



OFFICE OF THE INSPECTOR
OF CUSTODIAL SERVICES

ANNUAL
REPORT

18-19

*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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PART ONE – OVERVIEW

Inspector’s Foreword	3
1. Background	4
2. About us	4
3. Inspections	5
4. Independent Visitor Service	7
5. Community Liaison	8
6. Reviews	8
7. Other activities	9
8. Our environment: Custodial and office pressures	9
9. Achievements in 2018–2019	13
10. Collaboration and relationships	17
11. Other functions	19

PART TWO – SOURCE REFERENCE

Source Reference	20
Operational Structure	21
Performance Management Framework	23
Key Performance Indicators	24
Key Effectiveness Indicator	25
Key Efficiency Indicators	26
Other Financial Disclosures	27
Governance Disclosures	27
Other Legal Requirements	28

PART THREE – FINANCIAL STATEMENTS

Certification of Financial Statements	31
Independent Auditor’s Report	34
Statement of Comprehensive Income	38
Statement of Financial Position	39
Statement of Changes in Equity	40
Statement of Cash Flows	41
Summary of Consolidated Account Appropriations and Income Estimates	42
Notes to the Financial Statements	43



INSPECTOR'S FOREWORD

I am pleased to present the annual report for the Office of the Inspector of Custodial Services for 2018–2019. My appointment as Inspector took effect on 4 May 2019, following the retirement of Professor Neil Morgan who held the position for 10 years.

During his time as Inspector, Professor Morgan was a very strong advocate for improvement and reform across the corrections environment. He worked tirelessly to improve the welfare and well-being of all prisoners held in Western Australia. A focus of Professor Morgan's work was protecting and promoting the rights of juveniles in detention, and improving the standards of care and services provided to aboriginal prisoners, women and prisoners with mental health issues. The corrections environment today is better for having had Professor Morgan as Inspector over the past 10 years.

Our work does not happen in isolation and there is an enormous amount of cooperation and collaboration that takes place between key stakeholders, both at an operational and strategic level. I take this opportunity to thank all those individuals, agencies and contractors who have contributed to the achievements highlighted in this report.

Finally, I want to acknowledge the work of the staff within the Office. Without their expertise, hard work, passion and enthusiasm we would not be in the strong position we are today. I am looking forward to working with them as we face the challenges and opportunities that the future holds.



Eamon Ryan
Inspector of Custodial Services

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.

This year a new Inspector was appointed. Professor Neil Morgan retired in May 2019 having been in the position for ten years. He was replaced by Eamon Ryan. Before taking up this appointment, Eamon was the Executive Director Integrity and Risk at the Public Sector Commission and prior to that the Executive Director Professional Standards and Conduct at the Department of Education. He has a BA in Legal Studies and brings almost 30 years' experience in senior roles involving integrity, risk, governance and accountability. He has previous experience in the role having acted as Inspector for several months in 2016, after Professor Morgan took a period of unexpected leave.

The Deputy Inspector is Darian Ferguson. Darian joined the Office in April 2018, following the retirement of the previous Deputy, Andrew Harvey. Darian has 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 both 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) 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.

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 four weeks to comment on the draft, to identify possible errors, to respond to proposed recommendations, and to provide additional information. We may also need to seek further clarification before we finalise 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 30-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.

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 Director General and Commissioner 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 an experienced 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, where necessary, send it to the Department with our comments and requests for additional information. The Department then returns the report with its responses, which we follow up as appropriate.

5. COMMUNITY LIAISON

Our Community Liaison Officer (CLO) provides highly valued cultural context in working 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 proposed findings, and allow 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 but the Inspector has the discretion to do so (section 34(2)(b) of the Act). However, for reasons of transparency, accountability and system improvement, our practice is that 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, rather than the Minister or the Director General of the Department. The Inspector cannot be subject to a binding direction by the Minister or any other person in the performance of the Inspector's functions.

However, section 17 of the Act allows the 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 tabled in August 2018.

7. OTHER ACTIVITIES

Although the Inspector does not report to the Minister or the Department, effective communication with both is important. The benefits of an inspection system are only realised when the concerns raised 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.

8. OUR ENVIRONMENT: CUSTODIAL AND OFFICE PRESSURES

The rise in the prison population has stabilised but overcrowding issues remain

The rapid rise in the prison population experienced over the last few years appears to have stabilised. There was virtually no increase in the population this year. As at 30 June 2018 there were 6868 prisoners in adult custodial facilities. As at 30 June 2019 that figure had risen to 6940. This is an increase of 72 prisoners or around a one per cent increase. The small increase is in line with normal fluctuations in the prison population.

There has been a decrease in our youth prison population. As at 30 June 2018 there were 156 children and young people in detention compared with 123 at 30 June 2019. This is a reduction of 21 per cent and appears to be attributable to a reduction in the number of young people on remand.

Despite the stabilisation of the adult prison population, prisons still remain overcrowded as they have for several years. It is also likely that the population can be expected to rise again. Western Australia reports on prison utilisation in the Report on Government Services (Productivity Commission, 2019). This is the extent to which design capacity of prisons meets the demand for prisoner accommodation. Essentially, it compares the number of prisoners against the number the prison was designed to hold. It includes the original design capacity of the prison and any additional accommodation. Prisons require more beds than prisoners to cater for the transfer of prisoners, special purpose accommodation such as protection units, separate facilities for males and females and different security levels, and to manage short-term fluctuations in prisoner numbers. Therefore, percentages close to but not exceeding 100 per cent are desirable. According to the 2019 Report on Government Services, Western Australia is operating at 124 per cent.

But the problem of crowded prisons is not just about finding beds. There are also implications for supporting infrastructure and services. For example, in this year's Hakea inspection, we highlighted some effects of overcrowding. The Hakea kitchen was too small, prisoners were waiting too long for medical appointments, the telephone booking system was jammed, and there were not enough visit times for remand prisoners.

The effects of overcrowding have also been compounded by the imposition of adaptive regimes. This involves limiting activities based on staffing resources. The result is prisoners spend less time in activities such as education, programs and recreation, and more time locked in cells or behind grilles. Adaptive regimes continued to be a problem this year.

The State has invested in increasing bed capacity recently. Construction is well underway for a 512 bed expansion in Casuarina Prison and a further 160 beds at Bunbury Regional Prison. This follows a recent 212 bed increase in the male estate across six facilities. The additional capacity should provide some welcome relief for the overcrowded facilities across the state. However, increased numbers, particularly in Casuarina, must also come with increased services and facilities for prisoners to assist in their rehabilitation and keep them occupied in meaningful activities.

