	Eastern Goldfields Regional Prison	15	80
R	Recidivism Rates	9	100
93	Bandyup Women's Prison	40	95
94	Wandoo Reintegration Facility	7	100
R	Escapes and Attempted Escapes	6	100
95	Work Camps in Western Australia	4	100
96	West Kimberley and Broome Regional Prisons	23	91
97	Banksia Hill Juvenile Detention Centre	25	80
TOTAL		**180**	**91**

* *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, however, this had risen to over half last year. This figure decreased slightly this financial year to 48.9 per cent. This year the Department has stated that 12.8 per cent of recommendations are an existing Departmental initiative, and 30 per cent were supported in part.

Support for recommendations

Level of support	2011–12 (%)	2012–13 (%)	2013–14 (%)	2014–15 (%)
Supported	29	31	49	49
Supported – existing initiative	19	27	9	13
Partially supported or qualified	33	25	28	30
Not supported	17	11	11	8
Unable to be determined	2	6	3	0

The percentage of recommendations not supported by the Department decreased three per cent from the previous two years. This result was particularly influenced by the 100 per cent acceptance of responses to the inspection reports of Acacia Prison, Wandoo Reintegration Facility, work camps, and the reviews of recidivism rates and escapes.

It is understandable that some recommendations will not be supported, particularly where there are substantial budgetary issues. In some cases, however, it is difficult to comprehend the Department's reasoning. There are times when, even though a recommendation is 'not supported', the Department does in fact pursue the recommended course of action.

Support for a recommendation does not necessarily mean that the Department will actually progress the issue, especially when support is conditional or subject to budgetary priorities.

The Office remains concerned at the extent of claims that recommendations constitute existing Departmental initiatives. If that had been the case, and had resulted in actual outcomes, it is unlikely the recommendation would have been made. In most cases there was little evidence that the issue was under active detailed consideration or that the initiatives in question were actually having any impact on the ground.

During an inspection, the Office assesses the Department's progress against recommendations made after the most recent previous inspection. This year a number of facilities or functions were inspected for the first time. These were Greenough Prison's women's section; Wandoo Reintegration Facility; and work camps as a discrete type of facility. Therefore 'assessment against previous recommendations' is not relevant to these cases.

The remaining facilities had all been inspected previously, and this resulted in 98 recommendations where progress could be assessed. The Office concluded that there had been acceptable or better progress against only 31 per cent of recommendations.

Given that two-thirds of recommendations have not been progressed, there is a serious risk the Department will not meet its goals of rehabilitation and reducing recidivism.

Progress against past inspection recommendations

Rating	2011–12 (%)	2012–13 (%)	2013–14 (%)	2014–15 (%)
Poor	11	13	35	32
Less than acceptable	30	61	23	38
Acceptable	44	20	38	30
More than acceptable	16	7	3	1
Excellent			3	0

Timeliness of Inspection Reports

As described earlier,[14] 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; time for the Office to seek further clarification; and the legal requirement for completed reports to be embargoed for at least 30 days after they are sent to Parliament.

In 2014–2015 the average time taken from the start of the inspection to the production of a report was 34.5 weeks.[15] In 2013–2014, the average was 30 weeks.

There are three main reasons for the longer time period. First, the agreed time frame for Departmental responses to inspection reports is four weeks. This year, the Department met the agreed four-week time frame on only one occasion, and their average response time was six weeks.

A second reason is that many sites have increased in size and complexity, making the inspection reports more complex. For example, there is now only one juvenile detention centre (Banksia Hill), when previously there were two (Banksia Hill and Rangeview); Casuarina Prison originally housed 400 prisoners, and now houses 700; Acacia Prison has doubled from 700 to 1,400 prisoners in less than 15 years; and Bunbury Regional Prison now has a separate Pre-release Unit that is the same size as some small prisons.

The third reason relates to the nature of some reports. The report of the women's section at Greenough Prison incorporated a broader thematic review of women's imprisonment, and the inspection of work camps required fieldwork to be conducted across the state over an extended period of time. The removal of these two reports reduces the average report production time to 29 weeks, which is similar to preceding years.

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. Inspections proposed for 2015-2016 are:[16]

- Hakea Remand Centre (July/August 2015)
- Pardelup Prison Farm (October 2015)
- Acacia Prison (November 2015)
- Court Security and Custodial Services (October-December 2015)
- Karnet Prison Farm (February 2016)
- Roebourne Regional Prison (April 2016)
- Greenough Regional Prison (June 2016)

14 See section 3 of this Report.
15 This does not include the additional 30-day embargo period before the report is made public.
16 Section 33(2)(e) of the *Act*.

Liaison Visits

As stated earlier, liaison visits are a key part of the 'continuous inspection' model.[17] It is not possible to truly assess the performance of a facility based on only an inspection once every three years. Risks change over time and far more frequent oversight is needed.

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

In the normal course of events, the Office aims to achieve 90 such visits per year. This year, because of an increased risk profile in many custodial facilities, the Office exceeded its visit target, completing 96 liaison visits.

Independent Visitor Service

The Independent Visitor Service ('IVS') (also referred to as the Independent Visitor Scheme) 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 IVs are a highly qualified and diverse group of people who bring great skill, insight and common sense to the role. The Inspector recognises the invaluable contribution they make on a voluntary basis.

At the completion of the year there were 35 IVs appointed to the 16 adult and one juvenile facility. Of these, seven IVs visited more than one facility, with some visiting up to four facilities. While the IVS was providing services into every facility, at the end of the financial year two facilities were functioning with only a single volunteer visitor. The IVS coordinator makes a continuous effort to attract new recruits to cover resignations and retirements, and recruitment of Aboriginal Independent Visitors continues to be a priority.

The annual target for IV reports is 150. This year a total of 165 reports were submitted by IVs and referred to the Department.

Community Relations

This year the Office commenced work on increasing engagement with organisations and individuals who have an interest in custodial settings and those who are held in them. Existing resources were reallocated to allow a managerial position to develop greater engagement with these external stake-holders, and an internal communications committee and plan were developed. The aim is to enhance the work of the Office and the value it provides to the Western Australian community.

Structured consultation with volunteer organisations and external stakeholders, which provide services in custodial settings continued to be an essential component of inspections. Local members of parliament, mayors, shire presidents and local community members are also given the opportunity to contribute to inspections and to comment on how correctional activities fit into their communities.

In 2014–2015 the Office continued to further develop links with Aboriginal communities across Western Australia through effective communication and networking by the Community Liaison Officer. The Inspector would like to thank all community-based individuals and groups who have contributed to the activities of the Office this year.

17 See section 3 of this report.

7. Staff

In 2014–2015 the Office had 20 Full-Time Equivalent staff made up of full-time and part-time employees. Staff comprised the Inspector, Deputy Inspector and three teams comprising: Operations, Audit and Review and Community Relations, and Corporate Services.

The Inspector delegated his powers on one occasion to Mr Andrew Harvey who acted Inspector between 3 September to 5 October 2014.

In addition to its own staff, the Office has used the services of a number of expert consultants to assist in specialist areas throughout the year. Some of them are employees from other public service departments and agencies. 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, agencies and consultant, and to thank them for their support throughout the year.

