



OFFICE OF THE INSPECTOR
OF CUSTODIAL SERVICES

ANNUAL
REPORT

17-18

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

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ABOUT THIS REPORT

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

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

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

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



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1. BACKGROUND

Parliament established the Office of the Inspector of Custodial Services in 2000 through amendments to the *Prisons Act 1981*. The goal was to ensure a strong, independent inspection regime for prisons, court custody centres, prisoner transport, and a small number of police lockups.

In 2003, Parliament enacted the *Inspector of Custodial Services Act 2003* (the Act). This extended our jurisdiction to juvenile detention centres.

In 2011, the Act was amended to give us stronger powers to examine specific aspects of custodial services, including the experience of individuals or groups of people.

The Inspector is Neil Morgan (previously Winthrop Professor of law at the University of Western Australia). He commenced duties on 30 March 2009, and was appointed to another five year term in 2014. He is an Adjunct Professor at the University of Western Australia and a Visiting Research Professor at the National University of Singapore.

The Deputy Inspector Andrew Harvey retired in 2018 and was replaced by Darian Ferguson. Darian previously held senior positions in the Department of Justice, Western Australia Police, and other agencies.

2. ABOUT US

We are an independent statutory body with a strong focus on performance standards in custodial facilities and the rights of people in custody and staff. We report directly to Parliament, ensuring a high level of transparency and accountability.

Our responsibilities include:

- Inspecting adult custodial facilities, juvenile detention centres, court custody centres and custodial transport services.
- Reviewing specific aspects of custodial services and the experience of individuals or groups.
- Carrying out thematic reviews.
- Managing the Independent Visitor Service.

Purpose and mission

We aim to:

- improve public confidence in the justice system
- reduce reoffending
- facilitate better value for money from the justice system.

Our mission is to provide:

- advice that contributes to the overall development of correctional facilities and programs
- advice that is based on evidence gathered through independent and objective inquiry.

Our values

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

Quality: We seek to be efficient, deliver on-time, and provide well researched advice and recommendations.

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

Innovation: We value creativity, learning and continuous improvement.

Key stakeholders

Our key stakeholders include:

- Parliament
- Minister for Corrective Services
- management and staff working for the Department of Justice (the Department)¹ and its contractors
- people in custody
- families of people in custody
- the judiciary and people working in other justice agencies such as WA Police and court services
- non-government organisations
- the Western Australian community.

3. INSPECTIONS

Our jurisdiction

Under sections 19-20 of the Act we must inspect and report to Parliament at least once every three years on the following sites:

- 17 prisons
- five prison work camps
- one juvenile detention centre
- all court custody centres
- police lockups that have been 'prescribed' to be used as court custody centres.

We also have jurisdiction to inspect prisoner transport arrangements but are not required to report on this every three years.

¹ On 1 July 2017 the Department of Corrective Services merged with the Department of the Attorney General to become the Department of Justice. This report refers to the Department of Justice as 'the Department' and encompasses the responsible department before and after the merger.

Processes and methodology

Our inspections of prisons and detention centres usually involve one to two weeks on site, depending on risk and complexity. We generally provide three to four months' notice to relevant parties of the dates that we will be on site.

The Inspector has the power, should this be necessary, to conduct inspections that are unannounced or preceded by a short notice period. We rarely conduct unannounced inspections, but do regularly conduct unannounced or short notice monitoring/liaison visits (see below).

We have a robust process of evidence gathering and inquiry. Before the period onsite, we conduct surveys of staff and people in custody, analyse data and documents, and hold meetings with senior staff and external service providers. We may also invite external consultants to join an inspection to supplement internal expertise.

During the on-site inspection period, we examine the physical environment and infrastructure, and observe all key processes and interactions. We meet prison management, staff groups, prisoner groups, and community representatives, and talk to individual staff and people in custody.

Most managers of places of custody try to take immediate action to address our concerns when these are within their control. However, some matters can only be addressed with head office support or resources.

Interim Findings / Exit Debrief

At the end of the time on site, the Inspector presents interim findings (the 'Exit Debrief') to staff, local management and head office representatives. This outlines our probable findings and indicates areas where recommendations are likely. We also give broad feedback to people in custody.

The Exit Debrief is an important element of a transparent and effective inspection system:

- It gives timely recognition to areas of good performance
- It allows the Department or its contractors to initiate improvements immediately
- It enhances due process because all relevant parties are aware early on of our probable findings, both positive and negative.

After taking account of any immediate feedback, we provide confidential copies of the Exit Debrief to the Minister, the Legislative Council Standing Committee on Public Administration, the Department and other relevant parties within a week.

If an individual or an agency believes our interim findings involve factual errors or problems of balance, they can request further meetings and provide additional information.

Preparing reports

Section 20 of the Act requires us to prepare an inspection report with findings and recommendations. Section 37 requires that before expressing a critical opinion in a report, the Inspector gives an affected party an opportunity to make submissions. The Inspector has also embedded additional due process checks.

After completing the on-site fieldwork, we conduct further analysis of the evidence and prepare a draft report. We generally send the draft to the Department and other relevant parties for comment around three months after the on-site inspection period. They are usually given three to four weeks to comment on the draft, to identify possible errors, to respond to recommendations, and to provide additional information. We may also need to seek further clarification before we finalise and print the report.

These processes ensure that the Minister and the Department are well aware of findings and recommendations before reports are sent to Parliament.

The final report includes an overview by the Inspector.

Tabling reports

Once the report is finalised, it is sent to Parliament. Our Act imposes a minimum 32 day embargo period after a report is received by Parliament. It also requires reports to be tabled on a Parliamentary sitting day unless the Inspector decides it would be unreasonable to delay tabling. This means the public release of all our reports is delayed for over a month after it is lodged in Parliament. It can be even longer.

Other Western Australian Parliamentary officers such as the Auditor General and the Ombudsman do not face such a long embargo period. Nor do the Inspectors of Custodial Services in New South Wales and the Australian Capital Territory.

Continuous inspection model

It is not possible to accurately assess the performance of a facility based only on a snapshot every three years. Risks and performance change over time, and more frequent oversight is needed, even though this may not lead to a formal report to Parliament.

We use several mechanisms to ensure regular monitoring of risk, performance, and progress. These include the following:

- If necessary or desirable, we report to Parliament more often than the three year cycle.
- We conduct regular monitoring visits (liaison visits) to all facilities.
- Independent Visitors provide feedback from prisons and detention centres at regular intervals.
- The Inspector meets regularly with the Minister and the chief executive of the Department.
- OICS staff meet regularly with Department head office personnel.

Monitoring / liaison visits

We conduct regular liaison visits to all places of custody in our jurisdiction. These visits are a crucial element in monitoring performance, risk and improvement opportunities. In addition to liaison visits, we also visit sites on a less formal basis.

Our visit schedule reflects risk, and therefore varies between sites and over time. We visit most prisons at least four times each year, and the higher risk prisons and Banksia Hill Detention Centre at least six times a year. We generally visit work camps and court custody centres at least once a year.

Liaison visits can be announced or unannounced. We usually give some advance notice so the facilities can help us engage with relevant staff and people in custody, but it is common for visits to be conducted at short notice. We do unannounced visits when necessary or appropriate.

4. INDEPENDENT VISITOR SERVICE

The Independent Visitor Service is an integral part of the state's accountability mechanisms. Under the Act, the Minister appoints Independent Visitors (IVs) on the advice of the Inspector, and the Inspector administers the service on behalf of the Minister. IV reports assist the Inspector to provide advice to the Minister and to inform the work of the Office.

The IVs are a highly qualified and diverse group of community volunteers who bring skill, insight, and common sense to the role. They make a valuable contribution to resolving issues and improving oversight.

People held in prisons and detention centres can tell IVs their views and raise concerns about their treatment and conditions. Before leaving the facility, IVs debrief with the Superintendent or Deputy so that matters can be resolved as soon as possible.

After a visit, the IVs send us a report on their findings. We assess the report and send it to the Department with our comments and requests for additional information. The Department then returns the report with its responses.

5. COMMUNITY LIAISON

Our Community Liaison Officer (CLO) works with staff across the Office and with people in the community. The CLO helps us to engage with culturally diverse prisoners, community organisations, and families. The CLO also provides advice to staff in the Office on cultural issues and protocols.

6. REVIEWS

Nature and scope

The *Inspector of Custodial Services Amendment Act 2011* was enacted in response to the Coronial inquest into the heat-related death of Aboriginal elder, Mr Ward, in a prisoner transport vehicle. It expanded and embedded the Inspector's powers to examine aspects of custodial services and the experience of individuals or groups of people in custody. We developed the review function to exercise these powers.

Like inspections, reviews lead to findings and may include recommendations. Since 2012, we have addressed a wide range of topics relating to security, safety, rehabilitation and management.

We analyse multiple sources of information to derive and validate findings. These include academic and professional reviews, evidence from other jurisdictions, and data from the Department's offender management databases. We also use other departmental documents (such as evaluations, strategic plans, budget papers, and business cases), as well as advice from stakeholders and service providers.

Reporting

As with inspections, we give the Department briefings on our projected findings, and allow three to four weeks for a response to draft reports.

Unlike inspection reports, there is no requirement for reviews to be tabled in Parliament and made public (section 34(2)(b) of the Act). However, for reasons of transparency, accountability and system improvement, our practice is:

- Review reports will be tabled in Parliament unless there are exceptional reasons not to do so, such as safety, privacy or security.
- If the Inspector decides not to table a report, confidential copies will be sent to the Standing Committee on Public Administration, the Minister, and the Department.

Directed reviews

The Inspector is accountable to Parliament, not to the Minister or the Chief Executive of the Department. It follows that the Inspector cannot be subject to a binding direction as to the scope, content or methodology of activities.

However, section 17(2) of the Act does allow 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 their opinion, there are exceptional circumstances for not complying.

The most recent Directed Review required us to report on issues raised by Amnesty International Australia in relation to alleged mistreatment of young people in Banksia Hill Detention Centre. The Minister directed us to undertake this review in January 2018. The report was completed this financial year, but tabled in August 2018.

7. OTHER ACTIVITIES

The Inspector does not report to the Minister or the Department, but effective communication with both is important. The benefits of an inspection system are only realised when the concerns we raise are understood and acted upon in a timely manner. When processes are working well, matters can often be resolved, and improvements made, without any need for a formal review or report.

Western Australia was the first state to establish an independent Inspectorate. However, several other jurisdictions have now been established or will be establishing such systems. We have played a significant role helping these new Inspectorates (for further detail, see below).

8. OUR ENVIRONMENT: CUSTODIAL AND OFFICE PRESSURES

The challenges faced by us and the Department have increased. The prison population rose rapidly from 2009 to 2017 and is still trending upwards. Youth custody has faced serious problems despite lower numbers. There have been major changes to the structure and leadership of the Department. And, like all agencies, both this office and the Department face growing budget pressures.

Significant changes in the structure and leadership of the Department

On 1 July 2017, the Department of the Attorney General and the Department of Corrective Services merged to form the Department of Justice.

This has the potential to promote a more coordinated approach to justice services and to improve service delivery. However, it has taken a long time for the changes to bed in. The announcement of the permanent appointment of the Commissioner of Corrective Services was only made in May 2018, and the new structure for the administration and leadership of corrections has not yet been determined.

This has resulted in some instability and uncertainty in correctional facilities, as roles and processes are redefined. This is not ideal given the pressures that exist in prisons with increasing populations and budgetary restrictions. Having been through two upheavals and restructures in five years, Corrections is also change weary, with many parts of the organisation sceptical of change.

Introduction of alcohol and other drug facilities

The new government came into office in 2017 with a commitment to introduce new facilities with a specific focus on drug and alcohol treatment.

From 2012 to April 2018, Wandoo was managed by Serco as a reintegration facility for young men. We have previously reported that it was performing well, and had achieved good outcomes for the young men. The contract expired on 31 October 2017, but was extended to 30 April 2018. It was then brought back from an outsourced model to being managed by the Department.

Consistent with its election commitments, the new government has repurposed Wandoo as an alcohol and other drugs rehabilitation prison for women. The therapeutic community is being run by Cyrenian House and it has the potential to deliver real outcomes for women.

The 77 beds in Wandoo will improve a women's estate that has suffered from years of neglect. But it is disappointing that it has come at the expense of a facility that was delivering positive outcomes for young men, most of whom also had serious substance abuse problems.

The Melaleuca Remand and Reintegration Facility for women was carved out of the existing Hakea Prison. It is operated by Sodexo under contract with the state government. The contract started in late 2016 and runs to July 2021. Initially, the new government said it would convert Melaleuca to a male 'meth-rehab' facility. However, this would have placed intolerable pressures on Bandyup Women's Prison. The male alcohol and other drugs facility will now be accommodated within the Casuarina Prison footprint. We welcome the focus on drug and alcohol rehabilitation, but it remains to be seen whether a truly therapeutic community can operate within a large maximum security prison.