Infrastructure is ageing, and often not fit for purpose

In addition to the pressures of the increasing population, prison infrastructure in Western Australia is ageing, and in some cases, is no longer fit for purpose. This has been raised in several reports in recent years, and this year was no exception.

In Albany, we found many of the buildings had not been scaled up to meet the increase in prisoners and cells in Unit 1 A and B wings were too small to hold prisoners in humane conditions. We recommended that Unit 1 needs to be rebuilt. Significant investment was also required in most service areas including the kitchen, laundry, reception, medical centres and industries.

Similar findings came from the Hakea inspection. Prisoners were eating in their cells due to a lack of space in the day rooms, encouraging poor hygiene. Almost every cell in Hakea houses two prisoners. All are small and many do not meet national or international standards for one prisoner let alone two. Cell mates must negotiate the use of floor space, chairs, bunk allocation, television, radio, lights and toilet. The lack of personal space and privacy compromises dignity and safety.

Opportunities for rehabilitation are diminishing

Western Australia, like the rest of the nation, has high recidivism rates. In 2016–17, 45 per cent of prisoners had returned to corrective services within two years of their prison release (Productivity Commission, 2019). That means almost every second person is reoffending in some way once they leave prison. The figures are worse for young people and Aboriginal people. High recidivism places enormous pressure on the prison system by increasing prisoner numbers and contributing significantly to overcrowding. It is an indicator of an ineffective and inefficient criminal justice system, which is failing to change people's criminal behaviour.

One of the ways to reduce recidivism is to provide effective treatment programs to prisoners while in custody. However, this year programs have been cancelled, not because prisoners did not need them, but simply because people had not been assessed and therefore assigned to the programs.

Assessments determine a person's security rating, their education and treatment needs and their optimal prison placement. They are expected to be conducted within 28 days of a person being sentenced. Hakea prison is the main assessments prison for male prisoners but has fallen way behind. As of 31 June 2019, 696 treatment assessments were overdue. There were also 1023 prisoners who were still waiting on an initial Individual Management Plan after 28 days. The reason for the backlog includes a change in the assessments tool which added to its complexity, and under-resourcing of the Hakea assessments team which did assessments for men in all metropolitan prisons.

This is not a new problem. During our inspection of Hakea in 2015, we highlighted that Hakea was falling behind in assessments. We also drew attention to the problem in the inspection of Casuarina prison in 2016, given people were being dispersed to other prisons before Hakea had been able to complete the prisoner's assessment. In this year's inspection of Hakea, we again highlighted the problem, noting that it had continued to escalate.

We have been assured the Department is employing additional staff to provide support to address the backlog, but are concerned it will be some time before the problem is fully resolved. Further, the Department has made arrangements with Serco for them to do assessments at Acacia. Hopefully this will enable prisoners to have their needs assessed in a timely manner and to have access to treatment programs and other services.

Mental health services for prisoners are spread too thin

Several of our inspection and review reports this year highlighted the widening disparity between mental health needs of prisoners and the services provided in custody. In general, prisoners have high mental health needs. It is in the community's best interest that they access treatment to improve their mental health so they are less likely to reoffend on release. It is also necessary for the stability of the prison, as people with untreated mental health issues can often be disruptive and difficult to manage.

Our report into prisoner access to the state's one secure mental health facility, the Frankland Centre, showed that prisoner mental health care is falling well short of community standards. Prisoners who had been referred to Frankland, simply were not making it due to the lack of beds. This places pressure on the already stretched prison mental health staff. Their focus is directed to dealing with the immediate needs of the acutely unwell, leaving less capacity to support others with mental health conditions.

The Prison Counselling Services are struggling to meet demand. Counsellors can make a significant contribution to prisoner mental health and wellbeing but the demands over recent years has meant the counsellors are focussed more on managing prisoners at risk of self-harm or suicide and less on regular ongoing counselling.

Our concerns about the gaps in services for prisoner's mental health were echoed in May 2019, when the Coroner released his findings from an inquest into five suicides at Casuarina Prison. His first recommendation was for the Department to recruit additional Prison Counselling Service and mental health staff for Casuarina and more broadly, to consider the appropriate levels for the Prison Counselling Service and mental health for prisons across the state. The Coroner reported "medical and custodial staff said the current situation with Prison Counselling Services and mental health staff numbers is placing prisoner's lives at risk" (Jenkin, 2019).

Future contracted services require clarity and preparation

Western Australia has two prisons run by private contractors, Acacia prison and Melaleuca Remand and Reintegration Facility.

Acacia has been operating under a long term custodial contract, run by Serco Australia since 2006. This arrangement has generally delivered a good service with a robust accountability framework. However, the contract cannot be renewed beyond 2021. The government's intentions beyond May 2021 in regard to the operation and management of Acacia are unknown at this time. There are a range of possible options but these are questions for the government and not this office.

Despite the potential for uncertainty from now until 2021, Serco and the Department must maintain Acacia's positive record and ensure that services do not decline.

Melaleuca commenced operation on 15 December 2016. Melaleuca took the pressure off Bandyup Women's Prison. This pressure has since been further reduced by the repurposing of Wandoo Reintegration Facility to a women's rehabilitation facility in May 2018.

The five year milestone for the Melaleuca contract occurs in 2021, early decisions will be needed about the future of the facility to ensure continuity of services for the women who are sent there.

OICS pressures

Budget constraints and workload increases continue

As we stated last year, our funding has declined relative to spending by the services we oversee. In other words, we are actually doing more with less. These pressures have continued, and have been compounded this year by our office completing three unplanned reviews.

- Finalising and publishing the directed review into the Amnesty International Australia allegations of mistreatment of young people at Banksia Hill.
- Reviewing the birth at Bandyup Women's Prison in March 2018.
- Conducting a review of prisoner access to secure mental health treatment, which was initiated after the poor transfer of two women from Bandyup to the Frankland Centre.

In addition, we conducted an extra inspection of Greenough Regional Prison, to assess the management of prisoners following the riot in July 2018. The report from this inspection will be released next financial year, but it has required significant resources this year to conduct the fieldwork and drafting.

It is essential our office is able to respond to emerging risks and issues. We have been taking on the additional work and doing our best to manage within our allocated budget. However, this is unsustainable in the longer term. As stated last year, 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.

OICS is well placed to support OPCAT

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.

We continue to engage in discussions about how this will be rolled out in Western Australia as, given our role, it is likely OPCAT will have a significant impact on this office.