8. Collaboration and 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.

In April 2015, the Inspector made a submission to the Standing Committee on Public Administration Inquiry into the 'Transport of Persons in Custody in Western Australia'. The submission notes that there are some deficiencies in the Court Custody and Custodial Services contract but that the complex patchwork of transport services needs to be understood if issues of contract scope, management, performance and improvement are to be understood. Drawing on the Office's experience in inspecting such services, the submission reviews all the different situations in which adults and children in custody are transported, and who is responsible for such transports (including WA Police, the Department of Corrective Services and Serco). The submission is available on the office's website.

Minister

The Inspector is an independent officer who reports to the Parliament. However, positive engagement between the Inspector and the relevant Minister is also important to maximising the value of the Office. The Minister for Corrective Services is the Honourable Joe Francis MLA, who was appointed on 21 March 2013.

The Inspector is not subject to Ministerial direction under the Act, except for the power for the Minister to 'direct' a review.[18] The Inspector must comply with such a direction unless, in the Inspector's opinion, there are exceptional circumstances for not complying. This power was last exercised in January 2013 where the former Minister directed the Inspector to undertake a review into a riot at the Banksia Hill detention centre.

18 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 regular engagement with the Minister to keep the Minister informed of areas of concern or risk. On several occasions in 2014–2015, 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 advisers.

The Department of Corrective Services

As an independent oversight and accountability agency, the Office must operate separately from the Department of Corrective Services. The *Act* provides that the Inspector, or any person authorised by the Inspector, have free and unfettered access to all documents in the possession of the Department (or a contractor or subcontractor) in relation to a prison or detention centre, or to a custodial service in relation to a prison or to person who is, or has been, a prisoner or detainee. Despite this, over the past year the Department has sometimes proved reluctant to share information which it does have. It has therefore been agreed that the memorandum of understanding, which is currently out of date, will be reviewed to reflect communication protocols that are required to enable the Office to meet its statutory obligations.

Other Departments and 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.

Along these lines, during 2014–15 a member of the Office was seconded to assist the Economic Regulation Authority (ERA) in its *Inquiry into the Efficiency and Performance of Western Australian Prisons*. The secondment was for a period of four weeks in early 2015. The Office also provided briefings to the ERA, and participated in a roundtable discussion among key stakeholders.

As part of its ongoing practice, the Office also 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 contractors and agencies on a regular basis.

Other Collaborations

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 2014–2015 the Inspector undertook a number of additional roles. He served as Rapporteur for the Asian and Pacific Conference of Correctional Administrators (www.apcca.org) in Canada in October 2014. In April/May he acted as a consultant to the Government of Kirabati regarding its prison system.

The Inspector also made a number of presentations. These included:

- 6th Prison Planning, Design, Construction and Maintenance Conference (Melbourne, March 2015)
- Australia and New Zealand Association of Psychiatry, Psychology, and Law Seminar (Perth, October 2014)
- WA Association for Mental Health Forum on Criminal Law (Mentally Impaired Accused) Act (Perth, October 2014)

- University of Western Australia, Feminism and Law (Perth, March 2015)
- University of Western Australia, Law, Crime and Public Policy (Perth, October 2014)
- Australian Institute of Administrative Law (Perth, May 2015)
- The Department of Corrective Service's Assistant Senior Officer Program (Perth, August 2014)

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 necessary 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.[19]

'Show Cause' Notices

The Inspector has the power to issue a 'show cause notice' to the Department[20] if he or she 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. The effect of the notice is that the Department must '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 2014–2015 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 need for a show cause notice. In practice, such notices are only likely to be used where issues have been raised in other ways but have not received an adequate 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*.

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 101 letters were received.

19 Some of the general issues raised are discussed in section 5 of this report – 'Trends in Correctional Services'.
20 Section 33A of the *Act*.

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 2015.

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

25 August 2015

Contact Details

Postal
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Albert Facey House
469 Wellington Street
PERTH WA 6000

Electronic
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Operational Structure

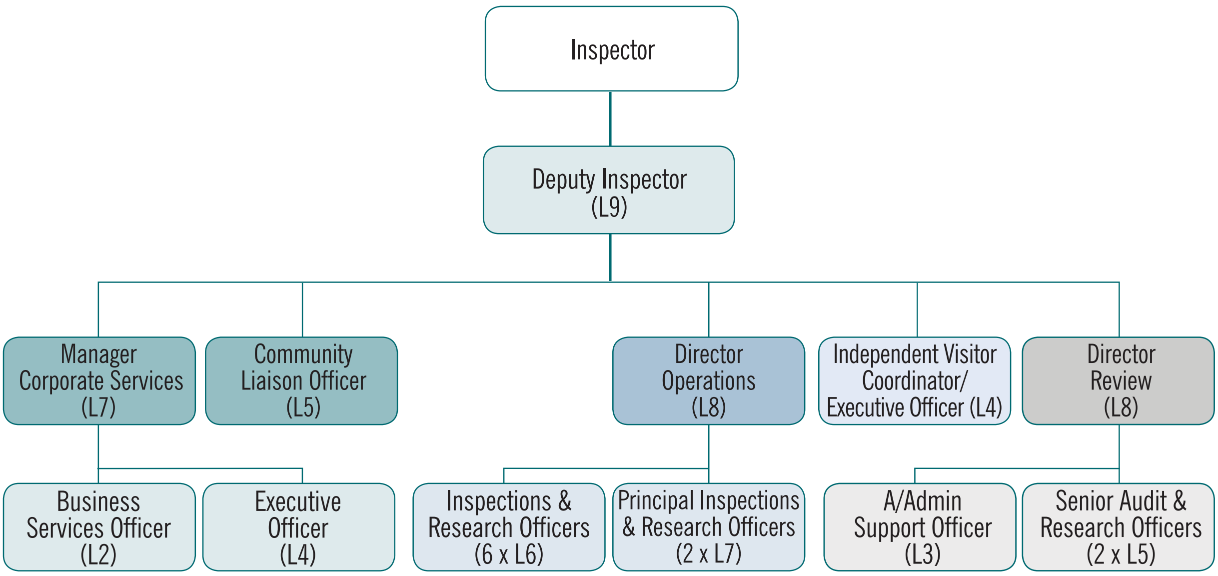
Enabling Legislation

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, 2015 Revised 2nd Edition: 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 2014/15.

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

	2014–15 Target (000's)	2014–15 Actual (000's)	2014–15 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%	91%	+11%
Key Efficiency Indicators			
Average cost per Report	$200	$194	$-6
Average cost per Independent Visitors' Scheme Report	$2	$2	$0
Average cost per Liaison Visit Report	$10	$11	$+1

Key Performance Indicators

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 2015.

Neil Morgan

25 August 2015

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 (%)
2011–12	50	127	90	85
2012–13	90	78	90	86
2013–14	100	153	80	86
2014–15	100	180	80	91

Comparison of Actual Results and Budget Targets

The number of recommendations made this year is marginally higher than last year and significantly higher than in previous years. The surge in recommendations is due to the diverse range of issues being covered and the increasing complexity of some of the custodial facilities. This trend is not expected to continue as the next round of custodial facilities in 2015/16 are expected to be less complex.

Only 15 of the 180 recommendations were outright rejected. The other recommendations were supported, partially supported or supported by already existing initiatives.