The single facility for youth justice has been a failure

Since October 2012 Banksia Hill has been the only youth custodial centre in the state. It houses males and females; children as young as 10 and young adults aged 18-plus; young people from every part of the state; and both sentenced and remand youth.

Following a period of instability in 2016-2017, Banksia Hill Detention Centre was more settled during 2017-2018. However, it remains fragile. Progress must be maintained. And while Banksia Hill has been more stable, it is difficult to avoid the conclusion that the one-stop shop model has been a failure.

There is no silver bullet to improving youth custodial services. Banksia Hill has been the most inspected facility in the State with seven reports in six years. In our report on behaviour management practices in Banksia Hill (tabled on 17 July 2017), we recommended that the government consider smaller facilities across the state. This would allow better separation, better targeted programs for youth in conflict with the law, and an ability to keep young people closer to home.

The report attracted considerable public attention and support, and the Premier announced that the government will examine options for detaining young people from the Pilbara, Kimberley and the Goldfields in their local region rather than Banksia Hill. It will also examine alternatives for young women and girls. These are welcome developments but are yet to be realised.

During this year, we also published the report of an inspection of Banksia Hill conducted in July 2017, and completed a Directed Review of allegations of mistreatment at the Centre (published in August 2018).

The prison population is still rising, but at a lower rate

The prison population continues to rise, but at a lower rate than in the last few years. Two of the key drivers of the increase are the remand and women's populations, and Western Australia still has by far the highest rate of Aboriginal incarceration in the country (see below).

On 30 June 2018, there were 7,024 people in custody, including youth in detention. This is an increase of 142 people (or 2%) from the same time last year. This may mean the sharp increases experienced over the last few years have plateaued.

The number of people churning through custody is also rising:

- In 2016-2017, there were 10,662 admissions to our prisons. This year, 11,728 people were admitted to custody.
- In 2016-2017, 14,542 distinct people were held in custody at some point during the financial year. This year the number was 14,567.

Significantly, the rise in the prison population over recent years does not correlate with increasing crime.

We need to build a new prison or stem population growth

The prison system is already crowded to the point of risk. Prisons are increasingly becoming expensive warehouses rather than places for positive activity and rehabilitation. And the growth in prisoner numbers in the last decade is unsustainable.

The nationally accepted benchmark for measuring prison occupancy rates (contained in the Productivity Commission's Annual Report on Government Services) is to compare design capacity with actual numbers. Using this measure, our 2016 report on prison capacity found WA prisons were at 150 per cent capacity.

From 2011 to 2017, the Department changed its definitions of capacity and tried to claim that prisons were not full. The reality is that:

- the system as a whole is overcrowded
- most individual prisons are overcrowded
- the situation is unsustainable and risky
- cell sharing conditions in some prisons are inhumane.
- prisons have not been given the supporting infrastructure and services they need to support additional numbers.

The majority of cells in the state's prisons are now routinely double-bunked. In 2010, the Department told us that double-bunking was a temporary measure. That was never a credible position and double-bunking is now routine practice. There are no signs that double-bunking will be reversed.

The effects of overcrowding have been compounded by the imposition of adaptive regimes under which prisoners spend less time in activities such as education, programs and recreation, and more time locked in cells or behind grilles. Adaptive regimes have increased due to limits on the amount of overtime that can be worked to cover staff shortages.

It is obviously necessary for the Department to reduce its expenditure. And the staffing arrangements, negotiated with the Western Australian Prison Officers' Union, give certainty to staff and management. But they are inflexible and further penalise prisoners. This increases prisoner frustration and tension. These are likely to have been factors in the riot that occurred at Greenough Regional Prison in July 2018.

The Department's Strategic Plan 2015-2018 aimed to meet projected growth through a capital works program including a new prison in Eastern Goldfields and expanding Acacia Prison. This provided around 750 beds, but still falls short of demand.

In December 2017, the Government announced that another 512 beds would be added to Casuarina and 160 to Bunbury Regional Prison. These new beds are necessary but they will do little to ease the levels of overcrowding.

The obvious solution is to reduce the prison population. Currently, apart from the Northern Territory, Western Australia has the highest number of prisoners per population with over 340 per 100,000 adult population.

The current government has stated that it wants to stem the prison population growth. However, it will take resources and strong political resolve to achieve long term reductions. Options that will need to be explored include:

- a focus on Aboriginal community justice mechanisms
- greater use of community supervision, including electronic monitoring
- reducing the number of people on remand
- reducing the number of women in prison
- improving program delivery so prisoners have better chances of release on parole
- reducing the flow of fine defaulters (this will not reduce the daily population but will reduce financial and human costs).

The Department also needs to work on a broader strategic plan for its custodial facilities. It has not had a strategic assets plan since 2013 and is hamstrung by a lack of flexibility in the management of its prisons.

We have the highest rate of Aboriginal incarceration in Australia and numbers are still rising

Western Australia imprisons far more Aboriginal people per head of the Aboriginal population than any other state or territory. Around one in 30 Aboriginal people is in prison at any given time in Western Australia. In the Northern Territory, which is second on the list, the rate is one in 45.

Aboriginal and Torres Strait Islander people make up three per cent of the Western Australian population, but 40 per cent of our prison population. The figures are even more pronounced for women and children. On 30 June 2018, 78 per cent of young people, and 47 per cent of women in custody were Aboriginal.

On 30 June 2018, there were 2,830 Aboriginal people in custody in Western Australia, including youth, an increase of 217 from the same time last year.

The remand population remains high

Five years ago, one in five adults held in custody was on remand. Now, almost one in three is on remand. People on remand have not been sentenced. Most have not even been convicted.

Hakea Prison is the state's primary male remand facility. It is stretched, pressured, and unable to meet demand. It also accommodates almost 200 sentenced prisoners.

Insufficient capacity at Hakea means that other prisons whose infrastructure and operations are geared to sentenced prisoners must now house large numbers of remandees. This has generated serious pressures at other prisons, especially Casuarina.

People on remand must be a priority in government planning of future prison construction. They must also be given more support services, both in prison and on release. In the short term, Hakea should be turned into a dedicated remand facility and sentenced prisoners should be dispersed throughout the state.

The proportion of women in custody is continuing to rise

Six years ago, there were 477 women in custody. On 30 June 2018, there were 753, an increase of over 63 per cent. Women now make up almost 11 per cent of the prison population, compared with eight per cent a decade ago.

The women's estate was neglected for many years, even as money poured into more male beds. Until the Melaleuca Remand and Reintegration Facility for women opened in December 2016, Bandyup Women's Prison was the state's most overcrowded and stressed prison.

Bandyup is still suffering from aged infrastructure and adaptive regimes. However, the pressure on the women's estate reduced when Melaleuca opened. It will be further reduced by the opening of the re-purposed 77 bed Wandoo Rehabilitation Prison.

Melaleuca, which is privately operated by Sodexo, had a troubled start, with too many incidents and issues of concern. We therefore brought our first inspection of the prison forward to November 2017. We found that there were still some significant issues, but that the prison had started to improve. Key issues include:

- site limitations and under-investment in infrastructure
- too little for the women to do
- the wrong prisoner mix (nowhere else in Australia mixes remand and reintegration at such an inappropriate site)
- the Department's failure to ensure coordination with Bandyup.

A new re-entry services contract created uncertainty

The Department contracts re-entry support services from an external provider. Outcare had held the contract for such services in metropolitan male prisons for many years. In December 2017, the Department announced that Outcare's contract would not be renewed. The new contracts were awarded to the ReSet consortium. This is led by the Wungening Aboriginal Corporation and includes Centrecare, St Bartholomew's House, and Wirrpanda Foundation.

The new contracts have positive potential but the transition was complex. The Department appeared to have underestimated the level of effort required. Communication with key parties, including prisons, was poor, and there were gaps on contract performance measures and contract management processes.

We are also concerned that the scope of services under the new contract has been reduced. Whereas Outcare had offered services to every prisoner, the ReSet contract only targets those assessed to be at medium to high risk of offending. It appeared to exclude remand prisoners and services were limited to 2,435 clients. Changes are apparently in train to fill some of the gaps.

It is too early to assess the effectiveness of the new contract arrangements and change in service delivery requirements. We will continue to monitor service provision and the adequacy of contract management and evaluations.

OICS pressures

Budget constraints and workload

Over the past six years, we have managed our budget well and have successfully driven cost savings. We will endeavour to continue to do so.

However, our funding has sharply declined relative to spending by the services we oversee:

- In 2009, when we had only the inspection function and not the review function, we were funded at around half of one per cent of the corrections budget.
- The review function means we now do significantly more work. We had a small increase in funding for this work but our overall funding has dropped to just 0.4 of one per cent of the corrections budget. If we were still funded at 2009 levels, we would have more than 20 per cent on top of our current budget allocations, solely for inspections.
- We have not obtained additional funding for new prisons.
- We are not funded by reference to the prison population, and do not receive extra funding when the capacity of individual prisons is expanded.
- We had a 3.5 per cent budget cut in 2017-2018.
- We lost a position in 2017-2018 to the Voluntary Targeted Separation Scheme. This has required work to be redistributed to others in the Office.

We need to remain responsive to risks

Despite budget constraints and the loss of FTE, we have continued to be responsive to emerging risks and issues. The best examples are the tabling of 10 reports (8 inspections and 2 reviews) along with the production of one additional report (not tabled) in 2017-2018. And undertaking the directed review into the Amnesty International Australia allegations of mistreatment of young people at Banksia Hill.

However, budget constraints make it increasingly difficult for us to meet our statutory responsibilities and to provide advice that reduces risk and maximises opportunities. In future, we may:

- be unable to inspect prisons with the same rigour and depth
- have a reduced on-site presence
- be unable to review some high risk services
- not have the capacity to bring forward inspections and reviews to meet Parliament and government expectations.

There is growing national momentum for independent inspections

A number of jurisdictions have recently established, or will be establishing, independent Inspectorates modelled on Western Australia:

- The New South Wales Inspector started in 2012.
- Tasmania established an Inspectorate based in the Ombudsman's office in 2016.
- The Australian Capital Territory established a stand-alone inspectorate in 2017.
- South Australia has given its Guardian for Children and Young People an inspection function.
- The Victorian Ombudsman published an inspection of the Dame Phyllis Frost Centre in November 2017.

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- Queensland and Northern Territory have announced they will establish Inspectorates.

The Inspector and other staff have given support to the establishment of these Offices and the development of inspection standards for each jurisdiction.

In December 2017, the Federal Government ratified the United Nations *Optional Protocol to the Convention Against Torture and Other Cruel, Inhuman or Degrading Treatment or Punishment* (OPCAT). OPCAT requires all states and territories, and the Commonwealth, to implement systems of independent oversight for all closed places. These include prisons, youth detention centres, secure mental health facilities, and places of police custody.

Given the existence of this Office, OPCAT implementation will be more straightforward in Western Australia than other jurisdictions.

9. ACHIEVEMENTS IN 2017-2018

Reviews

We tabled two review reports this year and completed a third report that was not tabled.

Behaviour management practices at Banksia Hill Detention Centre

In late 2016, behaviour management practices in youth custodial facilities received national media attention following the exposure of concerning practices at the Northern Territory's Don Dale Youth Detention Centre. Other issues in youth detention surfaced in Queensland, New South Wales and Tasmania.

Quite independently, during 2016, we had become increasingly concerned at the growing instability of the Banksia Hill Detention Centre. After a period of relative calm in 2015, 2016 saw a wave of self-harm and serious damage. We raised our concerns with the Department of Corrective Services and the then Minister, and decided to bring forward a planned review of behaviour management practices at Banksia Hill.

We found that behaviour management practices had been inconsistent, inexplicit and ineffective. The problems were exacerbated by the lack of options created through having only one facility. There were not enough dispersal options to manage the complexity of the population. Staff were understandably confused and frustrated by a poorly implemented attempt to move Banksia Hill towards trauma informed practice. This had led to inconsistency in the management of young people. Many staff felt unsafe and disempowered, and had little confidence in behaviour management practices. In addition, they were fearful of investigations. This dangerous mix hampered their ability and willingness to respond to the behaviour of some of the young people.

By the time this report was tabled, changes had been made at Banksia Hill and it was more settled (see below).

The digital divide: access to digital technology for people in custody

There has been growing interest in computer use in custodial environments in recent years. Most prisoners are already disadvantaged with lower socio-economic status, poor health, high unemployment, and low levels of education. As society moves toward digitised learning and working environments, the digital, social and communication divide between prisoners and the outside world increases. This results in further exclusion of those who are already socially excluded.

This review assessed whether people in custody in Western Australia have appropriate access to information and communication technology for court preparation, educational and rehabilitative purposes. We found that Western Australia has not given sufficient priority to the development of

digital technology for people in custody. There is no centralised coordination or strategy. As a result, progress has been ad hoc and opportunities have been missed. We have fallen behind other states and territories.