9. ACHIEVEMENTS IN 2018–2019

Reviews

Once again, we tabled more reviews than were scheduled this year. One of the extra reviews was a directed review of allegations made by Amnesty International about ill treatment at Banksia Hill. Another was in response to the birth at Bandyup Women's Prison which we felt required an independent review. These were on top of other scheduled reviews.

Directed review of allegations made by Amnesty International Australia about ill-treatment at Banksia Hill Detention Centre

On 14 December 2017, Amnesty International Australia wrote to the Minister for Corrective Services alleging that a young person had been ill-treated at Banksia Hill Detention Centre. On 12 January 2018, Amnesty again wrote to the Minister alleging that another young person had also been ill-treated at Banksia Hill. The allegations involved a number of specific claims about each young person and a general claim that they were both held in conditions of prolonged solitary confinement, in breach of state legislation and international law.

The Minister asked the Inspector to conduct an independent review into the allegations. Most of the work of the review was conducted last financial year, but the review was finalised and tabled this financial year.

We found the evidence did not support the majority of these allegations, but we identified areas for improvement in record keeping and communication. It was also clear that a comprehensive review of legislation and other governance documents was required in relation to the use of special regimes and confinement.

This review report needed to be read alongside our other reports. Banksia Hill has made positive progress in stability, safety, morale, and governance since May 2017, but the centre still faces serious challenges. Most of these can be traced back to the decision of the former government in 2009 to make Banksia Hill the state's only juvenile detention centre. Since that time, it has never enjoyed a significant period of stability or strong performance. One centre cannot adequately cater for so many young people, so much diversity, and such high levels of need.

The birth at Bandyup Women's Prison in March 2018

On 11 March 2018, a woman in Bandyup Women's Prison (Bandyup), who was 36 weeks pregnant, gave birth alone in her cell. Custodial officers and medical staff were observing through the cell hatch.

Our review of the incident found that the mother and her baby were put at unnecessary risk. This risk was not recognised by local staff or the Department. It was caused by cascading failures, predominately due to inaction and poor communication.

These failures were compounded by inadequate infrastructure to support women in their late stages of pregnancy, a problem that has been brewing for over a decade. The mother was housed in a unit that was inappropriate for a pregnant woman. Her cell was located upstairs, and the retrofitted double bunk made the cell so cramped it was difficult for emergency aid to be provided.

To protect the privacy of the mother the full report of this Review was not released publicly. Instead, we published a summary of our conclusions and findings. It gave ample indication of the failings on the night, and the matters to which attention must be given. A full copy of the report including recommendations, was provided to the Standing Committee on Public Administration, the Minister for Corrective Services, and the Director General of the Department of Justice.

Prisoner access to secure mental health treatment

This review was started because we were concerned by the circumstances in which two women with acute mental health needs were moved from Bandyup Women's Prison to the state's only secure forensic mental health facility, the Frankland Centre. We set out to examine the safety aspects involved in transporting prisoners to the Frankland Centre.

To get a full picture, we chose to look at how people were managed before the transfer and after their return. In doing so, we discovered a larger problem, that many people do not make it to a clinical inpatient setting at all. They remain in prison even though they have been identified as needing clinical care in a specialised hospital. The review expanded to examine this issue in more detail.

We found the state is not meeting the mental health needs of prisoners. The majority of referrals to the Frankland Centre for clinical mental health treatment do not result in a placement. Even after multiple referrals a third of people never access the centre. This is largely because the number of beds at the Frankland Centre has been inadequate for over a decade.

Access to clinical care within the custodial environment is also minimal. Daily management of people with serious mental health needs is left to custodial staff who have limited training, few management options and poor access to information. If a person is able to access a bed at the Frankland Centre, transports to and from the facility are mostly safe but better reporting is needed.

Contact with family and friends while in custody

People in custody in Western Australia have important rights to social contact prescribed in legislation. Social contact improves the likelihood prisoners will successfully reintegrate back into the community upon their release because family and friends help with finding accommodation and employment, they offer financial support and they are critical to re-establishing community ties. We reviewed whether the Department of Justice is facilitating sufficient contact between family, friends and other external social support.

We found the Department is facilitating prisoners' contact with family and friends but population pressures and inefficient processes are making it increasingly difficult to meet legislative requirements.

Overcrowding across the estate is affecting access to phones and the ability to provide visits for all prisoners. Competition for phones can result in tensions among prisoners, with the phones becoming a commodity as demand exceeds availability. The overcrowding means it is also increasingly difficult to meet prisoners' visits entitlements which is compounded by an outdated telephone booking system that causes frustration for many visitors trying to book visits.

The Department does consider proximity to family when making decisions about prisoner placement and tries to accommodate the person near their social support. It has also established family support centres at several prisons across the state, and provides phone allowances for those prisoners who are on remand or are far from home. But, population pressures are restricting placement options, family centres are providing fewer services following a recent change in contract, and phone allowances are insufficient to adequately cover the average cost of calls for people in custody.

Strip searching practices in Western Australian prisons

Contraband in prisons is a legitimate concern for the Department. Items like illicit drugs, weapons, and mobile phones present considerable dangers to prisoners, staff, and others. The Department uses various methods to prevent contraband entering prisons and detecting contraband (particularly drugs) when it is already inside. One strategy is the authority to search people, places, and property. These searches can

involve the use of hand held metal detectors, and drug detection dogs. People can also be patted down and strip searched. The latter is the most invasive. This review assessed the practice of strip searching prisoners, visitors and staff.

We found that the Department overuses the practice of strip searching. Routine, excessive strip searching is common place, while causing harm and being ineffective at locating contraband. Most strip searches (97%) are routine, procedure based searches, such as when a prisoner transfers from one secure location to another, and before and after visits.

Even the firmly held belief that strip searching provides a deterrent for people to hide contraband lacks credible supporting evidence. Both in Western Australia and internationally there are examples where decreasing or eliminating strip searching has had no effect on drug use in the prison or finding contraband through other means. Current practices also breach international standards.

Modern scanning technology is already proving to be as effective, and in some cases, more effective at detecting contraband. More importantly it is far less invasive and time consuming than conducting a strip search. However, the Department did not support our recommendation to use technology to reduce the reliance on strip searching.

Inspections

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

- Hakea Prison (July to August 2018)
- Greenough Regional Prison (August 2018 to January 2019)
- Acacia Prison (November 2018)
- Pardelup Prison Farm (February 2019)
- Karnet Prison Farm (April 2019)
- Roebourne Regional Prison (May 2019)

We tabled five inspection reports.