Key Efficiency Indicators

Key Efficiency Indicators	Actual 2011–12	Actual 2012–13	Actual 2013–14	Target 2014–15	Actual 2014–15
Report[21]	n/a	n/a	14	9	11
Average cost per Report	n/a	n/a	206,064	200,000	193,657
Liaison Visit Report	100	101	101	90	96
Average cost per Liaison Visit Report	4,944	5,036	4,826	10,000	10,511
Independent Visitors' Scheme Report	159	163	177	150	165
Average cost per Independent Visitors' Scheme Report	949	853	1,328	2,000	2,024

21 In 2013/14, the efficiency key performance indicators for inspection reports, ministerial advices and discussion papers were replaced with a new indicator for reports. Hence no prior year comparatives have been presented for the efficiency indicator 'Average Cost per Report' for 2011/12 and 2012/13. For full disclosure of efficiency key performance indicators for 2011 to 2013 relating to inspection reports, exit debriefs, ministerial advices and discussion papers, refer to prior year annual reports.

Comparison of Actual Results and Budget Targets

The Inspectorate has changed the way it allocates costs across the three efficiency indicators. In the past all costs were estimated and allocated based upon educated assumptions. 2014/15 is the first year where costs were directly charged to a relevant efficiency indicator in the financial management system at the time of payment. This new methodology still requires an estimate of some of the costs to be applied across the efficiency indicators but it is now based upon a staff survey of where time has been spent.

Reports: The Inspectorate operates on a three year cycle where each prison, juvenile detention centre, court custody centre and prescribed lock is fully inspected. This means that some years produce more reports than others. 2014/15 is such a year and as a consequence the average cost is less than the target. The average cost per Report is also less due to a refined methodology of improving the allocation of costs.

Liaison Visit Reports: The target of 90 liaison visit reports is based on six visits occurring at the large and complex prisons (Hakea, Casuarina, Bandyup and Banksia Hill) and three visits occurring at the remaining prisons. Each work camp and court custody centre receives at least one visit each year. The frequency of visits may vary according to the assessed risk of each facility. The target has been exceeded this year because extra visits were required at Roebourne Work Camp, Boronia, Eastern Goldfields Regional Prison, Pardelup and Wandoo. The increase in the average cost per Liaison Visit Report is due to a refined methodology of improving the allocation of costs.

Independent Visitors' Scheme Reports: The target of 150 independent visitor reports is based on each prison receiving nine visits annually. The target has been exceeded this year because extra visits occurred at Acacia, Albany, Bandyup, Boronia Broome, Casuarina, Eastern Goldfields Regional Prison, Greenough, Hakea, Karnet, Wooroloo and Banksia Hill. The increase in the average cost per Independent Visitors' Scheme Report is due to a refined methodology of improving the allocation of costs.

Other Financial Disclosures

Source Reference

Employment and Industrial Relations

Staff Profile

	2013–14	2014–15
Full-time permanent	16	13
Full-time contract	–	1
Part-time measured on an FTE basis	2	5
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 Mental Health Communication.

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:	1
• Number of breaches found, including details of multiple breaches per application:	0
• Number still under review:	nil

Neil Morgan

Inspector of Custodial Services

25 August 2015

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 Office has a plan which will guide us until 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 plan is available on the Office's website.

A mandatory one day seminar was held at the Inspectorate which allows staff to better understand people suffering mental health issues.

Recordkeeping Plans

The State Records Commission approved the Office's recordkeeping plan in October 2014 for a period of five years.

The Office stores its archival information off-site 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 appointed an officer to advocate potential occupational safety and health issues.

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	50

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 three to two;
- 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, a checklist of personal commitments required of all employees and a pamphlet by the CCC and the Public Sector Commission on notification of misconduct in Western Australia.

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 2015 and the financial position as at 30 June 2015.

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

25 August 2015

Neil Morgan

Accountable Authority

25 August 2015

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 2015, the Statement of Comprehensive Income, Statement of Changes in Equity, Statement of Cash Flows, Schedule of Income and Expenses by Service, Schedule of Assets and Liabilities by Service, 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 2015 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.

7th Floor Albert Facey House 469 Wellington Street Perth MAIL TO: Perth BC PO Box 8489 Perth WA 6849 TEL: 08 6557 7500 FAX: 08 6557 7600

Report on Controls
I have audited the controls exercised by the Office of the Inspector of Custodial Services during the year ended 30 June 2015.

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 2015.

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 2015.

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 2015.

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 2015 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
26 August 2015

Statement of Comprehensive Income for the year ended 30 June 2015

COST OF SERVICES	Note	2015	2014
		$	$
Expenses			
Employee benefits expense	6	2,323,829	2,351,942
Supplies and services	7	779,288	817,309
Depreciation and amortisation expense	8	18,475	50,871
Accommodation expenses	9	304,203	313,513
Other expenses	10	47,338	73,780
Total Cost of Services		**3,473,133**	**3,607,415**
Income			
Revenue			
Other revenue	11	1,515	11,289
Total Revenue		**1,515**	**11,289**
Total Income other than Income from State Government		1,515	11,289
Net Cost of Services		**3,471,618**	**3,596,126**
Income from State Government			
Service Appropriation	12(a)	3,427,000	3,490,000
Services received free of charge	12(b)	98,111	108,918
Total Income from State Government		**3,525,111**	**3,598,918**
SURPLUS/(DEFICIT) FOR THE PERIOD		**53,493**	**2,792**
Other Comprehensive Income			
Items not reclassified subsequently to profit or loss			
Total Other comprehensive Income		–	–
TOTAL COMPREHENSIVE INCOME/FOR THE PERIOD		**53,493**	**2,792**

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

Statement of Financial Position as at 30 June 2015

ASSETS	Note	2015	2014
		$	$
Current Assets			
Cash and cash equivalents	23	236,710	261,490
Restricted cash and cash equivalents	13	88,307	–
Receivables	14	73,093	25,023
Amounts receivable for services	15	26,000	26,000
Other current assets	16	59,194	48,222
Total Current Assets		483,304	360,735
Non-Current Assets			
Restricted cash and cash equivalents	13	–	73,307
Amounts receivable for services	15	175,000	173,000
Plant and equipment	17	9,846	20,704
Intangible asset	18	–	549
Total Non-Current Assets		184,846	267,560
TOTAL ASSETS		668,150	628,295
LIABILITIES			
Current Liabilities			
Payables	20	258,210	177,215
Provisions	21	484,726	615,567
Total Current Liabilities		742,936	792,782
Non-Current Liabilities			
Provisions	21	136,952	100,744
Total Non-Current Liabilities		136,952	100,744
TOTAL LIABILITIES		879,888	893,526
NET ASSETS		(211,738)	(265,231)
EQUITY			
Contributed equity	22	274,000	274,000
Accumulated surplus/(deficit)		(485,738)	(539,231)
TOTAL EQUITY/(DEFICIT)		(211,738)	(265,231)

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 2015

	Contributed equity	Accumulated surplus/(deficit)	Total equity/(deficit)
	$	$	$
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)
Balance at 1 July 2014	274,000	(539,231)	(265,231)
Surplus	–	53,493	53,493
Total Comprehensive Income for the Period	-	53,493	53,493
Transactions with owners in their capacity as owners:			
– Capital contributions	–	–	–
Total	–	–	–
BALANCE AT 30 JUNE 2015	274,000	(485,738)	(211,738)