Trends influencing the prison population in Western Australia 2005-2016

This report examines the imprisonment trends, crime trends and trends related to sentencing and parole over a decade. Publicly available data such as from the Australian Bureau of Statistics, Productivity Commission and Prisoners Review Board of Western Australia were analysed. The data provides an insight into factors that may be impacting on imprisonment rates in Western Australia. This report was commissioned to provide context for the other work our Office undertakes and was not tabled.

Reviews underway

During 2017-2018 we conducted a directed review of allegations made by Amnesty International Australia about ill-treatment at Banksia Hill Detention Centre. We have also been conducting reviews of:

- Prisoner access to secure mental health treatment
- Contact with family and others while in custody
- An incident review of a birth at Bandyup Women's Prison
- Strip searching practices in Western Australian prisons.

Reports from these reviews will be tabled in 2018-2019.

Inspections

This year, we completed the on-site inspection of the following custodial facilities:

- Banksia Hill Detention Centre (July 2017)
- Bunbury Regional Prison (September 2017)
- Melaleuca Remand and Reintegration Facility (November 2017)
- Albany Regional Prison (February 2018)
- Wooroloo Prison Farm (March 2018)
- Boronia Women's Prison (May 2018)
- Court Security & Custodial Services (CS & CS) field work.

We tabled eight inspection reports.

Report 110: Inspection of Casuarina Prison

Casuarina Prison opened in 1991 and is one of three male maximum-security rated prisons in the state. Casuarina performs several high-risk specialist functions including housing the state's highest risk prisoners, those who need the greatest degree of protection from others, and those in need of specialist medical care.

Our late 2016 inspection found, despite these risks, Casuarina has maintained an impressive record for security and safety. Management and staff deserve the community's respect for this. Despite the pressures of recent years, they still show a positive can-do attitude, and a sense of commitment, pride and professionalism.

However, while staff do what they can, Casuarina is too stretched to meet demand or need. The population has increased by 100 per cent over the last ten years, and aging infrastructure has not kept up with increasing demand. This is coupled with a less settled population (over 40% are on remand), increasing health needs, little employment, few opportunities for rehabilitation, and adaptive regimes.

Casuarina must be a core part of Departmental planning. It must be developed in a way that targets needs not just numbers, reduces the number of remand prisoners, and ensures adequate investment in key infrastructure.

The government has announced that the supporting infrastructure will be improved and that additional accommodation blocks will target mental health and substance abuse. We will continue to monitor this.

Report 111: Inspection of Eastern Goldfields Regional Prison

The new Eastern Goldfields Regional Prison (EGRP) opened in August 2016. Our January 2017 inspection was the first baseline inspection of the prison.

The new EGRP is a state of the art facility. Intelligently designed, it strikes an excellent balance between security and a rehabilitative environment. It is the first prison in Western Australia to be a Public Private Partnership project based on a Design, Build, Finance and Maintain (DBFM) model. Under government oversight, a private consortium was responsible for designing and constructing the prison, and financing the project. Maintenance and facility management are the responsibility of Honeywell Inc. for 25 years.

We found that the transition to the new site had been hurried but safely managed. Prisoners from the area were pleased to be home and were generally complimentary of staff. But they were frustrated that the prison had not achieved its full potential.

Despite being a state of the art facility there were some areas for improvement particularly relating to employment and training opportunities for prisoners, a lack of rehabilitative programs, too few recreational opportunities, and pockets of sexism and poor staff culture.

Report 112: Inspection of Broome Regional Prison

Our March 2017 inspection of Broome Regional Prison found it was in a poor state. This reflected a decade of uncertainty and poor planning for custodial services in the Kimberley. The prison is old, decrepit and crowded. Conditions in much of the prison are inhumane and degrading, and the prison as a whole is unfit for purpose.

Our inspection revealed that four things are needed: significant capital investment to bring the physical infrastructure up to a humane standard, significant investment in human resources, improved regimes for prisoners, and a plan and timelines for custodial facilities in the Kimberley.

Following our presentation of interim findings to local and head office staff, the Department moved quickly to address some of the more significant local matters. The government also responded to the report, allocating close to \$3 million to address some of the prison's infrastructure needs.

Report 113: Inspection of West Kimberley Regional Prison

West Kimberley Regional Prison (WGRP) opened in late 2012. Built in Derby, the prison's ethos was to have an innovative Aboriginal focus. It aims to keep Kimberley Aboriginal people in country with family, and uphold cultural and kinship responsibilities.

In our March 2017 inspection, the prison was under some strain. WGRP is modelled on prisoners living in shared houses. With increasing numbers, the houses had become crowded with 47 prisoners sleeping

on mattresses on the floor. Coupled with a growing number of remandees, staff shortages, and the lack of a life-skills officer, the prison's successful self-care model was under serious threat.

Positively, immediate steps were taken to ensure the continued success of the prison's self-care model following our presentation of interim findings at the end of the inspection.

Report 114: Inspection of Bandyup Women's Prison

During our May 2017 inspection, Bandyup felt calmer, more settled, and far less volatile than in previous years. This followed a volatile period from 2011 to 2016 where women's imprisonment in Western Australia was in crisis and Bandyup bore the brunt of the neglect, indifference and structural inequality.

The change was related to a drop in the numbers of women held at the prison and, in particular, the reduction in the number of remand prisoners. The newly established Melaleuca Remand and Reintegration Facility was now responsible for holding most of the remand prisoners. This had facilitated a calmer atmosphere at Bandyup.

While the prison had a new-found sense of stability, it was still in the rebuilding phase and remained fragile. Its success depended on a confident leadership team, experienced in the management of female prisoners, to drive the prison forward.

Unfortunately, leadership team movements have seen key personnel dispersed to positions elsewhere. We were concerned at the disruption and loss of knowledge at a time when Bandyup needed proactive drive and operational improvement.

Report 115: Inspection of Bunbury Regional Prison

Our September 2017 inspection found that Bunbury is a good performer, as it has been for many years. It has shown an ability to respond to pressures and manage change, usually with a minimum of fuss. The prison is therefore well placed to deal with the announcement by the State Government that it will be expanded to take an additional 160 prisoners.

While the prison has astutely managed its resources, prisoner numbers are already creating pressures and they will only increase. Education has improved but most services are under pressure, particularly health services, and backlogs and delays are common.

Looking ahead to the expansion, the prison has the opportunity to build on its standing as a safe, secure and positive environment. But planning needs to start now on issues such as infrastructure upgrades, management structures, services for the intended prisoner cohorts, and security and safety.

Report 116: Inspection of Banksia Hill Detention Centre

This was our sixth report into Banksia Hill Detention Centre (BHDC) in six years. The number of reports in such a short time provides an indication of the degree of dysfunction and instability that has existed there. This was compounded by the recently abandoned Banksia Hill transformation project which was based on sound intentions but badly managed.

Our July 2017 inspection found BHDC was still trying to recover from the chaos and dysfunction that descended in the second half of 2016 and first half of 2017. New management had been installed and their priorities were to ensure the safety of young people and staff, restore stability, and build staff morale and confidence.

Following some major incidents in May 2017, a restrictive regime was imposed. This was the only prudent short term option to help improve stability. Activities and programs for young people were

limited, and their movements strictly controlled. But 10 weeks after the event it was still reducing young people's opportunities to engage in rehabilitative opportunities. Most had not been involved in the incidents and were paying a high price for the activities of a few.

Although BHDC was still in recovery mode at the time of the inspection, we found a number of positive aspects. These included improved stability and safety, commitment to improving the wellbeing of staff and young people and staff's sense of commitment and purpose. In addition, education which has been one of the biggest casualties of the instability and lack of direction at BHDC, is showing signs of improvement.

Report 117: Inspection of Melaleuca Remand and Reintegration Centre

This was our first inspection of the newly established Melaleuca Remand and Reintegration Facility (Melaleuca) which commenced operations on 15 December 2016. Sodexo Australia Pty Ltd won the right to manage the new facility following a competitive tendering process.

The November 2017 inspection was only 11 months after the new prison opened. Normally we would allow a greater period prior to our first inspection. But Melaleuca's teething problems were such that we brought the inspection forward.

We found there had been serious issues associated with both infrastructure and services at the outset and that a number of issues remained. However, the prison had started to improve. Many of the problems reflect the inadequacy of the infrastructure to meet the needs of women on remand or reintegration. The Department had also rushed the opening of Melaleuca, and had abandoned its previously robust but prudent approach to contracting prison services.

Another factor impacting Melaleuca is the contract itself. It is far too complex, aspirational, and prescriptive. It lacks pragmatism, clarity and intelligent priorities.

The Department also failed in its responsibility to ensure the critical issue of coordination with other prisons.

Despite these issues, Melaleuca's opening has significantly improved the situation for women prisoners in this state. In part that is because the situation had been so dire before it opened. However, we also found that Melaleuca custodial staff were enthusiastic and engaged positively and respectfully with the women. Sodexo and Melaleuca management were also making tangible efforts to improve services and responsiveness. But there was much left to do

Upcoming inspections

Section 33(2)(e) of the Act requires the Inspector to provide notice via the Annual Report of announced inspections that will be conducted in the next financial year. Inspections proposed for 2018-2019 are:

- Hakea Prison (July 2018)
- Greenough Regional Prison (September - October 2018)
- Acacia Prison (November 2018)
- Pardelup Prison Farm (January 2019)
- Karnet Prison Farm (March 2019)
- Roebourne Regional Prison (May 2019).

10. COLLABORATION AND RELATIONSHIPS

Parliament

The Inspector is accountable to Parliament and tables reports in Parliament directly, not through the Minister. We also send copies of Exit Debriefs to the Legislative Council Standing Committee on Public Administration and provide submissions, evidence and advice to Parliament and its committees on request.

We welcome these opportunities to provide ongoing comment and clarification on correctional issues to Parliament. Well-informed Parliamentarians are a vital safeguard for balanced criminal justice policies and for the rights of both staff and people in custody.

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 Fran Logan MLA.

The Inspector and the Minister have regular scheduled meetings to keep the Minister informed of areas of concern, risk and good performance. 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.

Department of Justice - Corrective Services

As an independent oversight and accountability agency, the Office must operate separately from the Department and must have the power to do so.

The Act provides that the Inspector, and any person authorised by the Inspector, must have free and unfettered access to any place of custody, to people in custody, and to staff and management. It also requires free and unfettered access to all documents in the possession of the Department (or a contractor or subcontractor) in relation to a prison, a detention centre, a custodial service, or a person who is, or has been, a prisoner or detainee.

Despite this, the Department has at times been reluctant to share information it holds. The situation improved this year and we hope this will continue. We also hope to be able to formalise a new MOU.

Other departments and agencies

Some of the matters that fall in our jurisdiction involve issues that go beyond the scope of the Department. It is therefore important for us to be able to reach out to all relevant parties. Section 27 of the Act provides the statutory authority to do this.

We also maintain contact with private contractors and other agencies who provide custodial services to ensure that they understand our role and expectations. This year, we 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 2017-2018 the Inspector made numerous presentations. These included:

- Talk to Legal Aid lawyers (Perth, July 2017)
- Talk to WA Prison Officers Union (Perth, July 2017)
- Speaker at national Prisons Conference (Sydney, August 2017)
- Rapporteur for the Australian & Pacific Conference of Correctional Administrators (Fiji, November 2017)
- Speaker at Prison Design and Development Summit (Melbourne, December 2017)
- Speaker at Australia and New Zealand Society of Criminology conference (Canberra, December 2017)
- OPCAT Expert Symposium (Melbourne, December 2017).

11. OTHER FUNCTIONS

Show cause notices

Section 33 of the Act gives the Inspector power to issue a show cause notice to the Department if there is reasonable grounds to suspect that there is a serious risk to the security, control, safety, care or welfare of a prisoner or detainee, 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.

Ideally, communication between the Inspector, the Department, and the Minister will be such that matters of risk can be raised and responded to without the need for a show cause notice. That has been the case in 2017-2018, with no such notices issued. Overall, the Department's responsiveness has improved markedly since 2016-2017.

Terrorism (Preventative Detention) Act 2006

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

Disclosure of information

We regularly receive letters and telephone calls about prisons and prison services from people in custody, relatives and friends of people in custody, lawyers and other interested parties. Under section 26 of the Act we may only deal with a complaint or a grievance received by referring it to another agency or dealing with it in an inspection or review.

PART TWO

Source Reference

FMA sec 61 HON FRANCIS (FRAN) MICHAEL LOGAN MLA
TI 902 MINISTER FOR CORRECTIVE SERVICES

In accordance with section 61 of the *Financial Management Act 2006*, the Annual Report of the Office of the Inspector of Custodial Services for the financial year ended 30 June 2018.