Report 118: Inspection of Albany Regional Prison

The inspection of Albany Regional Prison in February 2018 concluded that the Department had successfully faced and overcome many of the challenges identified during the last inspection in 2015. However, infrastructure problems remain. Many of the buildings had not been scaled up to meet the increased number of prisoners they were expected to service.

Albany Prison is overcrowded, with almost all cells double-bunked. The cells in Unit 1 A and B wings were too small to hold two prisoners in humane conditions and the entire Unit 1 needed to be rebuilt. Significant investment was also needed in most service areas including the kitchen, laundry, reception, medical centres, and industries.

Remand prisoners were less likely to have work or access education, training opportunities, or programs. In addition, most remandees were displaced from their home regions, and were therefore unable to use their right to daily visits. Protection prisoners felt unsafe in their own unit. They claimed bullying occurred, and fights occurred regularly out of sight from cameras.

Report 119: Inspection of Wooroloo Prison Farm

The inspection of Wooroloo Prison Farm took place in March 2018. We found that since the previous inspection in 2015, senior management at Wooroloo had continued to drive positive change. Relations between management and staff had become stronger, and morale had improved.

Service provision across the prison was supporting rehabilitation and reintegration. Short courses at the Education Centre were improving employment prospects. Transitional management gave prisoners access to essential documentation before release. Prisoners on the Peer Support Team helped orient new arrivals, in addition to their primary focus on the welfare of men at risk of self-harm.

Prisoners commented favourably on the relaxed, empowered feel of the prison. Men could move freely between accommodation units and most places of employment. The Wooroloo visits centre provided a spacious, friendly, and family-focused atmosphere. Staff were respectful yet alert.

Wooroloo did face challenges. The system-wide case management process was hampered by infrequent contact between designated officers and prisoners. Prisoners and taxpayers paid the price of the Department's failure to schedule prisoner assessments and therapeutic programs in time for parole applications. Too many minimum-security prisoners were facing parole denial, and the cost of serving full sentences was high.

Report 120: Inspection of Boronia Pre-release Centre for Women

Boronia Pre-release Centre for Women (Boronia) is the only dedicated minimum-security and pre-release facility for women in Western Australia. Following an inspection in May 2018 we concluded Boronia provided a safe environment for staff and residents. Relationships between staff and residents were mutually respectful. The centre's philosophy was embedded in its daily operations. The grounds were in good shape, and the overall feel of the place was good.

But this is to be expected, given it houses a group of carefully selected prisoners and is well-resourced compared with most prisons. Since 2006 our Office has been calling for the Department to measure the effectiveness of Boronia in preventing reoffending, but it has still not done so.

Report 121: Inspection of Hakea Prison

Hakea Prison is Western Australia's main metropolitan male remand and reception prison. It holds around 1,160 men. It was inspected in July 2018.

We found that Hakea faces major infrastructure limitations and is overcrowded, stretched and stressed. In the circumstances, it does remarkably well in providing core remand services for the justice system.

Hakea is an aged prison, and most of it is too small and no longer fit for purpose. Infrastructure deficits and overcrowding mean that conditions in most of the living units are not decent or humane. Investment in physical and human resources has not kept pace with the growth in prisoner numbers. For example, the kitchen is too small, prisoners were waiting too long for medical appointments, the telephone-based visits booking system was jammed, and there were not enough visit times for remand prisoners.

The problems were compounded by regular staff shortages and excessive lockdowns. Despite some positive efforts by management, staff/prisoner relations had declined, prisoners felt more unsafe and access to recreation and other activities was severely restricted.

Report 122: Inspection of Court Security and Custodial Services

Court custody centres are the part of the court's premises where people in custody are detained. The court custody centres are managed by private contractors, who also subcontract out some of their services. The majority of these are managed by Broadspectrum, who subcontract the security services to Wilson Security. The District Court and Central Law Courts in Perth are managed by the Western Liberty Group Consortium, with some services subcontracted to G4S Custodial Services. We inspected all of these facilities between March and June 2018.

We concluded that the providers of the various court custody services were performing well. The quality of the infrastructure varied widely across the state. The courts in the central business district were of sound custodial design and were in good shape. But some outer metropolitan sites were below standard. Armadale, one of the oldest metropolitan courts, was no longer fit for purpose and equipment often failed. It was scheduled for replacement in 2021. The custody areas in Mandurah, Midland and Fremantle courts were also outdated and inadequate.

The new facilities at Fiona Stanley Hospital secure facility and Northbridge Police Complex on the other hand, were good examples of modern custodial infrastructure.

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 2019–2020 are:

- Broome Regional Prison (July 2019)
- Casuarina Prison (September 2019)
- Wandoo Rehabilitation Prison (November 2019)
- Eastern Goldfields Regional Prison (January 2020)
- West Kimberley Regional Prison (March 2020)
- Bandyup Women's Prison (May 2020)

10. COLLABORATION AND RELATIONSHIPS

Parliament

The Inspector is accountable to Parliament and tables inspection and review reports directly. 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 vitally important to maximising the value of the Office.

The Inspector and the Minister have regular scheduled meetings to keep the Minister informed of areas of

concern, risks and areas of 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.

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.

The Inspector meets regularly with the Director General and the Commissioner to discuss concerns, risks and areas of good performance. This is a positive opportunity to share information and address issues that arise from time to time. In addition, senior officers from the Department and our Office meet regularly to discuss issues and receive briefings on reforms and changes in the Department.

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 2018–2019 the former Inspector made numerous presentations. These included:

- Speaker at Prisons 2018 Conference (Melbourne, 2–3 August 2018)
- Cyber Security Forum (Perth, 29 August 2018)
- Rapporteur for the 38th Australian & Pacific Conference of Correctional Administrators (Malaysia, 3–6 September 2018)
- Speaker QUT Business School, Public Sector Management Program for Graduates Ceremony (Perth, 13 September 2018)
- UN Human Rights Event (Perth, 10 December 2018)
- Speaker Independent Visitor Conference (Perth, 1 March 2019)

In addition, the new Inspector was a guest speaker at the National Health Complaints Commissioner's Conference in Perth in May 2019.

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 2018–2019, with no such notices issued.

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 2019.

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*.