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 2015

STATEMENT OF CASH FLOWS (CONTROLLED OPERATIONS)	Note	2015	2014
		$	$
CASH FLOWS FROM STATE GOVERNMENT			
Service appropriations		3,399,000	3,460,000
Holding account drawdown		26,000	26,000
Net Cash Provided by State Government		3,425,000	3,486,000
CASH FLOWS FROM OPERATING ACTIVITIES			
Payments			
Employee benefits		(2,445,251)	(2,269,629)
Supplies and services		(621,835)	(872,715)
Accommodation		(301,523)	(313,513)
GST payments on purchases		(107,816)	(129,326)
Other payments		(47,338)	(73,780)
Receipts			
GST receipts on sales		3,113	11,107
GST receipts from taxation authority		91,423	144,518
Other receipts		1,515	11,289
Net Cash Used in Operating Activities	23	(3,427,712)	(3,492,049)
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments			
Purchase of non-current physical assets		(7,068)	-
Net Cash Provided Used in Investing Activities		(7,068)	-
Net Increase/(Decrease) in Cash and Cash Equivalents		(9,780)	(6,049)
Cash and cash equivalents at the beginning of the period		334,797	340,846
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	23	325,017	334,797

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 2015

	2015 Estimate	2015 Actual	Variance	2015 Actual	2014 Actual	Variance
	$	$	$	$	$	$
Delivery of Services						
Item 107 net amount appropriated to deliver services	3,180,000	3,180,000	–	3,180,000	3,243,000	(63,000)
Amount Authorised by Other Statutes						
Salaries and allowances Act 1975	247,000	247,000	–	247,000	247,000	–
Total Appropriations Provided to Deliver Services	**3,427,000**	**3,427,000**	**-**	**3,427,000**	**3,490,000**	**(63,000)**
Capital						
Capital appropriations	–	–	–	–	–	–
GRAND TOTAL	**3,427,000**	**3,427,000**	**-**	**3,427,000**	**3,490,000**	**(63,000)**
Details of Expenses by Services						
Inspection and review of custodial services	3,432,000	3,473,133	41,133	3,473,133	3,607,415	(134,282)
Total cost of services	3,432,000	3,473,133	41,133	3,473,133	3,607,415	(134,282)
Less: Total Income	(5,000)	(1,515)	3,485	(1,515)	(11,289)	9,774
Net Cost of Services	3,427,000	3,471,618	44,618	3,471,618	3,596,126	(124,508)
Adjustments	–	(44,618)	(44,618)	(44,618)	(106,126)	61,508
Total Appropriations Provided to Deliver Services	**3,427,000**	**3,427,000**	**-**	**3,427,000**	**3,490,000**	**(63,000)**

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 2015 and between the actual results for 2015 and 2014.

Notes to the Financial Statements for the year ended 30 June 2015

Note 1. Australian Accounting Standards

General

The Office's financial statements for the year ended 30 June 2015 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 2015.

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 2006* 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 2015.

(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 2014–2015 Budget Statements, the Office retained $1,515 in 2015 ($11,289 in 2014) 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.

(p) Provisions (contd.)

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 non¬current 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 of 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 form 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

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

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

Assets or services received free of charge or for nominal cost that the Office would otherwise purchase if not donated, are recognised as income at the fair value of the assets or services where they can be reliably measured. A corresponding expense is recognised for services received. Receipts of assets are recognised in the Statement of Financial Position.

Assets or services 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. In each instance, the lessor retains substantially all the risks and rewards incidental to ownership. Accordingly, these leases have been classified as operating leases.

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 1 July 2014 that impacted on the Office.

Intl 21 — *Levies*

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 Office at reporting date.

AASB 10 — *Consolidated Financial Statements*

This Standard, issued in August 2011, supersedes AASB 127 Consolidated and Separate Financial Statements and Int 112 Consolidation – Special Purpose Entities, introducing a number of changes to accounting treatments.

The adoption of the new Standard has no financial impact for the Office as it does not impact accounting for related bodies and the Office has no interests in other entities.

AASB 11 — *Joint Arrangements*

This Standard, issued in August 2011, supersedes AASB 131 Interests in Joint Ventures, introduces new principles for determining the type of joint arrangement that exists, which are more aligned to the actual rights and obligations of the parties to the arrangement.

There is no financial impact for the Office as the new standard continues to require the recognition of the Department's share of assets and share of liabilities for the unincorporated joint operation.

AASB 12 — *Disclosure of Interests in Other Entities*

This Standard, issued in August 2011, supersedes disclosure requirements in AASB 127 Consolidated and Separate Financial Statements, AASB 128 Investments in Associates and AASB 131 Interests in Joint Ventures. There is no financial impact.

AASB 127 — *Separate Financial Statements*

This Standard, issued in August 2011, supersedes AASB 127 Consolidated and Separate Financial Statements removing the consolidation requirements of the earlier standard whilst retaining accounting and disclosure requirements for the preparation of separate financial statements. There is no financial impact.

Note 5. Disclosure of Changes in Account Policy and Estimates (Contd.)

AASB 128	*Investments in Associates and Joint Ventures* This Standard supersedes AASB 128 Investments in Associates, introducing a number of clarifications for the accounting treatments of changed ownership interest. The adoption of the new Standard has no financial impact for the Office as it does not hold investments in associates and joint ventures.
AASB 1031	*Materiality* This Standard supersedes AASB 1031 (February 2010), removing Australian guidance on materiality not available in IFRSs and refers to guidance on materiality in other Australian pronouncements. There is no financial impact.
AASB 1055	*Budgetary Reporting* This Standard requires specific budgetary disclosures in the general purpose financial statements of not-for-profit entities within the General Government Sector. The Office will be required to disclose additional budgetary information and explanations of major variances between actual and budgeted amounts, though there is no financial impact.
AASB 2011-7	*Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards (AASB 1, 2, 3, 5, 7, 101, 107, 112, 118, 121, 124, 132, 133, 136, 138, 139, 1023 & 1038 and Int 5, 9, 16 & 17]* This Standard gives effect to consequential changes arising from the issuance of AASB 10, AASB 11, AASB 127 Separate Financial Statements and AASB 128 Investments in Associates and Joint Ventures. There is no financial impact for the Office.
AASB 2012-3	*Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities [AASB 132]* 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.
AASB 2013-3	*Amendments to AASB 136 – Recoverable Amount Disclosures for Non Financial Assets* This Standard introduces editorial and disclosure changes. There is no financial impact.
AASB 2013-4	*Amendments to Australian Accounting Standards – Novation of Derivatives and Continuation of Hedge Accounting [AASB 139]* 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 Office does not routinely enter into derivatives or hedges, therefore there is no financial impact.