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

28 August 2018

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OPERATIONAL STRUCTURE

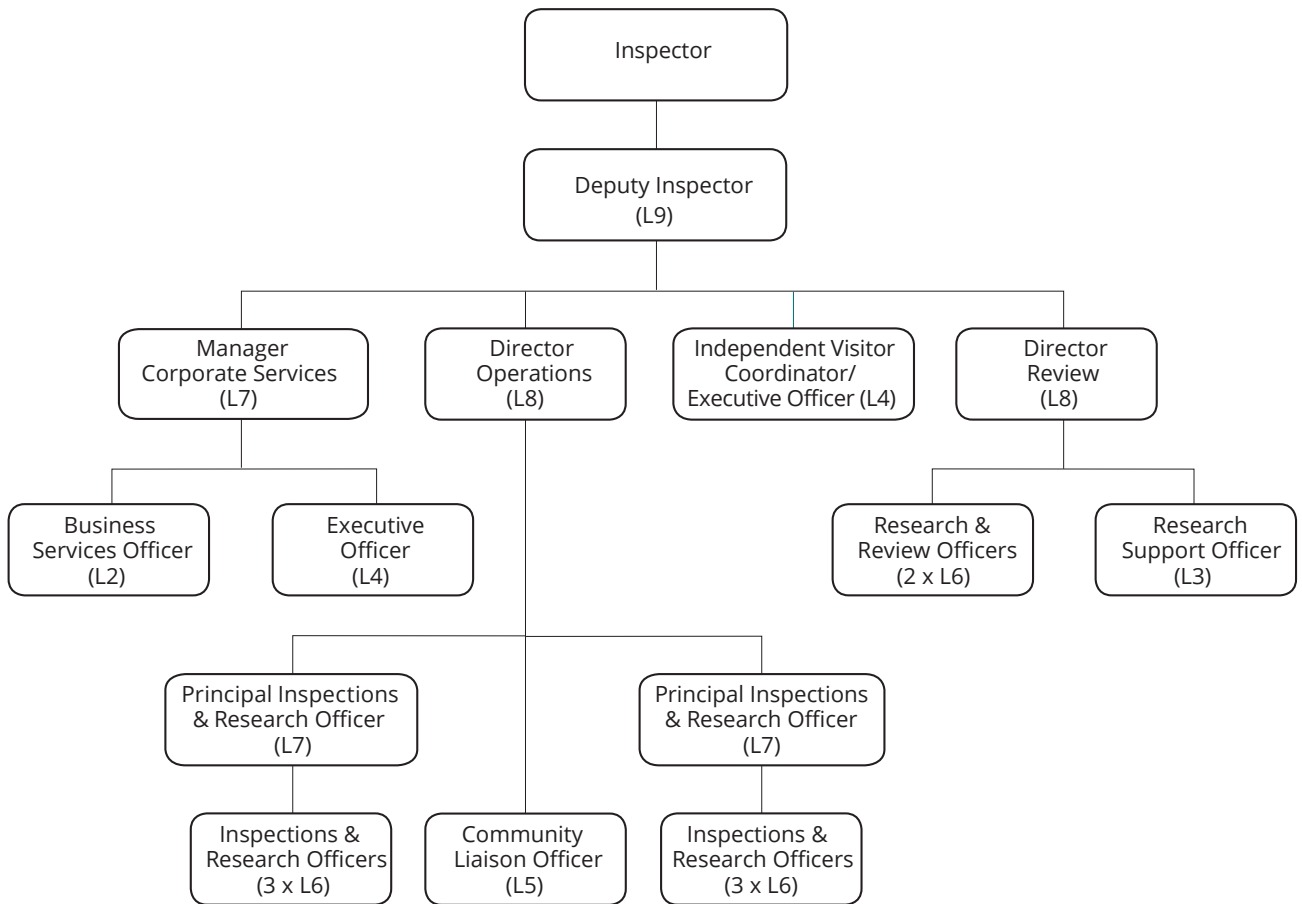
Enabling legislation

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

Responsible Minister

The Hon. Francis (Fran) Michael Logan 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: Darian Ferguson

Darian was appointed Deputy Inspector in the Office of the Inspector of Custodial Services on 16 April 2018. This was three months prior to the retirement of the previous Deputy Inspector, Andrew Harvey, which was facilitated by the Public Sector Commissioner as part of a succession plan for the role. Darian has worked in a number of senior management roles in front line service delivery agencies in the State public sector including the Department of Justice (Corrective Services), the Western Australia Police, and the Fire and Emergency Services Authority (Department of Fire and Emergency Services).

Immediately prior to joining the Office, Darian was the Director Human Resources at the Department of Justice. During this time, he was heavily involved in supporting the change program that has been undertaken in Corrective Services. In addition he was involved in the successful transition of Corrective Services from a shared human resources service and significant gains were made in the Department's workers' compensation performance. Darian is delighted to have been selected to join the Office.

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 2017/18.

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

	2017-18 Target (000's)	2017-18 Actual (000's)	2017-18 Variation (000's)
Key Effectiveness Indicator The extent to which the Department of Justice and, where relevant, other agencies accept recommendations contained in reports.	80%	90%	+10%
Key Efficiency Indicators Average cost per Report	\$245	\$205	-\$40
Average cost per Independent Visitors' Scheme Report	\$2.5	\$2.7	+\$0.2
Average cost per Liaison Visit Report	\$10	\$10.6	+\$0.6

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 reporting period ended 30 June 2018.



Neil Morgan
28 August 2018

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 Strong Communities 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 Standing Committee and the Legislative Council Standing Committee on Public Administration. Other Parliamentarians receive briefings as requested.

MEASURING PERFORMANCE

Government Goal

Strong Communities: safe communities and supported families

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 and review of Custodial Services

KEY EFFECTIVENESS INDICATOR

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

	Number of Inspection Report Recommendations		Percentage of Recommendations Accepted	
	Target	Actual	Target	Actual
2013-14	100	153	80%	86%
2014-15	100	180	80%	91%
2015-16	100	100	80%	80%
2016-17	150	96	80%	89%
2017-18	150	164	80%	90%

Comparison of Actual Results and Budget Targets

The number of recommendations this year is above target. The target of 150 recommendations is set on our best estimation. This target can vary based on the prisons being inspected in any year. The variation is also due to the Inspectorate operating on a three-year cycle where each prison, juvenile detention centre, court custody centre and prescribed lockup is fully inspected. The number of recommendations generated depends upon how complicated the prisons are being inspected in the year.

Only 16 of the 164 recommendations were not supported. The other recommendations were either supported, supported existing initiative or partially supported. Of the 148 supported recommendations raised in 2017/18, 89 per cent (2016/17 – 66 per cent) related to new recommendations.

Supported existing initiatives refers to those recommendations that the Department has already identified and action was underway prior to the inspection to address the recommendation. Details of the actions taken are usually provided at a later date. In some instances this is the result of the Department taking action on an issue pointed out during or immediately following an inspection. By the time the inspection report has been finalised the Department has rightly credited its actions in meeting the recommendation.

KEY EFFICIENCY INDICATORS

Key Efficiency Indicators	Actual 2014-15	Actual 2015-16	Actual 2016-17	Actual 2017-18	Target 2017-18
Report	11	10	9	11	9
Average cost per Report ² (\$)	193,657	224,393	243,219	205,137	245,000
Liaison visit report	96	86	102	98	90
Average cost per liaison visit report (\$)	10,511	11,840	9,868	10,599	10,000
Independent visitors' scheme report	165	174	162	135	150
Average cost per independent visitors' scheme report (\$)	2,024	1,950	2,463	2,693	2,500

Comparison of Actual Results and Budget Targets

Reports: The Inspectorate operates on a three-year cycle where each prison, juvenile detention centre, court custody centre and prescribed lockup is fully inspected. This means that some years produce more reports than others. 2017/18 is a year where we have produced more reports. Consequently, the average cost per report is lower than usual.

Liaison Visit Reports: The target of 90 liaison visit reports is based on 6 visits occurring at the large and complex prisons (Hakea, Casuarina, Bandyup and Banksia Hill) and 3 visits occurring at the remaining prisons. Each work camp and court custody centre receive 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 additional liaison visits were required at Banksia Hill, Roebourne, Acacia, EGRP, Hakea and Dowerin work camp which is in the Wheatbelt. The average cost of a liaison visit report has increased due to the overall expenditure amount increasing for the financial year.

Independent Visitors' Scheme Reports: The target of 150 independent visitor reports is based on each prison (17) receiving 9 visits annually. The target has not been reached this year because there has been difficulty recruiting volunteers in the regions. Overall costs exceeded prior year actuals and target because of the fewer reports generated.

2 The average time taken from the start of an inspection to the production and lodgement of a report in Parliament is between six and nine months depending upon the complexity of the facility or service.

OTHER FINANCIAL DISCLOSURES

Source Reference

Employment and Industrial Relations

Staff Profile

	2016-17	2017-18
Full-time permanent	15	17
Full-time contract	2	
Part-time measured on an FTE basis	2	2
Part-time contract		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.

Workers' Compensation

There were no workers' 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:	0
Number of breaches found, including details of multiple breaches per application:	0
Number still under review	nil



Neil Morgan
Inspector of Custodial Services
28 August 2018

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* requires public agencies to develop and implement Disability Access and Inclusion Plans (DAIPs).

This Office has a plan which will guide us until this year 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.

Recordkeeping Plans

The State Records Commission approved the Office's recordkeeping plan which is valid until October 2019. The Office stores its archival information offsite with the State Government's approved storage contractor.

Occupational Safety and Health

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

Management ensures that there is always an open line of communication with staff to discuss occupational safety and health matters. A revised policy on occupational safety and health is available in the Office's Human Resource Manual.

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

The Inspectorate recruited an officer to advocate potential occupational safety and health issues. The officer has attended a training course in late 2017 along with members of the Senior Management Team. Occupational Safety and Health is a permanent agenda item on the Senior Management Team meetings.

Annual Performance

Performance Indicator	Actual Results		Results Against Target	
	2016-17	2017-18	Target	Comment on Result
Number of fatalities	0	0	0	
Lost time injury/diseases incidence rate	0	0	0	
Lost time injury severity rate	0	0	0	
Percentage of injured workers returned to work:				
(i) Within 13 weeks	0	0	0	
(ii) Within 26 weeks	0	0	0	
Percentage of managers trained in occupational safety, health and injury management responsibilities	40%	60%	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 recently revised 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.

FINANCIAL STATEMENTS

Certification of Financial Statements for the year ended 30 June 2018

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 reporting period ended 30 June 2018 and the financial position as at 30 June 2018.

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



D Summers CPA
Chief Finance Officer



Prof N Morgan
Accountable Authority

FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2018

The Office has pleasure in presenting its audited general purpose financial statements for the financial reporting period ended 30 June 2018 which provides users with the information about the Office's stewardship of resource entrusted to it. The financial information is presented in the following structure.

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Auditor General

INDEPENDENT AUDITOR'S REPORT

To the Parliament of Western Australia

OFFICE OF THE INSPECTOR OF CUSTODIAL SERVICES

Report on the Financial Statements

Opinion

I have audited the financial statements of the Office of the Inspector of Custodial Services which comprise the Statement of Financial Position as at 30 June 2018, the Statement of Comprehensive Income, Statement of Changes in Equity, Statement of Cash Flows, and Summary of Consolidated Account Appropriations and Income Estimates for the year then ended, and Notes comprising a summary of significant accounting policies and other explanatory information.

In my opinion, the financial statements are based on proper accounts and present fairly, in all material respects, the operating results and cash flows of the Office of the Inspector of Custodial Services for the year ended 30 June 2018 and the financial position at the end of that period. They are in accordance with Australian Accounting Standards, the *Financial Management Act 2006* and the Treasurer's Instructions.

Basis for Opinion

I conducted my audit in accordance with the Australian Auditing Standards. My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of my report. I am independent of the Office in accordance with the *Auditor General Act 2006* and the relevant ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to my audit of the financial statements. I have also fulfilled my other ethical responsibilities in accordance with the Code. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Responsibility of the Inspector of Custodial Services 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, the *Financial Management Act 2006* 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.

In preparing the financial statements, the Inspector of Custodial Services is responsible for assessing the agency's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Western Australian Government has made policy or funding decisions affecting the continued existence of the Office.

Auditor's Responsibility for the Audit of the Financial Statements

As required by the *Auditor General Act 2006*, my responsibility is to express an opinion on the financial statements. The objectives of my audit are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Australian Auditing Standards, I exercise professional judgment and maintain professional scepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the agency's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Inspector of Custodial Services.
- Conclude on the appropriateness of the Inspector of Custodial Services's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the agency's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with the Inspector of Custodial Services regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

Report on Controls

Opinion

I have undertaken a reasonable assurance engagement on the design and implementation of controls exercised by the Office of the Inspector of Custodial Services. The controls exercised by the Office 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 (the overall control objectives).

My opinion has been formed on the basis of the matters outlined in this report.

In my opinion, in all material respects, 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 2018.

The Inspector of Custodial Services' Responsibilities

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

Auditor General's Responsibilities

As required by the *Auditor General Act 2006*, my responsibility as an assurance practitioner is to express an opinion on the suitability of the design of the controls to achieve the overall control objectives and the implementation of the controls as designed. I conducted my engagement in accordance with Standard on Assurance Engagements ASAE 3150 *Assurance Engagements on Controls* issued by the Australian Auditing and Assurance Standards Board. That standard requires that I comply with relevant ethical requirements and plan and perform my procedures to obtain reasonable assurance about whether, in all material respects, the controls are suitably designed to achieve the overall control objectives and the controls, necessary to achieve the overall control objectives, were implemented as designed.