Eamon Ryan
Accountable Authority

28 August 2019

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OPERATIONAL STRUCTURE

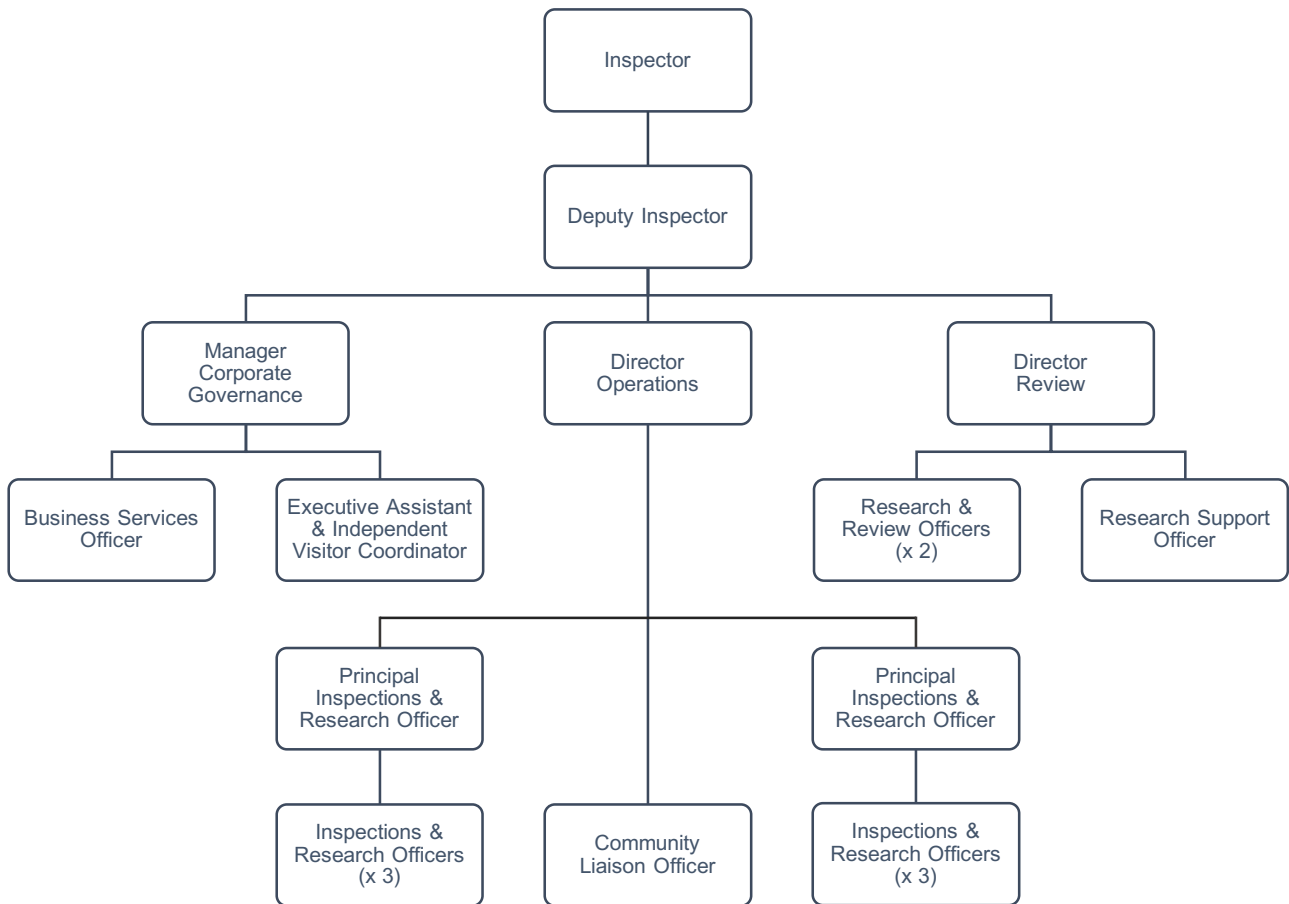
Enabling legislation

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

Inspector: Eamon Ryan

Mr Eamon Ryan was appointed as Inspector of Custodial Services on 4 May 2019, taking over from Professor Neil Morgan, who retired after 10 years in the role.

Before taking up this appointment, he was Executive Director Integrity and Risk at the Public Sector Commission and prior to that, Executive Director Professional Standards and Conduct at the Department of Education. Mr Ryan has a BA in Legal Studies and brings almost 30 years' experience in senior roles involving integrity, risk, governance and accountability.

Deputy Inspector: Darian Ferguson

Mr Darian Ferguson was appointed as Deputy Inspector in 2018 as part of the transition plan to facilitate the retirement of Mr Andrew Harvey.

Before taking up the appointment, he was Director Human Resources at the Department of Justice, and prior to that Director Human Resources at the WA Police Force for some nine years. Mr Ferguson has a Bachelor of Business and Graduate Certificate in Public Sector Management. He brings with him a wealth of experience across the public sector along with significant experience at senior levels.

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 2018–19.

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

	2018-19 Target (000s)	2018-19 Actual (000s)	2018-19 Variation (000s)
Key Effectiveness Indicator The extent to which the Department of Justice and, where relevant, other agencies accept recommendations contained in reports.	80%	80%	0%
Key Efficiency Indicators Average cost per Report	\$245	\$301	+\$56
Average cost per Independent Visitors' Scheme Report	\$2.5	\$2.0	-\$0.5
Average cost per Liaison Visit Report	\$10	\$10	\$0

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 2019.



Eamon Ryan
28 August 2019

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
2014-15	100	180	80%	91%
2015-16	100	100	80%	80%
2016-17	150	96	80%	89%
2017-18	150	164	80%	90%
2018-19	150	102	80%	80%

Comparison of Actual Results and Budget Targets

The number of recommendations this year is below 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 at the time of inspecting. It is typical to make more recommendations in larger and more complicated prisons because there are more issues to address. This also explains why the actual number of recommendations varies significantly against the target.

Only 20 of the 102 recommendations were not supported. The other recommendations were either supported, supported existing initiative or partially supported.

Supported existing initiatives refers to those recommendations where the Department:

- has already identified, and action was underway prior to the inspection to address the recommendation.
- details of 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.
- has already got something in place but requires further development.

KEY EFFICIENCY INDICATORS

Key Efficiency Indicators	Actual 2015-16	Actual 2016-17	Actual 2017-18	Actual 2018-19	Target 2018-19
Report	10	9	11	10	9
Average cost per report*	\$224,393	\$243,219	\$205,137	\$301,277	\$245,000
Liaison visit report	86	102	98	70	90
Average cost per liaison visit report	\$11,840	\$9,868	\$10,599	\$10,026	\$10,000
Independent visitors' scheme report	174	162	135	125	150
Average cost per independent visitors' scheme report	\$1,950	\$2,463	\$2,693	\$1,984	\$2,500

* 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.