AASB 2013-8	*Amendments to Australian Accounting Standards – Australian Implementation Guidance for Not-for-Profit Entities – and Structured Entities [AASB 10, 12 & 1049]* The amendments, issued in October 2013, provide significant guidance in determining whether a not-for-profit entity controls another entity when financial returns are not a key attribute of the investor's relationship. The Standard has no financial impact in its own right, rather the impact results from the adoption of the amended AASB 10.
AASB 2013-9	*Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments* Part B of 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. It has no financial impact.
AASB 2014-1	*Amendments to Australian Accounting Standards* Part A of this Standard consists primarily of clarifications to Accounting Standards and has no financial impact for the Office. Part B of this Standard has no financial impact as the Office contributes to schemes that are either defined contribution plans, or deemed to be defined contribution plans. Part C of this Standard has no financial impact as it removes references to AASB 1031 Materiality from a number of Accounting Standards.
AASB 2015-7	*Amendments to Australian Accounting Standards – Fair Value Disclosures of Not-for-Profit Public Sector Entities* This Standard relieves not-for-profit public sector entities from the reporting burden associated with various disclosures required by AASB 13 for assets within the scope of AASB 116 that are held primarily for their current service potential rather than to generate future net cash inflows. It has no financial impact.

Voluntary Changes in Accounting Policy

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

Note 5. Disclosure of Changes in Account Policy and Estimates (Contd.)

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 of the following Australian Accounting Standards that have been issued that may impact the Department. Where applicable, the Department plans to apply these Australian Accounting Standards from their application date.

		Operative for reporting periods beginning on/after
AASB 9	*Financial Instruments* This Standard supersedes AASB 139 *Financial Instruments: Recognition and Measurement*, introducing a number of changes to accounting treatments. The mandatory application date of this Standard is currently 1 January 2018 after being amended by AASB 2012-6, AASB 2013-9 and AASB 2014-1 Amendments to Australian Accounting Standards. The Office has not yet determined the application or the potential impact of the Standard.	1 Jan 2018
AASB 15	*Revenue from Contracts with Customers* This Standard establishes the principles that the Office shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with a customer. The Office has not yet determined the application or the potential impact of the Standard.	1 Jan 2017
AASB 2010-7	*Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) [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]* This Standard makes consequential amendments to other Australian Accounting Standards and Interpretations as a result of issuing AASB 9 in December 2010. The mandatory application date of this Standard has been amended by AASB 2012-6 and AASB 2014-1 to 1 January 2018. The Office has not yet determined the application or the potential impact of the Standard.	1 Jan 2018
AASB 2013-9	*Amendments to Australian Accounting Standards Conceptual Framework, Materiality and Financial Instruments* Part C of this omnibus Standard defers the application of AASB 9 to 1 January 2017. The application date of AASB 9 was subsequently deferred to 1 January 2018 by AASB 2014-1. The Office has not yet determined the application or the potential impact of AASB 9.	1 Jan 2015
AASB 2014-1	*Amendments to Australian Accounting Standards* Part E of this Standard makes amendments to AASB 9 and consequential amendments to other Standards. It has not yet been assessed by the Office to determine the application or potential impact of the Standard.	1 Jan 2015

		Operative for reporting periods beginning on/after
AASB 2014-3	*Amendments to Australian Accounting Standards – Accounting for Acquisitions of Interests in Joint Operations [AASB 1 & 11]* The Office establishes Joint Operations in pursuit of its objectives and does not routinely acquire interests in Joint Operations. Therefore, there is no financial impact on application of the Standard.	1 Jan 2016
AASB 2014-4	*Amendments to Australian Accounting Standards – Clarification of Acceptable Methods of Depreciation and Amortisation [AASB 116 & 138]* The adoption of this Standard has no financial impact for the Office as depreciation and amortisation is not determined by reference to revenue generation, but by reference to consumption of future economic benefits.	1 Jan 2016
AASB 2014-5	*Amendments to Australian Accounting Standards arising from AASB 15* This Standard gives effect to the consequential amendments to Australian Accounting Standards (including Interpretations) arising from the issuance of AASB 15. The Office has not yet determined the application or the potential impact of the Standard.	1 Jan 2017
AASB 2014-7	*Amendments to Australian Accounting Standards arising from AASB 9 (December 2014)* This Standard gives effect to the consequential amendments to Australian Accounting Standards (including Interpretations) arising from the issuance of AASB 9 (December 2014). The Office has not yet determined the application or the potential impact of the Standard.	1 July 2018
AASB 2014-8	*Amendments to Australian Accounting Standards arising from AASB 9 (December 2014) – Application of AASB 9 (December 2009) and AASB 9 (December 2010) [AASB 9 (2009 & 2010)]* This Standard makes amendments to AASB 9 Financial Instruments (December 2009) and AASB 9 Financial Instruments (December 2010), arising from the issuance of AASB 9 Financial Instruments in December 2014. The Office has not yet determined the application or the potential impact of the Standard.	1 Jan 2015
AASB 2014-9	*Amendments to Australian Accounting Standards – Equity Method in Separate Financial Statements [AASB 1, 127 & 128]* This Standard amends AASB 127 and consequentially amends AASB 1 and AASB 128, to allow entities to use the equity method of accounting for investments in subsidiaries, joint ventures and associates in their separate financial statements. The Office has not yet determined the application or the potential impact of the Standard.	1 Jan 2016
AASB 2014-10	*Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture [AASB 10 & 128]* This Standard amends AASB 10 and AASB 128 to address an inconsistency between the requirements in AASB 10 and those in AASB 128 (August 2011), in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The Office has not yet determined the application or the potential impact of the Standard.	1 Jan 2016

Note 5. Disclosure of Changes in Account Policy and Estimates (Contd.)

		Operative for reporting periods beginning on/after
AASB 2015-1	*Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012–2014 Cycle [AASB 1, 2, 3, 5, 7, 11, 110, 119, 121, 133, 134, 137 & 140]* These amendments arise from the issuance of International Financial Reporting Standard Annual Improvements to IFRSs 2012–2014 Cycle in September 2014, and editorial corrections. The Office has not yet determined the application or the potential impact of the Standard.	1 Jan 2016
AASB 2015-2	*Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101 [AASB 7, 101, 134 & 1049]* This Standard amends AASB 101 to provide clarification regarding the disclosure requirements in AASB 101. Specifically, the Standard proposes narrow-focus amendments to address some of the concerns expressed about existing presentation and disclosure requirements and to ensure entities are able to use judgement when applying a Standard in determining what information to disclose in their financial statements. There is no financial impact.	1 Jan 2016
AASB 2015-3	*Amendments to Australian Accounting Standards arising from the Withdrawal of AASB 1031 Materiality* This Standard completes the withdrawal of references to AASB 1031 in all Australian Accounting Standards and Interpretations, allowing that Standard to effectively be withdrawn. There is no financial impact.	1 Jul 2015
AASB 2015-6	*Amendments to Australian Accounting Standards – Extending Related Party Disclosures to Not-for-Profit Public Sector Entities [AASB 10, 124 & 1049]* The amendments extend the scope of AASB 124 to include application by not-for-profit public sector entities. Implementation guidance is included to assist application of the Standard by not-for-profit public sector entities. The Office has not yet determined the application of the Standard, though there is no financial impact.	1 Jul 2016

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

	2015	2014
	$	$
Wages and salaries (a)	2,045,576	2,110,903
Superannuation – defined contribution plans (b)	218,372	200,487
Other related expenses	59,881	40,552
	2,323,829	2,351,942

(a) Includes the value of the fringe benefit to the employee plus the fringe benefits tax component, leave entitlements including superannuation contribution component.

(b) Defined contribution plans include West State, Gold State, GESB and other eligible funds.