An assurance engagement to report on the design and implementation of controls involves performing procedures to obtain evidence about the suitability of the design of controls to achieve the overall control objectives and the implementation of those controls. The procedures selected depend on my judgement, including the assessment of the risks that controls are not suitably designed or implemented as designed. My procedures included testing the implementation of those controls that I consider necessary to achieve the overall control objectives.

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

Limitations of Controls

Because of the inherent limitations of any internal control structure it is possible that, even if the controls are suitably designed and implemented as designed, once the controls are in operation, the overall control objectives may not be achieved so that fraud, error, or noncompliance with laws and regulations may occur and not be detected. Any projection of the outcome of the evaluation of the suitability of the design of controls to future periods is subject to the risk that the controls may become unsuitable because of changes in conditions.

Report on the Key Performance Indicators

Opinion

I have undertaken a reasonable assurance engagement on the key performance indicators of the Office of the Inspector of Custodial Services for the year ended 30 June 2018. The key performance indicators are the key effectiveness indicators and the key efficiency indicators that provide performance information about achieving outcomes and delivering services.

In my opinion, in all material respects, 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 2018.

The 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 internal control as the Inspector of Custodial Services determines necessary to enable the preparation of key performance indicators that are free from material misstatement, whether due to fraud or error.

In preparing the key performance indicators, the Inspector of Custodial Services is responsible for identifying key performance indicators that are relevant and appropriate having regard to their purpose in accordance with Treasurer's Instruction 904 *Key Performance Indicators*.

Auditor General's Responsibility

As required by the *Auditor General Act 2006*, my responsibility as an assurance practitioner is to express an opinion on the key performance indicators. The objectives of my engagement are to obtain reasonable assurance about whether the key performance indicators are relevant and appropriate to assist users to assess the agency's performance and whether the key performance indicators are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. I conducted my engagement in accordance with Standard on Assurance Engagements ASAE 3000 *Assurance Engagements Other than Audits or Reviews of Historical Financial Information* issued by the Australian Auditing and Assurance Standards Board. That standard requires that I comply with relevant ethical requirements relating to assurance engagements.

An assurance engagement involves performing procedures to obtain evidence about the amounts and disclosures in the key performance indicators. It also involves evaluating the relevance and appropriateness of the key performance indicators against the criteria and guidance in Treasurer's Instruction 904 for measuring the extent of outcome achievement and the efficiency of service delivery. The procedures selected depend on my judgement, including the assessment of the risks of material misstatement of the key performance indicators. In making these risk assessments I obtain an understanding of internal control relevant to the engagement in order to design procedures that are appropriate in the circumstances.

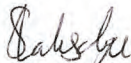
I believe that the evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

My Independence and Quality Control Relating to the Reports on Controls and Key Performance Indicators

I have complied with the independence requirements of the *Auditor General Act 2006* and the relevant ethical requirements relating to assurance engagements. In accordance with ASQC 1 *Quality Control for Firms that Perform Audits and Reviews of Financial Reports and Other Financial Information, and Other Assurance Engagements*, the Office of the Auditor General maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory 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 2018 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.



SANDRA LABUSCHAGNE
ACTING DEPUTY AUDITOR GENERAL
Delegate of the Auditor General for Western Australia
Perth, Western Australia
30 August 2018

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2018

	Notes	2018 \$	2017 \$
Cost of Services			
Expenses			
Employee benefits expense	3.1	2,435,057	2,418,936
Supplies and services	3.3	851,776	810,516
Depreciation and impairment expense	5.1.1	29,132	2,388
Accommodation expenses	3.3	311,453	311,675
Other expenses	3.3	31,392	51,063
Total Cost of Services		3,658,810	3,594,578
Income			
<i>Revenue</i>			
Other revenue	4.2	1,907	8,608
Total Revenue		1,907	8,608
Total Income other than Income from State Government		1,907	8,608
NET COST OF SERVICES		3,656,903	3,585,970
Income from State Government			
Service appropriation	4.1	3,544,000	3,617,000
Resources received free of charge	4.1	78,497	88,053
Total Income from State Government		3,622,497	3,705,053
SURPLUS/(DEFICIT) FOR THE PERIOD		(34,406)	119,083
OTHER COMPREHENSIVE INCOME			
Total other comprehensive income		-	-
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		(34,406)	119,083

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

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2018

ASSETS	Notes	2018 \$	2017 \$
Current Assets			
Cash and cash equivalents	7.1	372,535	459,963
Receivables	6.1	264,655	43,342
Amounts receivable for services	6.2	2,000	26,000
Other current assets	6.3	67,113	31,894
Total Current Assets		706,303	561,199
Non-Current Assets			
Restricted cash and cash equivalents	7.1	22,000	7,000
Amounts receivable for services	6.2	179,000	179,000
Plant and equipment	5.1	2,501	31,633
Total Non-Current Assets		203,501	217,633
TOTAL ASSETS		909,804	778,832
LIABILITIES			
Current Liabilities			
Payables	6.4	184,399	149,571
Employee related provisions	3.2	663,964	506,448
Total Current Liabilities		848,363	656,019
Non-Current Liabilities			
Employee related provisions	3.2	115,369	142,335
Total Non-Current Liabilities		115,369	142,335
TOTAL LIABILITIES		963,732	798,354
NET LIABILITIES		(53,928)	(19,522)
EQUITY			
Contributed equity	9.6	274,000	274,000
Accumulated deficit	9.6	(327,928)	(293,522)
TOTAL DEFICIT		(53,928)	(19,522)

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 2018

	Notes	Contributed Equity \$	Accumulated Surplus/(Deficit) \$	Total Equity/ (Deficit) \$
Balance at 1 July 2016		274,000	(412,605)	(138,605)
Surplus/(deficit)		-	119,083	119,083
Total comprehensive income for the period		-	119,083	119,083
Transactions with owners in their capacity as owners:				
- Capital contributions		-	-	-
Total		-	-	-
Balance at 30 June 2017		274,000	(293,522)	(19,522)
Balance at 1 July 2017		274,000	(293,522)	(19,522)
Surplus/(deficit)		-	(34,406)	(34,406)
Total comprehensive income for the period		-	(34,406)	(34,406)
Transactions with owners in their capacity as owners:				
- Capital contributions		-	-	-
Total		-	-	-
Balance at 30 June 2018		274,000	(327,928)	(53,928)

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 2018

	Notes	2018 \$	2017 \$
Cash Flows From State Government			
Service appropriations		3,542,000	3,589,000
Capital contributions		2,000	-
Holding account drawdowns		24,000	26,000
		<hr/>	<hr/>
Net cash provided by State Government		3,568,000	3,615,000
		<hr/>	<hr/>
Utilised as follows:			
Cash Flows From Operating Activities			
Payments			
Employee benefits		(2,513,570)	(2,445,500)
Supplies and services		(773,357)	(709,687)
Accommodation		(311,767)	(311,989)
Other payments		(31,392)	(51,062)
GST payments on purchases		(116,995)	(104,522)
		<hr/>	<hr/>
Receipts			
GST receipts on sales		2,156	136
GST receipts from taxation authority		102,590	102,314
Other receipts		1,907	8,608
		<hr/>	<hr/>
Net cash used in operating activities	7.1	(3,640,428)	(3,511,702)
		<hr/>	<hr/>
Net increase/(decrease) in cash and cash equivalents		(72,428)	103,298
Cash and cash equivalents at the beginning of the period		466,963	363,665
		<hr/>	<hr/>
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	7.1	394,535	466,963
		<hr/>	<hr/>

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 2018

	2018 Estimate \$	2018 Actual \$	Variance \$	2018 Actual \$	2017 Actual \$	Variance \$
Delivery of Services						
Item 107 net amount appropriated to deliver services	3,310,000	3,295,000	(15,000)	3,295,000	3,370,000	(75,000)
Amount Authorised by Other Statutes						
Salaries and allowances Act 1975	247,000	247,000	-	247,000	247,000	-
Total Appropriations Provided to Deliver Services	3,557,000	3,542,000	(15,000)	3,542,000	3,617,000	(75,000)
Capital						
Capital appropriations	-	-	-	-	-	-
GRAND TOTAL	3,557,000	3,542,000	(15,000)	3,542,000	3,617,000	(75,000)
Details of Expenses by Services						
Inspection and review of custodial services	3,556,000	3,658,810	102,810	3,658,810	3,594,578	64,232
Total cost of services	3,556,000	3,658,810	102,810	3,658,810	3,594,578	64,232
Less: Total Income	(5,000)	(1,907)	3,093	(1,907)	(8,608)	6,701
Net Cost of Services	3,551,000	3,656,903	105,903	3,656,903	3,585,970	70,933
Adjustments	-	(114,903)	(114,903)	(114,903)	31,030	(145,933)
Total Appropriations Provided to Deliver Services	3,551,000	3,542,000	(9,000)	3,542,000	3,617,000	(75,000)
Capital Expenditure						
Purchase of non-current physical assets	26,000	-	(26,000)	-	-	-
Adjustments for other funding sources	(26,000)	-	26,000	-	-	-
Capital Appropriations	-	-	-	-	-	-

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

Note 9.8 'Explanatory Statement' provides details of any significant variations between estimates and actual results for 2018 and between the actual results for 2018 and 2017.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

1. BASIS OF PREPARATION

The Office is a WA Government entity and is controlled by the State of Western Australia, which is the ultimate parent. The Office is a not-for-profit entity as profit is not its principal objective.

A description of the nature of its operations and its principal activities have been included in the '**Overview**' which does not form part of these financial statements.

These annual financial statements were authorised for issue by the Accountable Authority of the Office on 28 August 2018.

Statement of compliance

These general purpose financial statements are prepared in accordance with:

- 1) *The Financial Management Act 2006 (FMA)*
- 2) The Treasurer's Instructions (**the Instructions or TI**)
- 3) Australian Accounting Standards (**AAS**) including applicable interpretations
- 4) Where appropriate, those **AAS** paragraphs applicable to notforprofit entities have been applied.

The Financial Management Act 2006 and the Treasurer's Instructions (the Instructions) take precedence over AAS. Several AAS are modified by the Instructions to vary application, disclosure format and wording. Where a modification is required and the modification has 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.

Basis of preparation

These financial statements are presented in Australian dollars applying the accrual basis of accounting and using the historical cost convention. Certain balances will apply a different measurement basis (such as the fair value basis). Where this is the case, the different measurement basis is disclosed in the associated note. All values are rounded to the nearest dollar.

Judgements and estimates

Judgements, estimates and assumptions are required to be made about financial information being presented. The significant judgements and estimates made in the preparation of these financial statements are reported in the notes, where the amounts affected by those judgements and estimates are disclosed. Estimates and associated assumptions are based on professional judgements derived from historical experience and various other factors that are believed to be reasonable under the circumstances.

1. BASIS OF PREPARATION (CONTINUED)

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 restructuring 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.

The transfers of net assets to/from other agencies, other than because of a restructuring of administrative arrangements, are designated as contributions by owners where the transfers are non-discretionary and non-reciprocal.

2. OFFICE OUTPUTS

How the Office operates

This section includes information regarding the nature of funding the Office receives and how this funding is utilised to achieve the Office's objectives.

Office objectives

Note 2.1

2.1 Office Objectives

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 is responsible for delivering just one service as set out above. All income, expenditure, assets and liabilities related to the delivery of this service.

3. USE OF OUR FUNDING

Expenses incurred in the delivery of services

This section provides additional information about how the Office's funding is applied and the accounting policies that are relevant for an understanding of the items recognised in the financial statements. The primary expenses incurred by the Office in achieving its objectives and the relevant notes are:

	Notes	2018 \$	2017 \$
Employee benefits expense	3.1	2,435,057	2,418,936
Employee related provisions	3.2	779,333	648,783
Other expenditure	3.3	1,194,622	1,173,254

3.1 Employee benefit expense

Wages and salaries	2,183,122	2,147,685
Superannuation – defined contribution plans (a)	233,148	229,623
Termination benefits	-	-
Other related expenses	18,787	41,628
Total employee benefits expense	2,435,057	2,418,936

(a) Defined contribution plans include West State, Gold State, Government Employees Superannuation Board ("GESB") and other eligible funds.

Wages and salaries

Employee expenses include all costs related to employment including wages and salaries, fringe benefits tax, and leave entitlements.

Termination benefits

Payable when employment is terminated before normal retirement date, or when an employee accepts an offer of benefits in exchange for the termination of employment. Termination benefits are recognised when the Office is demonstrably committed to terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal or providing termination benefits because of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after the end of the reporting period are discounted to present value.