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. 2018-19 is a year where we have produced more reports. The average cost per report is higher than usual because unexpected additional costs were incurred. In particular, the cost of migrating to GovNext, which is a Whole of Government ICT initiative was greater than anticipated. Also, two of our Inspections and Research Officers have unexpectedly taken maternity leave with the cumulative effect of costing an additional FTE.

Liaison Visit Reports: The target of 90 liaison visit reports is based on six visits occurring at the large and complex prisons (Hakea, Casuarina, Bandyup and Banksia Hill) and three visits occurring at the remaining prisons. Each work camp and court custody centre receive at least one visit each year. The frequency of visits may vary per the assessed risk of each facility. This year the Inspector assessed risk of each court custody centre to be low and it was decided to change from an annual cycle to every three years.

Independent Visitors' Scheme Reports: The target of 150 independent visitor reports is based on each prison (17) receiving nine visits annually. The target has not been reached this year because there has been difficulty recruiting volunteers in the regions and a number of flu outbreaks in March 2019 at all of the facilities. We are currently reviewing how we recruit in the regions with the view to streamlining in-house processes where possible. Costs are less than the target because the Independent Visitor Scheme Coordinator was amalgamated with another position.

OTHER FINANCIAL DISCLOSURES

Source Reference

Employment and Industrial Relations

Staff Profile

	2017-18	2018-19
Full-time permanent	17	14
Full-time contract	-	1
Part-time measured on an FTE basis	2	2
Part-time contract	1	1
TOTAL	20	18

Staff development

The Office is committed to developing its employees. Our strategy is to maintain a highly skilled, professional and fair workforce. Staff attended a structured plain English course to maintain excellent writing skills. The Inspectorate employs a Certified Practising Accountant (CPA) who maintains and broadens his knowledge by attending continuing professional development activities in accordance with the CPA constitution, by-laws and continuing professional development obligations.

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*
s 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 above 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 0



Eamon Ryan
Inspector of Custodial Services
28 August 2019

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, section 29)

The *Disability Services Act 1993* requires public agencies to develop and implement Disability Access and Inclusion Plans (DAIPs).

This Office is at an advanced stage of updating its plan which will guide us until 2024. It will help us to maintain and improve our ability to ensure people with disability have the same opportunities as others to communicate with us, access information written by us and access employment in this Office. The revised plan will replace the existing plan on the Office's website when approved later this year.

In accordance with the *Disabilities Services Act 1993*, a progress report was submitted to the Department of Communities – State Disability Plan team outlining progress against strategies in the current plan.

Recordkeeping Plan

The State Records Commission approved the Office's recordkeeping plan which is valid until 5 December 2019. The Office is in the process of updating its new recordkeeping plan which will help us to maintain and improve our recordkeeping practices.

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 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 2017 with members of the Senior Management Team. Occupational Safety and Health is a permanent agenda item on Senior Management Group meetings.

Annual Performance

Performance Indicator	Actual Results		Results Against Target	
	2017-18	2018-19	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	60%	60%	50%	

Sustainability

The Office supports environmental sustainability and demonstrates this by having its own Sustainability Action Plan. Staff members adhere to sustainability measures where 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
- using biodegradable bin liners
- using sensor lighting in all work areas including meeting rooms.

Compliance with Public Sector Standards and Ethical Codes

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

An induction manual is issued to new staff members, which includes a code of conduct and a Public Sector Commission publication on accountable and ethical decision making.

These processes are aimed at ensuring that staff are aware of their responsibilities with the primary objective of ensuring that standards are maintained.

PART THREE

DISCLOSURES AND LEGAL COMPLIANCE

Financial Statements

Certification of Financial Statements for the year ended 30 June 2019

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 2019 and the financial position as at 30 June 2019.

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
28 August 2019



E Ryan
Accountable Authority
28 August 2019

FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2019

The Office has pleasure in presenting its audited general purpose financial statements for the financial reporting period ended 30 June 2019 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.

INDEPENDENT AUDITOR'S REPORT	34
FINANCIAL STATEMENTS	
Statement of comprehensive income.....	38
Statement of financial position	39
Statement of changes in equity.....	40
Statement of cash flows.....	41
Summary of consolidated account appropriations and income estimates	42
NOTES TO THE FINANCIAL STATEMENTS	
1. BASIS OF PREPARATION	43
Statement of compliance	43
Basis of preparation	43
Judgements and estimates	43
Contributed equity	44
2. OFFICE OUTPUTS	44
How the Office operates.....	44
2.1 Office objectives.....	44
3. USE OF OUR FUNDING	45
Expenses incurred in the delivery of services.....	45
3.1 Employee benefits expense	45
3.2 Employee-related provisions	46
3.3 Other expenses	49
3.4 Significant related party transactions	50
4. OUR FUNDING SOURCES	51
How we obtain our funding	51
4.1 Income from State Government.....	51
4.2 Other revenue.....	52
5. KEY ASSETS.....	52
5.1 Plant and equipment	53

6. OTHER ASSETS AND LIABILITIES	56
6.1 Receivables.....	56
6.2 Amounts receivable for services (holding account)	57
6.3 Other current assets.....	57
6.4 Payables.....	57
7. FINANCING.....	59
7.1 Cash and cash equivalents.....	59
7.2 Commitments.....	61
8. RISKS AND CONTINGENCIES.....	63
8.1 Financial risk management	63
8.2 Contingent assets and liabilities.....	68
8.3 Fair value measurements	68
9. OTHER DISCLOSURES	68
9.1 Events occurring after the end of the reporting period	68
9.2 Initial application of Australian Accounting Standards	69
9.3 Future impact of Australian Accounting Standards not yet operative	69
9.4 Key management personnel.....	72
9.5 Related party transactions.....	73
9.6 Remuneration of auditor	74
9.7 Equity	74
9.8 Supplementary financial information	74
9.9 Explanatory statement (controlled operations).....	75



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 2019, 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 2019 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 Service'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 2019.

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 2019. 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 2019.