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

	2015	2014
	$	$
Communications	56,335	76,756
Consultants and contractors	347,150	382,258
Consumables	88,411	40,405
Materials	81,301	103,798
Lease, rent and hire costs	42,464	33,442
Travel	89,910	116,841
Other	73,717	63,809
	779,288	817,309

8. Depreciation and Amortisation Expense

	2015	2014
	$	$
Depreciation		
Computer hardware	15,472	43,225
Office equipment	2,454	4,603
Total Depreciation	17,926	47,828
Amortisation		
Intangible assets	549	3,043
Total Amortisation	549	3,043
Total Depreciation and Amortisation	18,475	50,871

9. Accommodation Expenses

	2015	2014
	$	$
Lease rentals	304,203	313,513

10. Other Expenses

	2015	2014
	$	$
Employment on-cost (a)	–	3,337
Audit fees (b)	47,338	70,443
	47,338	73,780

(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

	2015	2014
	$	$
Expense recoveries from other agencies	143	2,154
Sundry revenue	100	9,135
GST refund relating to prior years	1,272	–
	1,515	11,289

12. Income from State Government

	2015	2014
	$	$
Appropriation received during the period:		
Service appropriation (a)	3,427,000	3,490,000
Resources received free of charge (b)		
Determined on the basis of the following estimates provided by agencies:		
Department of Finance – Building and Management Works	96,879	95,521
State Solicitors Office	1,232	13,397
	98,111	108,918

(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

	2015	2014
	$	$
Current		
Accrued salaries suspense account (a)	88,307	–
Non-Current		
Accrued salaries suspense account (a)	–	73,307

(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

	2015	2014
	$	$
Current		
Receivables	34,790	5,830
Allowance for impairment of receivables	–	(5,830)
GST receivable	38,303	25,023
Total Current	73,093	25,023

Reconciliation of changes in the allowance for impairment of receivables

	2015	2014
Balance at start of period	5,830	–
Doubtful debts expense	–	5,830
Amounts written off during the period	(5,830)	–
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)

	2015	2014
	$	$
Current	26,000	26,000
Non-Current	175,000	173,000
	201,000	199,000

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 Current Assets

	2015	2014
	$	$
Prepayments	59,194	48,222

17. Plant and Equipment

	2015	2014
	$	$
Computing hardware (at cost)	143,828	143,828
Less: Accumulated depreciation	(143,828)	(128,356)
	–	15,472
Office equipment (at cost)	30,095	23,027
Less: Accumulated depreciation	(20,249)	(17,795)
	9,846	5,232
Total Plant and Equipment	9,846	20,704

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	Office Equipment	Total
2015	$	$	$
Carrying amount at start of year	15,472	5,232	20,704
Additions	–	7,068	7,068
Depreciation	(15,472)	(2,454)	(17,926)
Carrying Amount at End of Year	-	9,846	9,846
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	15,472	5,232	20,704

18. Intangible Assets

	2015	2014
	$	$
Computer software (at cost)	9,130	9,130
Less: Accumulated amortisation	(9,130)	(8,581)
Total Intangible Assets	-	549

Reconciliation:

	2015	2014
Computer Software		
Carrying amount at beginning of period	549	3,592
Additions	–	–
Amortisation expense	(549)	(3,043)
Carrying amount at end of period	-	549

19. Impairment of Assets

There were no indications of impairment to plant and equipment as at 30 June 2015.

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 2015 have either been classified as assets held for sale or written-off.

20. Payables

	2015	2014
	$	$
Current		
Trade payables	146,796	70,528
Accrued expenses	47,414	50,687
Accrued salaries	64,000	56,000
	258,210	177,215

21. Provisions

	2015	2014
	$	$
Current		
Employee Benefits Provision		
Annual Leave (a)	210,456	225,936
Long service leave (b)	271,860	386,556
	482,316	612,492
Other Provisions		
Employment on-costs (c)	2,410	3,075
	484,726	615,567
Non-Current		
Employee Benefits Provision		
Long service leave (b)	136,271	100,243
Other Provisions		
Employment on-costs (c)	681	501
	136,952	100,744

(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	184,845	104,225
More than 12 months after the end of the reporting period	25,611	121,711
	210,456	225,936

21. Provisions (Contd.)

(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:

	2015	2014
	$	$
Within 12 months of the end of the reporting period	114,155	91,835
More than 12 months after the end of the reporting period	293,976	394,964
	408,131	486,799

(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.

	2015	2014
Current		
– Employment On-Cost Provision		
– Carrying amount at start of period	3,075	283
– Additional provisions recognised	(665)	2,792
Carrying amount at end of period	2,410	3,075
Non-Current		
– Carrying amount at start of period	501	–
– Additional provisions recognised	180	501
Carrying amount at end of period	681	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.

	2015	2014
	$	$
Contributed Equity		
Balance at start of period	274,000	274,000
Contributions by owners		
– Capital appropriation	–	–
Total contributions by owners	-	-
Balance at end of period	274,000	274,000

	2015	2014
	$	$
Accumulated Deficit		
Balance at start of period	(539,231)	(542,023)
Result for the period	53,493	2,792
Balance at end of period	**(485,738)**	**(539,231)**
Total Deficit at End of Period	**(211,738)**	**(265,231)**

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

	2015	2014
	$	$

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:

	2015	2014
Cash and cash equivalents	236,710	261,490
Restricted cash and cash equivalents	88,307	73,307
	325,017	**334,797**

Reconciliation of net cost of services to net cash flows used in operating activities

	2015	2014
Net cost of services	(3,471,618)	(3,596,126)
Non-Cash Items:		
- Depreciation and amortisation	18,475	50,872
- Resources received free of charge	98,111	108,918
- Provision for doubtful debts	-	5,830
(Increase)/Decrease in Assets:		
- Current receivables (a)	(34,790)	73,801
- Other current assets	(10,972)	(48,222)
Increase/(Decease) in Liabilities:		
– Current payables	80,995	(115,930)
– Current provisions	(130,841)	(150,668)
– Non-current provisions	36,208	153,177
– Net GST receipts/(payments (b)	(13,280)	1,993
– Change in GST receivables/(payables) (c)	-	24,306
Net Cash Used in Operating Activities	**(3,427,712)**	**(3,492,049)**

23. Notes to the Statement of Cash Flows (Contd.)

(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

	2015	2014
	$	$
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	328,852	353,201
– Later than 1 year and not later than 5 years	684,628	9,424
	1,013,480	362,625
Other Expenditure Commitments – IT Services		
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	23,355	26,590
– Later than 1 year and not later than 5 years	46,710	–
	70,065	26,590
Other Expenditure Commitments – Vehicle Leases		
Other expenditure commitments (vehicle leases) contracted at the end of the reporting period but not recognised as liabilities, are payable as follows:		
– Within 1 year	8,963	–
– Later than 1 year and not later than 5 years	1,867	–
	10,830	-

25. Contingent Liabilities and Contingent Assets

There were no contingent liabilities or contingent assets as at 30 June 2015.

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

Major variations between original budget estimates and actual results for 2015 and between the actual results for 2014 and 2015 are shown below. Major variances are considered to be those greater than 10% or $10 million.