3.1 Employee benefits expense (Continued)

Superannuation

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

GSS (concurrent contributions) is a defined benefit scheme for employees and wholeofgovernment reporting. However, it is a defined contribution plan for Office purposes because the concurrent contributions (defined contributions) made by the Office to GESB extinguishes the Office's obligations to the related superannuation liability.

The Office does not recognise any defined benefit liabilities because it has no legal or constructive obligation to pay future benefits relating to its employees. 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 GESB and other fund providers administer public sector superannuation arrangements in Western Australia in accordance with legislative requirements. Eligible criteria for membership in particular schemes for public sector employees vary according to commencement and implementation dates.

3.2 Employee related provisions

Provision is made for benefits accruing to employees in respect of wages and salaries, annual leave and long service leave for services rendered up to the reporting date and recorded as an expense during the period the services are delivered.

	2018	2017
	\$	\$
Current		
Employee Benefits Provision		
Annual leave (a)	209,600	179,375
Long service leave (b)	451,049	324,545
	660,649	503,920
Other Provisions		
Employment on-costs (c)	3,315	2,528
<i>Total current employee related provisions</i>	663,964	506,448

3.2 Employee-related provisions (Continued)

	2018 \$	2017 \$
Non-Current		
Employee Benefits Provision		
Long service leave (b)	114,792	141,624
Other Provisions		
Employment on-costs (c)	577	711
<i>Total non-current employee-related provisions</i>	115,369	142,335
(a) Annual leave		
<p>The provision for annual leave is calculated at the present value of expected payments to be made for services provided by employees up to the reporting date,</p> <p>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:</p>		
Within 12 months of the end of the reporting period	151,395	144,197
More than 12 months after the end of the reporting period	58,205	35,198
	209,600	179,375
(b) Long service liabilities		
<p>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.</p> <p>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.</p> <p>Assessments indicate that actual settlement of the liabilities is expected to occur as follows:</p>		
Within 12 months of the end of the reporting period	169,062	98,483
More than 12 months after the end of the reporting period	396,779	367,686
	565,841	466,169

3.2 Employee related provisions (Continued)

(b) Long service liabilities (Continued)

The provision for long service leave is calculated at present value as the Office does not expect to settle wholly the amounts within 12 months. The present value is measured considering the present value of expected future payments to be made for services provided by employees up to the reporting date. These payments are estimated using the remuneration rate expected to apply at the time of settlement and 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.

(c) Employment on-costs

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.

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, Note 3.3 [apart from the unwinding of the discount (finance cost)]' and are not included as part of the Office's 'employee benefits expense'. The related liability is included in 'Employment oncosts provision'

	2018	2017
	\$	\$
Current		
Employment On-Cost Provision		
- Carrying amount at start of period	2,528	2,485
- Additional provisions recognised	787	43
	<hr/>	<hr/>
Carrying amount at end of period	3,315	2,528
	<hr/>	<hr/>
Non-Current		
Employment On-Cost Provision		
- Carrying amount at start of period	711	812
- Reduction in provisions recognised	(134)	(101)
	<hr/>	<hr/>
Carrying amount at end of period	577	711
	<hr/>	<hr/>

3.2 Employee related provisions (Continued)

Key sources of estimation uncertainty – long service leave

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.

Several estimates and assumptions are used in calculating the Office's long service leave provision. These 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. Any gain or loss following revaluation of the present value of long service leave liabilities is recognised as employee benefits expense.

3.3 Other expenses

	2018	2017
	\$	\$
Supplies and services		
Communications	57,435	56,731
Consultants and contractors	509,834	414,986
Consumables	58,154	68,473
Materials	85,191	72,151
Lease, rent and hire costs	34,404	34,932
Travel	62,295	90,104
Other	44,463	73,139
Total supplies and services expenses	851,776	810,516
Accommodation expenses		
Lease rentals	311,453	311,675
Total accommodation expenses	311,453	311,675

3.3 Other expenses (Continued)

	2018 \$	2017 \$
Other expenditures		
Audit fees (a)	31,393	51,063
Total other expenditures	31,393	51,063
Total other expenses	1,194,622	1,173,254

(a) The cost represents internal and external audit fees.

Supplies and services

Supplies and services are recognised as an expense in the reporting period in which they are incurred. The carrying amounts of any materials held for distribution are expensed when the materials are distributed.

Accommodation expenses

Operating lease payments are recognised on a straight line basis over the lease term, except where another systematic basis is more representative of the time pattern of the benefits derived from the use of the leased asset.

Repairs, maintenance and cleaning costs are recognised as expenses as incurred.

Employment on-costs

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 3.1(c) 'Provisions'. Superannuation contributions accrued as part of the provision for leave are employee benefits and are not included in employment on-costs

3.4 Significant related party transactions

The Office engaged in the following material related party expense transactions with other Government related entities:

	2018 \$	2017 \$
Supplies and services		
Department of Finance		
- IT Services	32,550	31,881
- Depreciation of leasehold improvements – free of charge	78,497	88,053
Accommodation expenses		
Department of Finance		
- Operating lease expenses for office accommodation	311,453	311,675
Other expenditure		
Office of the Auditor General		
- Audit fees	27,980	27,700
Total significant related party transactions	450,480	459,309

4. OUR FUNDING SOURCES

How we obtain our funding

This section provides additional information about how the Office obtains its funding and the relevant accounting policy notes that govern the recognition and measurement of this funding. The primary income received by the Office and the relevant notes are:

	Notes	2018 \$	2017 \$
Income from State Government	4.1	3,622,497	3,705,053
Other revenue	4.2	1,907	8,608

4.1 Income from State Government

Appropriation received during the period:

Service appropriation	(a)	3,544,000	3,617,000
Resources received free of charge	(b)	78,497	88,053

Services received free of charge are determined on the basis of the following estimates given by agencies:

Department of Finance			
– Building and Management Works		78,497	88,053

(a) **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 in the bank account or credited to the 'Amounts receivable for services' (holding account) held at Treasury.

Service appropriations fund the net cost of services delivered. Appropriation revenue comprises the following:

- Cash component; and
- A receivable (asset).

The receivable (holding account – note 6.2) comprises the following:

- The budgeted depreciation expense for the year; and
- Any agreed increase in leave liabilities 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 services that can be reliably measured and which would have been purchased if they were not donated. Contributions of assets or services representing contributions by owners are recognised direct to equity.

4.2 Other revenue

	2018	2017
	\$	\$
	1,907	8,608

5. KEY ASSETS

Assets the Office utilises for economic benefit or service potential

This section includes information regarding the key assets the Office utilises to gain economic benefits or provide service potential. The section sets out both the key accounting policies and financial information about the performance of these assets:

	Notes	2018	2017
		\$	\$
Plant and equipment	5.1	2,501	31,633
Total key assets		2,501	31,633

5.1 Plant and equipment

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 \$
2018			
Gross carrying amount	171,546	17,714	189,260
Accumulated depreciation	(143,828)	(13,799)	(157,627)
Carrying amount at start of year	27,718	3,915	31,633
Depreciation	-	(1,414)	(1,414)
Impairment losses (a)	(27,718)	-	(27,718)
Carrying amount at end of year	-	2,501	2,501
2017			
Gross carrying amount	171,546	17,714	189,260
Accumulated depreciation	(143,828)	(11,411)	(155,239)
Carrying amount at start of year	27,718	6,303	34,021
Depreciation	-	(2,388)	(2,388)
Carrying amount at end of year	27,718	3,915	31,633

- (a) Impairment losses are recognised in the Statement of Comprehensive Income. Where an asset measured at cost is written-down to recoverable amount, an impairment loss is recognised in profit or loss.

Information on fair value measurements is provided in Note 8.3

5.1 Plant and equipment (Continued)

Initial recognition

Items of property, plant and equipment, costing \$5,000 or more are measured initially at cost. Where an asset is acquired for no or nominal cost, the cost is valued at its fair value at the date of acquisition. Items of property, plant and equipment and infrastructure costing less than \$5,000 are immediately expensed directly to the Statement of Comprehensive Income (other than where they form part of a group of similar items which are significant in total).

Subsequent measurement

All property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses.

5.1.1. Depreciation and impairment charge for the period

	2018 \$	2017 \$
Depreciation		
Office equipment	1,414	2,388
Total depreciation for the period	1,414	2,388
Impairment		
Computer hardware	27,718	-
Total impairment for the period	27,718	-
Total depreciation and impairment	29,132	2,388

As at 30 June 2018 the value of computer hardware was impaired. The Office is in the process of moving its core IT infrastructure to the Cloud. Consequently, the existing computer equipment has been assessed as obsolete. The Office has general advice that any scrap value received for the computer equipment will be offset by the cost to remove the computer equipment. Accordingly, the Office has recognised an impairment of the asset.

5.1 Plant and equipment (Continued)

Finite useful lives

All property, plant and equipment 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 generally calculated on a straight-line basis, at rates that allocate the asset's value, less any estimated residual value, over its estimated useful life. Typical estimated useful lives for the different asset classes for current and prior years are included in the table below:

Asset	Useful Life
Office equipment	5 Years
Computer hardware and software (a)	3 – 5 Years

(a) *Software that is integral to the operation of related hardware.*

The estimated useful lives, residual values and depreciation method are reviewed at the end of each annual reporting period, and adjustments should be made where appropriate.

Impairment

Non-financial assets, including items of plant and equipment, are tested for impairment whenever there is an indication that the asset may be impaired. 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.

Where an asset measured at cost is written down to its recoverable amount, an impairment loss is recognised through profit or loss.

If there is an indication that there has been a reversal in impairment, the carrying amount shall be increased to its recoverable amount. However, this reversal should not increase the asset's carrying amount above what would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised in prior years.

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 reflects the level of consumption or expiration of the asset's future economic benefits and to evaluate any impairment risk from declining replacement costs.

6. OTHER ASSETS AND LIABILITIES

This section sets out those assets and liabilities that arose from the Office's controlled operations and includes other assets utilised for economic benefits and liabilities incurred during normal operations:

	Notes	2018 \$	2017 \$
Receivables	6.1	264,655	43,342
Amounts receivable for services	6.2	181,000	205,000
Other current assets	6.3	67,113	31,894
Payables	6.4	184,399	149,571

6.1 Receivables

Current

Receivables	223,798	1,108
GST receivable	40,857	28,608
FBT receivable	-	13,626
	<hr/>	<hr/>
Total Current	264,655	43,342
	<hr/>	<hr/>

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

Receivables are recognised at original invoice amount less any allowances for uncollectible amounts (i.e. impairment). The carrying amount of net trade receivables is equivalent to fair value as it is due for settlement within 30 days.

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 Office did not identify any receivable during the year, or at year end, as uncollectible.

Significant related party balances

The following are significant related party balances in receivables at year end:

Department of Treasury		
- Redundancy funding	90,968	-
Department of Justice		
- Monies owed for corresponding employee liabilities transferred to the Office	121,971	-
	<hr/>	<hr/>
	212,939	-
	<hr/>	<hr/>

6.2 Amounts receivable for services (Holding Account)

	2018	2017
	\$	\$
Current	2,000	26,000
Non-Current	179,000	179,000
	181,000	205,000

Amounts receivable for services represent 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.

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 required to cover leave entitlements and asset replacement.

6.3 Other current assets

Prepayments	67,113	31,894
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Other non-financial assets include prepayments which represent payments in advance of receipt of goods or services or that part of expenditure made in one accounting period covering a term extending beyond that period.

6.4 Payables

Current

Trade payables	138,117	58,478
Accrued expenses	33,336	83,093
Accrued salaries	8,000	8,000
FBT payable	4,946	-
	184,399	149,571

6.4 Payables (Continued)

Payables are recognised at the amounts payable when the Office becomes obliged to make future payments because of a purchase of assets or services. The carrying amount is equivalent to fair value, as the settlement is generally within 30 days.

Accrued expenses represent good and services received at year end but for which the supplier has not provided any invoice. Also, the balance includes expenses, which related to the provision of services in the current year such as annual audit fees.

Accrued salaries represent the amount due to staff but unpaid at the end of the reporting period. Accrued salaries are settled within a fortnight after the reporting period. The Office considers the carrying amount of accrued salaries to be equivalent to its fair value.

The accrued salaries suspense account (See Note 7.1.1 'Cash and cash equivalents') consists of amounts paid annually, from Office appropriations for salaries expense, into a Treasury suspense account to meet the additional cash outflow for employee salary payments in reporting periods with 27 pay days instead of the normal 26. No interest is received on this account.

	2018	2017
	\$	\$
Significant related party balances		
The following are significant related party balances in payables at year end:		
Accrued expenses – Office of the Auditor General	27,980	27,700

7. FINANCING

This section sets out the material balances and disclosures associated with the financing and cash flows of the Office.

	Notes
Cash and cash equivalents	7.1
Reconciliation of cash	7.1.1
Reconciliation of operating activities	7.1.2
Commitments	7.2
Non-cancellable operating lease commitments	7.2.1
Other expenditure commitment	7.2.2

7.1 Cash and cash equivalents

	Notes	2018 \$	2017 \$
7.1.1 Reconciliation of cash			
Cash and cash equivalents		372,535	459,963
Restricted cash and cash equivalents	8.1		
- Accrued salaries suspense account (a)		22,000	7,000
Balance at end of period		394,535	466,963

(a) Funds held in the suspense account are used only to meet the 27th pay in a financial year that occurs every 11 years. This account is classified as non-current for 10 out of 11 years.