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 2019 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
DEPUTY AUDITOR GENERAL
Delegate of the Auditor General for Western Australia
Perth, Western Australia
30 August 2019

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2019

	Notes	2019 \$	2018 \$
Cost of Services			
Expenses			
Employee benefits expense	3.1	2,695,398	2,435,057
Supplies and services	3.3	920,295	851,776
Depreciation and impairment expense	5.1.1	1,440	29,132
Accommodation expenses	3.3	315,182	311,453
Other expenses	3.3	30,307	31,392
Total Cost of Services		3,962,622	3,658,810
Income			
<i>Revenue</i>			
Other revenue	4.2	5,499	1,907
Total Revenue		5,499	1,907
Total Income other than Income from State Government		5,499	1,907
NET COST OF SERVICES		3,957,123	3,656,903
Income from State Government			
Service appropriation	4.1	3,590,000	3,544,000
Services received free of charge	4.1	78,271	78,497
Total Income from State Government		3,668,271	3,622,497
SURPLUS/(DEFICIT) FOR THE PERIOD		(288,852)	(34,406)
OTHER COMPREHENSIVE INCOME			
Total other comprehensive income		-	-
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		(288,852)	(34,406)

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

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2019

ASSETS	Notes	2019 \$	2018 \$
Current Assets			
Cash and cash equivalents	7.1	231,789	372,535
Receivables	6.1	90,678	264,655
Amounts receivable for services	6.2	-	2,000
Other current assets	6.3	31,092	67,113
Total Current Assets		353,559	706,303
Non-Current Assets			
Restricted cash and cash equivalents	7.1	22,000	22,000
Amounts receivable for services	6.2	155,000	179,000
Plant and equipment	5.1	1,061	2,501
Total Non-Current Assets		178,061	203,501
TOTAL ASSETS		531,620	909,804
LIABILITIES			
Current Liabilities			
Payables	6.4	141,085	184,399
Employee related provisions	3.2	658,247	663,964
Total Current Liabilities		799,332	848,363
Non-Current Liabilities			
Employee related provisions	3.2	75,068	115,369
Total Non-Current Liabilities		75,068	115,369
TOTAL LIABILITIES		874,400	963,732
NET LIABILITIES		(342,780)	(53,928)
EQUITY			
Contributed equity	9.7	274,000	274,000
Accumulated deficit	9.7	(616,780)	(327,928)
TOTAL DEFICIT		(342,780)	(53,928)

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 2019

	Notes	Contributed Equity \$	Accumulated Surplus/(Deficit) \$	Total Equity/ (Deficit) \$
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)
Balance at 1 July 2018		274,000	(327,928)	(53,928)
Surplus/(deficit)		-	(288,852)	(288,852)
Total comprehensive income for the period		-	(288,852)	(288,852)
Transactions with owners in their capacity as owners:				
- Capital contributions		-	-	-
Total		-	-	-
Balance at 30 June 2019		274,000	(616,780)	(342,780)

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 2019

	Notes	2019 \$	2018 \$
Cash Flows From State Government			
Service appropriations		3,590,000	3,542,000
Capital contributions		-	2,000
Holding account drawdowns		26,000	24,000
Net cash provided by State Government		3,616,000	3,568,000
Utilised as follows:			
Cash Flows From Operating Activities			
Payments			
Employee benefits		(2,667,676)	(2,513,570)
Supplies and services		(761,561)	(773,357)
Accommodation		(311,247)	(311,767)
Other payments		(30,307)	(31,392)
GST payments on purchases		(111,399)	(116,995)
Receipts			
GST receipts on sales		550	2,156
GST receipts from taxation authority		120,351	102,590
Other receipts		4,543	1,907
Net cash used in operating activities	7.1	(3,756,746)	(3,640,428)
Net decrease in cash and cash equivalents		(140,746)	(72,428)
Cash and cash equivalents at the beginning of the period		394,535	466,963
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	7.1	253,789	394,535

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 2019

	2019 Estimate \$	2019 Actual \$	Variance \$	2019 Actual \$	2018 Actual \$	Variance \$
Delivery of Services						
Item 107 net amount appropriated to deliver services	3,307,000	3,343,000	36,000	3,343,000	3,295,000	48,000
Amount Authorised by Other Statutes						
<i>Salaries and Allowances Act 1975</i>	247,000	247,000	-	247,000	247,000	-
Total Appropriations Provided to Deliver Services	3,554,000	3,590,000	36,000	3,590,000	3,542,000	48,000
Capital						
Capital appropriations	-	-	-	-	-	-
GRAND TOTAL	3,554,000	3,590,000	36,000	3,590,000	3,542,000	48,000
Details of Expenses by Services						
Inspection and review of custodial services	3,641,000	3,962,622	321,622	3,962,622	3,658,809	303,813
Total cost of services	3,641,000	3,962,622	321,622	3,962,622	3,658,800	303,813
Less: Total Income	(5,000)	(5,499)	(499)	(5,499)	(1,907)	(3,592)
Net Cost of Services	3,636,000	3,957,123	321,123	3,957,123	3,656,902	300,221
Adjustments	-	(367,123)	(367,123)	(367,123)	(114,902)	(252,221)
Total Appropriations Provided to Deliver Services	3,636,000	3,590,000	(46,000)	3,590,000	3,542,000	48,000
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 9.9 'Explanatory Statement' provides details of any significant variations between estimates and actual results for 2019 and between the actual results for 2019 and 2018.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

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 2019.

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 not-for-profit 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.

The WA Government funds the Office operations and will continue to support the Office in future years.

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.

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 relate 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	2019 \$	2018 \$
Employee benefits expense	3.1	2,695,398	2,435,057
Employee-related provisions	3.2	733,315	779,333
Other expenses	3.3	1,265,784	1,194,622
Significant related party transactions	3.4	450,822	450,480

3.1 Employee benefits expense

Wages and salaries	2,380,034	2,183,122
Superannuation defined contribution plans (a)	253,706	233,148
Other related expenses	61,658	18,787
Total employee benefits expense	2,695,398	2,435,057

(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 GSS (concurrent contributions), WSS, GESB, or other superannuation funds. The employer contribution paid to the Government Employees Superannuation Board (GESB) in respect of GSS is paid back into the Consolidated Account by GESB.

GSS (concurrent contributions) is a defined benefit scheme for employees and whole-of-government 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 GESB. GESB and other fund providers administer public sector superannuation arrangements in Western Australia in accordance with legislative requirements. Eligibility 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*.

	2019	2018
	\$	\$
Current		
Employee Benefits Provision		
Annual leave (a)	240,090	209,600
Long service leave (b)	414,872	451,049
	654,962	660,649
Other Provisions		
Employment on-costs (c)	3,285	3,315
Total current employee-related provisions	658,247	663,964

3.2 Employee-related provisions (continued)

	2019 \$	2018 \$
Non-current		
Employee Benefits Provision		
Long service leave (b)	74,693	114,792
Other Provisions		
Employment on-costs (c)	375	577
Total non-current employee-related provisions	75,068	115,369
(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	161,420	151,395
More than 12 months after the end of the reporting period	78,670	58,205
	240,090	209,600
(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	94,307	169,062
More than 12 months after the end of the reporting period	395,258	396,779
	489,565	565,841

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 on costs provision'.