Significant variances between estimate and actual for 2015:

Statement of Comprehensive Income

	Variance Note	Original Budget 2015	Actual 2015	Actual 2014	Variance Between Estimate and Actual	Variance Between Actual Results for 2015 and 2014
Employee benefits expense	(1)	2,407,000	2,323,829	2,351,942	(83,171)	(28,113)
Supplies and services	(2, A)	408,000	779,288	817,309	371,288	(38,021)
Depreciation and amortisation expense	(3)	26,000	18,745	50,871	(7,525)	(32,396)
Accommodation expenses	(4, B)	364,000	304,203	313,513	(59,797)	(9,310)
Other expenses		227,000	47,338	73,780	(179,662)	(26,442)
Total Cost of Services		3,432,000	3,473,133	3,607,415	41,133	(134,282)
Income						
Revenue						
Other revenue	(5, C)	5,000	1,515	11,289	(3,485)	(9,774)
Total Revenue		5,000	1,515	11,289	(3,485)	(9,774)
Total Income other than Income from State Government		5,000	1,515	11,289	(3,485)	(9,774)
NET COST OF SERVICES		3,427,000	3,471,618	3,596,126	44,618	(124,508)
Income from State Government						
Service appropriation		3,427,000	3,427,000	3,490,000	–	(63,000)
Services received free of charge	(6)	6,000	98,111	108,918	92,111	(10,807)
Total Income from State Government		3,433,000	3,525,111	3,598,918	92,111	(73,807)
SURPLUS/(DEFICIT) FOR THE PERIOD		6,000	53,493	2,792	47,493	51,701
OTHER COMPREHENSIVE INCOME						
Items not reclassified subsequently to profit or loss		-	-	-	-	-
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		6,000	53,493	2,792	47,493	51,701

27. Explanatory Statement (Contd.)

Statement of Financial Position

	Variance Note	Original Budget 2015	Actual 2015	Actual 2014	Variance Between Estimate and Actual	Variance Between Actual Results for 2015 and 2014
ASSETS						
Current Assets						
Cash and cash equivalents	(7)	57,000	236,710	261,490	179,710	(24,780)
Restricted cash and cash equivalents	(8, F)	–	88,307	–	88,307	88,307
Receivables	(9, D)	131,000	73,093	25,023	(57,907)	48,070
Amounts receivable for services		26,000	26,000	26,000	–	–
Other current assets	(10, E)	–	59,194	48,222	59,194	10,972
Total Current Assets		214,000	483,304	360,735	269,304	122,569
Non-Current Assets						
Restricted cash and cash equivalents	(8, F)	68,000	–	73,307	(68,000)	(73,307)
Amounts receivable for services		175,000	175,000	173,000	–	2,000
Plant and equipment	(11, G)	66,000	9,846	20,704	(56,154)	(10,858)
Intangible assets	(12)	4,000	–	549	(4,000)	(549)
Total Non-Current Assets		313,000	184,846	267,560	(128,154)	(82,714)
TOTAL ASSETS		527,000	668,150	628,295	141,150	39,855
LIABILITIES						
Current Liabilities						
Payables	(13, H)	157,000	258,210	177,215	101,210	80,995
Provisions	(14, I)	427,000	484,726	615,567	57,726	(130,841)
Other current liability	(14)	136,000	–	–	(136,000)	–
Total Current Liabilities		720,000	742,936	792,782	22,936	(49,846)
Non-Current Liabilities						
Provisions	(14, J)	63,000	136,952	100,744	73,952	36,208
Total Non-Current Liabilities		63,000	136,952	100,744	73,952	36,208
TOTAL LIABILITIES		783,000	879,888	893,526	96,888	(13,638)
NET ASSETS		(256,000)	(211,738)	(265,231)	44,262	53,493
EQUITY						
Contributed equity		274,000	274,000	274,000	–	–
Accumulated surplus/(deficit)		(530,000)	(485,738)	(539,231)	44,262	53,493
TOTAL EQUITY/(DEFICIT)		(256,000)	(211,738)	(265,231)	44,262	53,493

Statement of Cash Flows

	Variance Note	Original Budget 2015	Actual 2015	Actual 2014	Variance Between Estimate and Actual	Variance Between Actual Results for 2015 and 2014
Statement of Cash Flows (Controlled Operations)						
CASH FLOWS FROM STATE GOVERNMENT						
Service appropriations		3,399,000	3,399,000	3,460,000	–	(61,000)
Holding account drawdowns		26,000	26,000	26,000	–	–
Net cash provided by State Government		**3,425,000**	**3,425,000**	**3,486,000**	**-**	**(61,000)**
CASH FLOWS FROM OPERATION ACTIVITIES						
Payments						
Employee benefits		(2,407,000)	(2,445,251)	(2,269,629)	(38,251)	(175,622)
Supplies and services	(15, K)	(335,000)	(621,835)	(872,715)	(286,835)	250,880
Accommodation	(16)	(384,000)	(301,523)	(313,513)	82,477	11,990
GST payments on purchases	(18)	–	(107,816)	(129,326)	(107,816)	21,510
Other payments	(17, L)	(316,000)	(47,338)	(73,780)	268,662	26,442
Receipts						
GST receipts on sales	(18, M)	42,000	3,113	11,107	(38,887)	(7,994)
GST receipts from taxation authority	(18, M)	–	91,423	144,518	91,423	(53,095)
Other receipts	(19, N)	5,000	1,515	11,289	(3,485)	(9,774)
Net cash provided by/(used in) operating activities		**(3,395,000)**	**(3,427,712)**	**(3,492,049)**	**(32,712)**	**64,337**
CASH FLOWS FROM INVESTING ACTIVITIES						
Payments						
Purchase of non-current physical assets	(20, O)	(26,000)	(7,068)	–	18,932	(7,068)
Net cash provided by/(used in) investing activities		(26,000)	(7,068)	–	18,932	(7,068)
Net increase/(decrease) in cash and cash equivalents		4,000	(9,780)	(6,049)	(13,780)	(3,731)
Cash and cash equivalents at the beginning of the period		121,000	334,797	340,846	213,797	(6,049)
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		**125,000**	**325,017**	**334,797**	**200,017**	**(9,780)**

27. Explanatory Statement (Contd.)

Notes to Variances Between Budgeted and Actual Expenses

Statement of Comprehensive Income

1. Supplies and services expense exceeded budget by $371,288 due to allocation of the budget to other expenses $188,000; and accommodation expenses $60,000 (refer to comment 3).

   The Office spent a further $63,000 on upgrading the Office's computer systems (refer to comments 2 and 11). Also, a free of charge depreciation expense of $97,000, applicable to the leasehold fit out of the Inspector's Offices at Albert Facey House Perth, is included in this expense category. This amount was excluded from the budget expenditure, as was the corresponding free of charge revenue.

   Furthermore, the Office spent $20,000 on contract staff for the year, to meet spikes in internal service requirements.

2. Depreciation expense was lower than budget, as the majority of the capitalised IT equipment reached the end of their useful lives during the financial year. Further, most current year equipment purchases were expensed rather than capitalised (refer to comments 1 and 11).

3. The budget for accommodation expense included electricity, water and parking. The estimated amounts for these expenditures totalled $60,000. The corresponding actual costs are reported in supplies and services (refer to comment 1).

4. Other expenses are under budget by approximately $180,000, as the corresponding expenses are reported in supplies and services (refer to comment 1).

5. Other revenue consists primarily of expense recoveries and interest. The variation to budget represents timing of recoveries.