For 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.

7.1 Cash and cash equivalents (Continued)

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

	Notes	2018 \$	2017 \$
Net cost of services		(3,656,903)	(3,585,970)
Non-Cash Items:			
Depreciation and impairment	5.1.1	29,132	2,388
Resources received free of charge	4.1	78,497	88,053
(Increase)/Decrease in Assets:			
Current receivables	(a)	(209,063)	(373)
Other current assets		(35,219)	17,892
Increase/(Decrease) in Liabilities:			
Current payables	(a)	34,827	2,571
Current provisions		157,516	(13,239)
Non-current provisions		(26,966)	(20,951)
Net GST receipts/(payments)	(b)	(12,249)	(2,073)
Net Cash Used in Operating Activities		(3,640,428)	(3,511,702)

(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) The amount represents the net GST paid/received, i.e., cash transaction.

7.2 Commitments

	2018	2017
	\$	\$

7.2.1 Non-cancellable operating lease commitments

- Accommodation

Commitments for minimum lease payments are payable as follows:

Within 1 year	356,129	381,595
Later than 1 year and not later than 5 years	1,103,464	-
	<hr/> 1,459,593	<hr/> 381,595

The commitments for accommodation are inclusive of GST where relevant.

7.2.1.1 Non-cancellable operating lease commitments

- Vehicle lease

Commitments for minimum lease payments are payable as follows:

Within 1 year	4,135	6,501
Later than 1 year and not later than 5 years	11,714	16,638
	<hr/> 15,849	<hr/> 23,139

The commitments for vehicle leases are inclusive of GST where relevant.

Total non-cancellable operating lease commitments

Within 1 year	360,264	388,096
Later than 1 year and not later than 5 years	1,115,178	16,638
	<hr/> 1,475,442	<hr/> 404,734

Operating leases are expensed on a straight line basis over the lease term as this represents the pattern of benefits derived from the leased property and vehicle.

Judgements made by management in applying accounting policies – Operating lease commitments

The Office has entered a lease at 5th Floor Albert Facey House, Perth for its office accommodation, and a separate lease for its vehicles with State Fleet. In both instances, the lessors retain substantially all the risks and rewards incidental to ownership of the building and vehicles respectively. Accordingly, the leases have been classified as operating leases.

7.2 Commitments (Continued)

	2018	2017
	\$	\$
7.2.2 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	71,572	113,411
- Later than 1 year and not later than 5 years	71,572	132,396
	143,144	245,807

The commitments for IT services are inclusive of GST where relevant.

8. RISKS AND CONTINGENCIES

This note sets out the key risk management policies and measurement techniques of the Office.

	Note
Financial risk management	8.1
Contingent assets and liabilities	8.2
Fair value measurements	8.3

8.1 Financial risk management

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.

(a) Summary of risks and management

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 for 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 8.1 (c) 'Ageing Analysis of Financial Assets and Note 6.1 '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. Also, 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.

8.1 Financial Risk Management (Continued)

(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:

	2018	2017
	\$	\$
Financial Assets		
Cash and cash equivalents	372,535	459,963
Restricted cash and cash equivalents	22,000	7,000
Receivables (i)	223,797	1,108
Amounts receivable for services	181,000	205,000
Total financial assets	799,332	673,071
Financial Liabilities		
Payables (i)	179,453	149,574
Total financial liabilities	179,453	149,574

(i) The amount of receivables/payables excludes GST and FBT recoverable from/payable to the Australian Taxation Office (statutory receivables).

8.1 Financial Risk Management (Continued)

(c) Ageing analysis of financial assets

	Carrying Amount \$	Not Past Due And Not Impaired \$	Past Due But Not Impaired					Impaired Financial Assets \$
			Up to 1 Month \$	1 – 3 Months \$	3 Months To 1 Year \$	1 – 5 Years \$	More than 5 Years \$	
2018								
Cash and cash equivalents	372,535	372,535	-	-	-	-	-	-
Restricted cash and cash receivables	22,000	22,000						
Receivables (i)	223,797	223,797	-	-	-	-	-	-
Amounts receivable for service	181,000	181,000	-	-	-	-	-	-
	799,332	799,332	-	-	-	-	-	-
2017								
Cash and cash equivalents	459,963	459,963	-	-	-	-	-	-
Restricted cash and cash receivables	7,000	7,000						
Receivables (i)	1,108	1,108	-	-	-	-	-	-
Amounts receivable for service	205,000	205,000	-	-	-	-	-	-
	673,071	673,071	-	-	-	-	-	-

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

8.1 Financial Risk Management (Continued)

(d) 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.

2018	Weighted Average Effective Interest Rate %	Interest Rate Exposure				Nominal Amount \$	Maturity Dates				
		Carrying Amount \$	Fixed Interest Rate \$	Variable Interest Rate \$	Non Interest Bearing \$		Up to 1 Month \$	1-3 Months \$	3 Months To 1 Year \$	1-5 Years \$	More than 5 Years \$
Financial Assets											
Cash and cash equivalents	NIL	372,535	-	-	372,535	372,535	372,535	-	-	-	-
Restricted cash and cash equivalents	NIL	22,000	-	-	22,000	-	-	-	-	22,000	-
Receivables (i)	NIL	223,797	-	-	223,797	223,797	-	-	-	-	-
Amounts receivable for services	NIL	181,000	-	-	181,000	-	-	-	181,000	-	-
		799,332	-	-	799,332	596,332	-	-	181,000	22,000	-
Financial Liabilities											
Payables (i)	NIL	179,453	-	-	179,453	179,453	179,453	-	-	-	-
		179,453	-	-	179,453	179,453	179,453	-	-	-	-

(i) The amount of receivables/payables excludes the GST and FBT recoverable from/payable to the Australian Taxation Office.

8.1 Financial Risk Management (Continued)

(d) Liquidity Risk and Interest Rate Exposure (Continued)

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

2017	Weighted Average Effective Interest Rate %	Interest Rate Exposure				Nominal Amount \$	Maturity Dates				
		Carrying Amount \$	Fixed Interest Rate \$	Variable Interest Rate \$	Non Interest Bearing \$		Up to 1 Month \$	1-3 Months \$	3 Months To 1 Year \$	1-5 Years \$	More than 5 Years \$
Financial Assets											
Cash and cash equivalents	NIL	459,963	-	-	459,963	459,963	459,963	-	-	-	-
Restricted cash and cash equivalents	NIL	7,000	-	-	7,000	7,000	-	-	-	-	7,000
Receivables	(i) NIL	1,108	-	-	1,108	1,108	1,108	-	-	-	-
Amounts receivable for services	NIL	205,000	-	-	205,000	205,000	-	-	26,000	179,000	-
		673,071	-	-	673,071	673,071	461,071	-	26,000	179,000	7,000
Financial Liabilities											
Payables	(i) NIL	149,594	-	-	149,594	149,594	149,594	-	-	-	-
		149,594	-	-	149,594	149,594	149,594	-	-	-	-

(i) The amount of receivables/payables excludes the GST and FBT recoverable from/payable to the Australian Taxation Office.

8.1 Financial Risk Management (Continued)

(e) 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.

8.2 Contingent assets and liabilities

Contingent assets and contingent liabilities are not recognised in the statement of financial position but are disclosed and, if quantifiable, are measured at nominal value.

Contingent assets and liabilities are presented inclusive of GST receivable or payable respectively

There were no contingent liabilities or contingent assets as at 30 June 2018.

8.3 Fair value measurements

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

9. OTHER DISCLOSURES

This section includes additional material disclosures required by accounting standards or other pronouncements, for the understanding of this financial report.

	Notes
Events occurring after the end of the reporting period	9.1
Future impact of Australian standards issued not yet operative	9.2
Key management personnel	9.3
Related party transactions	9.4
Remuneration of auditors	9.5
Equity	9.6
Supplementary financial information	9.7
Explanatory statement	9.8

9.1 Events Occurring After The End Of The Reporting Period

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

9.2 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' or by an exemption from TI 1101. Where applicable, the Office plans to apply the following Australian Accounting Standards from their application date.

		Operative for reporting periods beginning on/ after
AASB 9	<p>Financial Instruments</p> <p>This Standard supersedes AASB 139 <i>Financial Instruments: Recognition and Measurement</i>, introducing a number of changes to accounting treatments.</p> <p>The Office has assessed there will be no impact on the Office's Surplus for the period.</p>	1 Jan 2018
AASB 15	<p>Revenue from Contracts with Customers</p> <p>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 mandatory application date of this Standard is currently 1 January 2019 after being amended by AASB 20167.</p> <p>The Office's income is principally derived from appropriations, which will be measured under AASB 1058 and will be unaffected by this change.</p>	1 Jan 2019
AASB 16	<p>Leases</p> <p>This Standard introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value.</p> <p>Whilst the impact of AASB 16 has not yet been quantified, the Office currently has commitments for \$1,475,442 worth of noncancellable operating leases which will mostly be brought onto the Statement of Financial Position. Interest and amortisation expense will increase and rental expense will decrease.</p>	1 Jan 2019
AASB 1058	<p>Income of Not-for-Profit Entities</p> <p>This Standard clarifies and simplifies the income recognition requirements that apply to not-for-profit (NFP) entities, more closely reflecting the economic reality of NFP entity transactions that are not contracts with customers. Timing of income recognition is dependent on whether such a transaction gives rise to a liability or other performance obligation (a promise to transfer a good or service), or a contribution by owners, related to an asset (such as cash or another asset) received. The Office anticipates that the application will not materially impact appropriations or untied grant revenues.</p>	1 Jan 2019

9.2 Future impact of Australian Accounting Standards not yet operative (Continued)

		Operative for reporting periods beginning on/ after
AASB 1059	<p>Service Concession Arrangements: Grantors</p> <p>This Standard addresses the accounting for a service concession arrangement (a type of public private partnership) by a grantor. The Standard is not relevant to the Office.</p>	1 Jan 2019
AASB 2010-7	<p>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]</p> <p>This Standard makes consequential amendments to other Australian Accounting Standards and Interpretations as a result of issuing AASB 9 in December 2010.</p> <p>The mandatory application date of this Standard has been amended by AASB 2012-6 and AASB 2014-1 to 1 January 2018. Other than the exposures to AASB 9 noted above, the Office is only insignificantly impacted by the application of the Standard.</p>	1 Jan 2018
AASB 2014-1	<p>Amendments to Australian Accounting Standards</p> <p>Part E of this Standard makes amendments to AASB 9 and consequential amendments to other Standards. These changes have no impact as Appendix E has been superseded and the Office was not permitted to early adopt AASB 9.</p>	1 Jan 2018
AASB 2014-5	<p>Amendments to Australian Accounting Standards arising from AASB 15</p> <p>This Standard gives effect to the consequential amendments to Australian Accounting Standards (including Interpretations) arising from the issuance of AASB 15. The mandatory application date of this Standard has been amended by AASB 2015-8 to 1 January 2018. The Office has not yet determined the application or the potential impact of the Standard.</p>	1 Jan 2018

9.2 Future impact of Australian Accounting Standards not yet operative (Continued)

		Operative for reporting periods beginning on/after
AASB 2014-7	<p>Amendments to Australian Accounting Standards arising from AASB 9 (December 2014)</p> <p>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.</p>	1 Jan 2018
AASB 2015-8	<p>Amendments to Australian Accounting Standards – Clarifications to AASB 15</p> <p>This Standard amends the mandatory application date of AASB 15 to 1 January 2018 (instead of 1 January 2017). It also defers the consequential amendments that were originally set out in AASB 2014-5. There is no financial impact arising from this Standard.</p>	1 Jan 2018
AASB 2016-3	<p>Amendments to Australian Accounting Standards – Clarifications to AASB 15</p> <p>This Standard clarifies identifying performance obligations, principal versus agent considerations, timing of recognising revenue from granting a licence, and, provides further transitional provisions to AASB 15. There is no financial impact arising from the Standard.</p>	1 Jan 2018
AASB 2016-7	<p>Amendments to Australian Accounting Standards – Deferral of AASB 15 for NotforProfit Entities</p> <p>This Standard defers, for notforprofit entities, the mandatory application date of AASB 15 to 1 January 2019, and the consequential amendments that were originally set out in AASB 2014-5. There is no financial impact arising from this standard.</p>	1 Jan 2018
AASB 2016-8	<p>Amendments to Australian Accounting Standards – Australian Implementation Guidance for NotforProfit Entities</p> <p>This Standard inserts Australian requirements and authoritative implementation guidance for not-for-profit entities into AASB 9 and AASB 15. This guidance assists not-for-profit entities in applying those Standards to particular transactions and other events. There is no financial impact.</p>	1 Jan 2019

9.3 Key Management Personnel

The Office has determined that key management personnel include cabinet ministers and senior officers of the Office. However, the Office is not obligated to compensate the ministers, therefore, no disclosure is required. The disclosures regarding Ministers' compensation may be found in the *Annual Report on State Finances*.

Total compensation, inclusive of fees, salaries, superannuation, non-monetary benefits and other benefits, of senior officers of the Office for the reporting period is presented within the following bands:

Compensation Bands (\$)	2018	2017
40,001 - 50,000	1	-
190,001 - 200,000	-	1
210,001 - 220,000	1	-
260,001 - 270,000	1	-
300,001 - 310,000	-	1
	\$	\$
Short-term employee benefits	405,598	398,905
Post-employment benefits	64,084	60,222
Other long-term benefits	50,609	46,733
Termination benefits	-	-
Total compensation of senior officers	520,291	505,860

9.4 Related Party Transactions

The Office is a wholly-owned public sector entity that is controlled by the State of Western Australia. In conducting its activities, the Office is required to pay various taxes and levies based on the standard terms and conditions that apply to all tax and levy payers to the State and entities related to the State.

Related parties of the Office include:

- all Ministers and their close family members, and their controlled or jointly controlled entities;
- all senior officers and their close family members, and their controlled or jointly controlled entities;
- other departments and statutory authorities, including their related bodies that are included in the whole of government consolidated financial statements;
- associates and joint ventures of an entity that are included in the whole of Government consolidated financial statements; and
- the Government Employees Superannuation Board (GESB).

Significant Transactions with Government-Related Entities

In conducting its activities, the Office is required to transact with the State and entities related to the State. These transactions are generally based on the standard terms and conditions that apply to all agencies.

Significant transactions include:	Note
Revenue	
• State Government - service appropriation	4.1
• Department of Finance - depreciation of the Office leasehold fit-out received free of charge	4.1
Expenses	
• Department of Finance - operating lease payments for office rent, IT services, and depreciation of the office leasehold fit-out	3.4
• Auditor General - remuneration for audit services	9.5
Commitments	
• Department of Finance - commitments for future premises and IT lease payments	7.2.1 and 7.2.2
• State Fleet - commitments for future vehicle lease payments	7.2.1.1
Assets	
• Department of Treasury - receivable for funding redundancy	6.1
• Department of Justice - receivable for the corresponding employee liabilities transferred to the Office	6.1
Liabilities	
• Office of Auditor General - accrued audit fees	6.4

Material transactions with other related parties

Significant transactions include:

- GESB - employer superannuation payments 3.1

The Office had no other material related party transaction with Ministers, Senior Officers or their close family members or their controlled or jointly controlled entities.

9.5 Remuneration of Auditor

	2018 \$	2017 \$
Remuneration paid or payable to the Auditor General in respect of the audit for the current financial year is as follows:		
Auditing the accounts, financial statements and key performance indicators	27,980	27,700

9.6 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.

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

Accumulated Deficit

Balance at start of period	(293,522)	(412,605)
Surplus/(deficit)for the period	(34,406)	119,083
Balance at end of period	(327,928)	(293,522)
Total Deficit at End of Period	(53,928)	(19,522)

Liabilities exceed assets for the Office. 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 growing into its role as an Inspector of Custodial Services.

9.7. Supplementary Financial Information

The Office did not have any bad debts in the years ended 30 June 2018 and 2017. Furthermore, the Office had no write-offs of public property; no losses through theft or default; and, no gifts of public property made or received in 2017 and 2018.

9.8 Explanatory Statement

All variances between estimates (original budget) and actual results for 2018, and between the actual results for 2018 and 2017 are shown below. Narratives are provided for key variations selected from observed major variances, which are generally greater than:

5% and \$71,120 for the Statements of Comprehensive Income and Cash Flows; and,
5% and \$14,980 for the Statement of Financial Position

Significant variances between estimate and actual for 2018:

Statement of Comprehensive Income

	Variance Note	Original Budget 2018 \$	Actual 2018 \$	Actual 2017 \$	Variance Between Estimate and Actual \$	Variance Between Actual Results for 2018 and 2017 \$
Employee benefits expense	(1)	2,578,000	2,435,057	2,418,936	(142,943)	16,121
Supplies and services	(2)	591,000	851,776	810,516	260,776	41,260
Depreciation & impairment expense		3,000	29,132	2,388	26,132	26,744
Accommodation expenses		344,000	311,453	311,675	(32,547)	(222)
Other expenses		40,000	31,392	51,063	(8,608)	(19,671)
Total Cost of Services		3,556,000	3,658,810	3,594,578	102,810	64,232
Income						
Other revenue		5,000	1,907	8,608	(3,093)	(6,701)
Total Revenue		5,000	1,907	8,608	(3,093)	(6,701)
Total Income other than Income from State Government		5,000	1,907	8,608	(3,093)	(6,701)
NET COST OF SERVICES		3,551,000	3,656,903	3,585,970	105,903	70,933
Income from State Government						
Service appropriation		3,557,000	3,544,000	3,617,000	(13,000)	(73,000)
Resources received free of charge	(3)	-	78,497	88,053	78,497	(9,556)
Total Income from State Government		3,557,000	3,622,497	3,705,053	65,497	(82,556)
SURPLUS/(DEFICIT) FOR THE PERIOD		6,000	(34,406)	119,083	40,406	(153,489)
OTHER COMPREHENSIVE INCOME						
Items not reclassified subsequently to profit or loss		-	-	-	-	-
Total other comprehensive income		-	-	-	-	-
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		6,000	(34,406)	119,083	40,406	(153,489)

9.8 Explanatory Statement (Continued)

Statement of Financial Position

	Variance Note	Original Budget 2018 \$	Actual 2018 \$	Actual 2017 \$	Variance Between Estimate and Actual \$	Variance Between Actual Results for 2018 and 2017 \$
Current Assets						
Cash and cash equivalents	A	367,000	372,535	459,963	5,535	(87,428)
Receivables	(4), B	41,000	264,655	43,342	223,655	221,313
Amounts receivable for services	(5), C	26,000	2,000	26,000	(24,000)	(24,000)
Other current assets	(6), D	50,000	67,113	31,894	17,113	35,219
Total Current Assets		484,000	706,303	561,199	222,303	145,104
Non-Current Assets						
Restricted cash and cash equivalents	(7), E	4,000	22,000	7,000	18,000	15,000
Amounts receivable for services		181,000	179,000	179,000	(2,000)	-
Plant and equipment	(8), F	80,000	2,501	31,633	(77,499)	(29,132)
Total Non-Current Assets		265,000	203,501	217,633	(61,499)	(14,132)
TOTAL ASSETS		749,000	909,804	778,832	160,804	130,972
LIABILITIES						
Current Liabilities						
Payables	G	193,000	184,399	149,571	(8,601)	34,828
Employee related provisions	(9), H	518,000	663,964	506,448	145,964	157,516
Total Current Liabilities		711,000	848,363	656,019	137,363	192,344
Non-Current Liabilities						
Employee related provisions	(9), H	165,000	115,369	142,335	(49,631)	(26,966)
Total Non-Current Liabilities		165,000	115,369	142,335	(49,631)	(26,966)
TOTAL LIABILITIES		876,000	963,732	798,354	87,732	165,378
NET ASSETS		(127,000)	(53,928)	(19,522)	73,072	(34,406)
EQUITY						
Contributed equity		274,000	274,000	274,000	-	-
Accumulated surplus/(deficit)	(10), I	(401,000)	(327,928)	(293,522)	73,072	(34,406)
TOTAL EQUITY/(DEFICIT)		(127,000)	(53,928)	(19,522)	73,072	(34,406)

9.8 Explanatory Statement (Continued)

Statement of Cash Flows						
	Variance Note	Original Budget 2018 \$	Actual 2018 \$	Actual 2017 \$	Variance Between Estimate and Actual \$	Variance Between Actual Results for 2018 and 2017 \$
Statement of Cash Flows (Controlled Operations)						
CASH FLOWS FROM STATE GOVERNMENT						
Service appropriations		3,529,000	3,542,000	3,589,000	13,000	(47,000)
Capital contributions		-	2,000	-	2,000	2,000
Holding account drawdowns		26,000	24,000	26,000	(2,000)	(2,000)
Net cash provided by State Government		3,555,000	3,568,000	3,615,000	13,000	(47,000)
CASH FLOWS FROM OPERATION ACTIVITIES						
Payments						
Employee benefits		(2,578,000)	(2,513,570)	(2,445,500)	64,430	(68,070)
Supplies and services	(11)	(610,000)	(773,357)	(709,687)	(163,357)	(63,670)
Accommodation		(344,000)	(311,767)	(311,989)	32,233	222
Other payments		(40,000)	(31,392)	(51,062)	8,608	19,670
GST payments on purchases		(100,000)	(116,995)	(104,522)	(16,995)	(12,473)
Receipts						
GST receipts on sales		42,000	2,156	136	(39,844)	2,020
GST receipts from taxation authority		100,000	102,590	102,314	2,590	276
Other receipts		5,000	1,907	8,608	(3,093)	(6,701)
Net cash provided by/(used In) operating activities		(3,525,000)	(3,640,428)	(3,511,702)	(115,428)	(128,726)
CASH FLOWS FROM INVESTING ACTIVITIES						
Payments						
Purchase of non-current physical assets		(26,000)	-	-	26,000	-
Net cash used in investing activities		(26,000)	-	-	26,000	-
Net increase in cash and cash equivalents	(12)	4,000	(72,428)	103,298	(76,428)	(175,726)
Cash and cash equivalents at the beginning of the period		367,000	466,963	363,665	99,963	103,298
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		371,000	394,535	466,963	23,535	(72,428)

9.8 Explanatory Statement (Continued)

Notes to Variances Between Budgeted and Actual Expenses

Statement of Comprehensive Income

- (1) Employee benefits expense was lower than budget as the Office did not require the budgeted level of support from seconded employees to meet its operational objectives for the year. This saved approximately \$143,000 of salaries and allowances.
- (2) Supplies and services expense exceeded budget by \$260,000. A free of charge expense totalling \$78,000, applicable to the depreciation of the leasehold fit-out of the Inspector's Offices at Albert Facey House Perth, is included in actual supplies and services expense. The Office did not budget for this amount nor did the Office budget for the corresponding free of charge revenue. Also, the Office spent \$137,000 on the upgrade of its IT systems to increase functionality and provide for access via the Cloud.
- (3) Services free of charge, representing depreciation of \$78,000 on the leasehold fit-out of the Office, was not wholly included in the budget.

Statement of Financial Position

- (4) The increase in receivables reflects the timing of receipts.
- (5) The Office drew down funds from its capital holding account to help fund the upgrade of the Office's IT system.
- (6) The increase in prepayments reflect the timing of service payments.
- (7) The increase in restricted cash reflects calls by Treasury to pass funds to Treasury to meet the next 27th pay. Actuals reflect 2 years contributions. The budget reflects 1 year of contributions.
- (8) The difference represents items capitalised in the budget but expensed in the financial statements.
- (9) The budget did not provide for leave provisions transferring to the Office.
- (10) The Office budgeted for a surplus of \$6,000 in 2018. The Office spent additional funds to upgrade its IT systems to the Cloud and provided for impairment on existing IT equipment, which resulted in the Office incurring a deficit of \$34,000 for the year.

Statement of Cash Flow

- (11) The Office spent \$137,000 on the upgrade of its IT systems to increase functionality and provide for access via the Cloud.
- (12) The decrease in cash is primarily represented by an increase in trade receivables, GST receivable and prepayments.

9.8 Explanatory Statement (Continued)

Comments to Variances Between Actual Results for 2018 and 2017

Statement of Financial Position

- A The decrease in cash is primarily represented by an increase in trade receivables, GST receivable and prepayments.
- B The increase in receivables represents \$122,000 from the Department for the employee provisions transferred to the Office and \$91,000 owed by Treasury to meet redundancy payments.
- C The Office drew down funds from its capital holding account to help fund the upgrade of the Office's IT system.
- D The increase in prepayments reflect the timing of service payments.
- E The increase in restricted cash reflects calls by Treasury to pass funds to Treasury to meet the next 27th pay. Actuals for 2018 reflect two years contributions. Actuals for 2017 reflect 1 year's contributions.
- F The Office considered that the existing computer equipment was impaired at year end.
- G The increase in payables reflects the timing of service payments.
- H The provisions consist of employee provisions for annual leave and long service leave. Outstanding leave hours decreased during the current reporting period by \$90,000 as part of the Office's concerted drive to reduce employee liabilities. Also, during the current reporting period employees on higher salaries took leave, thus reducing the total outstanding leave liability balance. However, the reduction was offset by provisions totalling \$122,000 acquired with an employee transferring to the Office.
- I The Office budgeted for a surplus of \$6,000 in 2018. The Office spent additional funds to upgrade its IT systems to the Cloud and provided for impairment on existing IT equipment, resulting in a deficit of \$34,000.

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



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