6. Services free of charge exceeded budget by $92,000. Primarily, this amount represents free of charge depreciation of $97,000 on the leasehold fit out of the Office.

Statement of Financial Position

7. The budget was prepared using cash and cash equivalent balance of $48,000 as at 1 July 2014. The actual balance was higher at $261,000. Consequently, actual cash balances, both restricted and unrestricted, at 30 June 2015 are higher than the budget.

8. An additional amount of $15,000 was classified from unrestricted to restricted cash to meet the requirements for the 27th pay provision.

9. The budget provided for additional receivables at year-end corresponding to salary recoveries of employees seconded to other State Government Agencies. These receivables were collected in part by 30 June 2015.

10. Other current assets consist of prepayments. The Office prepaid rent and parking for July 2015 $32,000; and, annual data and licencing fees for 2015/16 $21,000. No amount was budgeted for these prepayments.

11. The budget provided for $26,000 of capital purchases during the year. The capital purchases made during the year were primarily for individual items of hardware costing less than $5,000. The Office's capitalisation accounting policy requires it to expense items less than $5,000.

12. Intangible assets are represented by computer software. The remaining balance of computer software was amortised during 2014/15.

13. The increase in payables of $101,210 reflects the timing of payments.

14. The total current and non-current provision balances is higher than the budget, as $136,000 of the budget is classified as Other Current Liability, with no corresponding costs reported.

Statement of Cash Flows

15. Payments for Supplies and Services are over budget by $187,000 due to the allocation of the budget to other expenses $188,000; and, accommodation expenses $60,000. These payments were offset by the timing of credit card payments (refer to comment 13) and an increase in contractual payments of $20,000 (refer to comment 1).
16. Payments for accommodation are under budget by approximately $82,000, as the corresponding payments relating to parking, electricity, water and repairs and maintenance are classified as supplies and services (refer to comment 15).
17. Payments for other expenses are under budget by approximately $269,000 as the corresponding cash flows are classified as supplies and services payments (refer to comment 15).
18. For budgeting purposes, the GST on purchases was included in the corresponding payments category rather than reporting it separately. Also, the corresponding GST recovery was offset against the expected corresponding receipts rather than reporting it as a separate cash inflow.
19. Other revenue consists primarily of expense recoveries and interest. The variation to budget reflect timing of recoveries (refer to comment 5).
20. The purchase of fixed assets is below budget as individual items purchased throughout the year were below the capitalisation threshold value of $5,000. Accordingly, they have been expensed.

Comments to Variances Between Actual Results for 2015 and 2014

Statement of Comprehensive Income

A. The depreciation expense decreased by $32,396 compared to the previous year as the majority of the capitalised IT equipment reached the end of their useful lives during the current financial year.

B. The relative decrease this year is due to an additional audit fee from 2012–13, which was reported in 2013–2014.

C. The Office had fewer expense recoveries this year compared to the previous year.

Statement of Financial Position

D. The increase in receivables this year represents the billing of employee entitlements associated with employees seconded to the Office.

E. The value of prepayments increased at 30 June 2015. In June 2015, prepayments included Office rent and parking for July 2015 and data and licensing fees for 2015/16. The increase in these costs contributed to a corresponding increase in prepayments.

F. An amount of $15,000 was reclassified from unrestricted to restricted cash to meet the requirements for the 27th pay provision. Further, restricted cash was classified from a non-current to current asset. The Office will draw down the funds to meet the 27th pay in June 2016.

G. The decrease in plant and equipment is due to standard depreciation during the year.

H. The increase in payables compared to the previous year reflects the timing of payments.

27. Explanatory Statement (Contd.)

I. The reduction in current provisions at 30 June 2015 reflects the payment of outstanding employee leave liabilities throughout the year. The payments occurred as a consequence of employees taking excess accumulated leave and/or electing to have excess leave balances paid out.

J. The increase in non-current provisions represents the build-up of employee long service leave, which is deferred until employees meet employment period service requirements.

Statement of Cash Flows

K. Supplies and services payments were approximately $251,000 lower than last year due mainly to savings achieved on communications and contractors. Also, payments were lower, reflected in an increase in payables at year-end of approximately $80,000.

L. The decrease compared to the previous year is due to additional audit fee relating to 2013/14 expenses, which was paid in 2013/14 (refer to comment B).

M. GST reflects movements in receivables and payables for the year. Also, receipts from the ATO were $60,000 less than the prior year due to the timing difference in the cash payments cycle.

N. The Office had fewer expense recoveries compared to the previous year (refer to comment C).

O. The Office purchased a new photocopier during 2014/15.

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:

	2015	2014
	$	$
Financial Assets		
Cash and cash equivalents	236,710	261,490
Restricted cash and cash equivalents	88,307	73,307
Receivables (i)	34,790	5,830
Amounts receivable for services	201,000	199,000
Financial Liabilities		
Financial liabilities measured at amortised cost	258,210	177,215

(i) The amount of receivables excludes GST recoverable from the Australian Taxation Office (statutory receivable).

(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.

28. Financial Instruments (Contd.)

Aged analysis of financial assets

			Past due but not impaired					
	Carrying Amount $	Not past due and not impaired $	Up to 1 month $	1–3 months $	3 months to 1 year $	1–5 years $	More than 5 years $	Impaired financial assets $
2015								
Cash and cash equivalents	236,710	236,710	–	–	–	–	–	–
Restricted cash and cash equivalent	88,307	88,307	–	–	–	–	–	–
Receivables (i)	34,790	34,790	–	–	–	–	–	–
Amounts receivable for service	201,000	201,000	–	–	–	–	–	–
	560,807	560,807	–	–	–	–	–	–
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

(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 $
2015											
Financial Assets											
Cash and cash equivalents		236,710	–	–	236,710	236,710	236,710	–	–	–	–
Restricted cash and cash equivalent		88,307	–	–	88,307	88,307	–	–	88,307	–	–
Receivables (i)		34,790	–	–	34,790	34,790	34,790	–	–	–	–
Amounts receivable for service		201,000	–	–	201,000	201,000	–	–	26,000	175,000	–
		560,807	–	–	560,807	560,807	271,500	–	114,307	175,000	–
Financial Liabilities											
Payables		258,210	–	–	258,210	258,210	258,210	–	–	–	–
		258,210	–	–	258,210	258,210	258,210	–	–	–	–

(i) The amount of receivables excludes the GST recoverable from the Australian Taxation Office (statutory receivable).

Interest rate exposure and maturity analysis of financial assets and financial liabilities (Contd.)

	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 Australian Taxation Office (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 of employees are:

		2015	2014
	150,001 – 160,000	–	1
	170,001 – 170,000	1	–
	240,001 – 250,000	–	1
	270,001 – 280,000	1	–
		$	$
Base remuneration and superannuation		561,392	461,362
Annual leave and long service leave accruals		(127,419)	(73,126)
Other benefits		7,114	4,547
Total remuneration of senior officers		441,087	392,783

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:

	2015	2014
	$	$
Auditing the accounts, financial statements and key performance indicators	26,700	26,000

31. Supplementary Financial Information

Bad debts written-off by the Office in the year ended 30 June 2015 totalled $5,830. The Office had no write-offs of public property; no losses through theft or default; and, no gifts of public property for 2014 and 2015.

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