	2019 \$	2018 \$
Current		
Employment On-Costs Provision		
- Carrying amount at start of period	3,315	2,528
- Additional/(reversing of) provisions recognised	(30)	787
	3,285	3,315
Non-current		
Employment On-Costs Provision		
- Carrying amount at start of period	577	711
- Reversals of provisions recognised	(202)	(134)
	375	577

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
- 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

	2019	2018
	\$	\$
Supplies and services		
Communications	64,164	57,435
Consultants and contractors	592,704	509,834
Consumables	50,154	58,154
Materials	44,642	85,191
Lease, rent and hire costs	37,466	34,404
Travel	71,928	62,295
Other	59,237	44,463
Total supplies and services expenses	920,295	851,776
Accommodation expenses		
Lease rentals	315,182	311,453
Total accommodation expenses	315,182	311,453

3.3 Other expenses (continued)

	2019	2018
	\$	\$
Other expenditures		
Audit fees (a)	30,307	31,393
Total other expenditures	30,307	31,393
Total other expenses	1,265,784	1,194,622

(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:

	2019	2018
	\$	\$
Supplies and services		
Department of Finance		
– IT and telephone services	28,969	32,550
– Depreciation of leasehold improvements free of charge	78,271	78,497
Accommodation expenses		
Department of Finance		
– Operating lease expenses for office accommodation	315,182	311,453
Other expenditure		
Office of the Auditor General		
– Audit fees	28,400	27,980
Total significant related party transactions	450,822	450,480

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	2019 \$	2018 \$
Income from State Government	4.1	3,668,271	3,622,497
Other revenue	4.2	5,499	1,907

4.1 Income from State Government

Appropriation received during the period:

Service appropriation (a)	3,590,000	3,544,000
Resources received free of charge (b)	78,271	78,497

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

Department of Finance – Building and Management Works	78,271	78,497
----------------------------------------------------------	--------	--------

(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 (note 2.1). Appropriation revenue comprises the following:

- cash component
- a receivable (asset).

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

- the budgeted depreciation expense for the year
- 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

	2019	2018
	\$	\$
Expense recoveries from other agencies	5,499	1,907
	5,499	1,907

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	2019	2018
		\$	\$
Plant and equipment	5.1	1,061	2,501
Total key assets		1,061	2,501

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 \$
2019			
Gross carrying amount	171,546	17,714	189,260
Accumulated depreciation	(143,828)	(15,213)	(159,041)
Impairment losses	(27,718)	-	(27,718)
Carrying amount at start of year	-	2,501	2,501
Depreciation	-	(1,440)	(1,440)
Carrying amount at end of year	-	1,061	1,061
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

(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

	2019 \$	2018 \$
Depreciation		
Office equipment	1,440	1,414
Total depreciation for the period	1,440	1,414
Impairment		
Computer hardware	-	27,718
Total impairment for the period	-	27,718
Total depreciation and impairment	1,440	29,132

As at 30 June 2018 the value of computer hardware was impaired. The Office has moved 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.

There is no additional impairment this year.

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	2019 \$	2018 \$
Receivables	6.1	90,678	264,655
Amounts receivable for services	6.2	155,000	181,000
Other current assets	6.3	31,092	67,113
Payables	6.4	141,085	184,399

6.1 Receivables

Current

Receivables	59,322	223,798
GST receivable	31,356	40,857
	-	-
Total current	90,678	264,655

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
Department of The Premier and Cabinet		
– Monies owed for corresponding employee liabilities transferred to the Office	58,366	-
	58,366	212,939

6.2 Amounts receivable for services (Holding Account)

	2019	2018
	\$	\$
Current	-	2,000
Non-current	155,000	179,000
	155,000	181,000

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	31,092	67,113
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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	37,054	138,117
Accrued expenses	91,400	33,336
Accrued salaries	8,000	8,000
FBT payable	4,631	4,946
	141,085	184,399

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 goods 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.

	2019	2018
	\$	\$
Significant related party balances		
The following are significant related party balances in payables at year end:		
Accrued expenses – Office of the Auditor General	28,400	27,980

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	2019	2018
		\$	\$
7.1.1 Reconciliation of cash			
Cash and cash equivalents		231,789	372,535
Restricted cash and cash equivalents	8.1		
– Accrued salaries suspense account (a)		22,000	22,000
Balance at end of period		253,789	394,535

(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)

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

	Notes	2019 \$	2018 \$
Net cost of services		(3,957,123)	(3,656,903)
Non-cash items:			
Depreciation and impairment	5.1.1	1,440	29,132
Resources received free of charge	4.1	78,271	78,497
(Increase)/Decrease in assets:			
Current receivables (a)		164,476	(209,063)
Other current assets		36,020	(35,219)
Increase/(Decrease) in liabilities:			
Current payables (a)		(43,315)	34,827
Current provisions		(5,716)	157,516
Non-current provisions		(40,301)	(26,966)
Net GST receipts/(payments)(b)		9,502	(12,249)
Net cash used in operating activities		(3,756,746)	(3,640,428)

(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

	2019	2018
	\$	\$

7.2.1 Non-cancellable operating lease commitments

– Accommodation

Commitments for minimum lease payments are payable as follows:

– Within 1 year	356,403	356,403
– Later than 1 year and not later than 5 years	1,069,211	1,425,614
	<hr/>	<hr/>
	1,425,614	1,782,017

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	9,993	4,135
– Later than 1 year and not later than 5 years	27,428	11,714
	<hr/>	<hr/>
	37,421	15,849

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

Total non-cancellable operating lease commitments

– Within 1 year	366,396	360,538
– Later than 1 year and not later than 5 years	1,096,639	1,437,328
	<hr/>	<hr/>
	1,463,035	1,797,866

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 Level 5, 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)

	2019	2018
	\$	\$
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	71,572
– Later than 1 year and not later than 5 years	-	71,572
	71,572	143,144

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	231,789	372,535
Restricted cash and cash equivalents	22,000	22,000
Loans and Receivables (i)	-	404,797
Financial assets at amortised cost (i)	214,322	-
Total financial assets	468,111	799,332
Financial Liabilities		
Payables (i)	136,454	179,453
Total financial liabilities	136,454	179,453

- (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) Credit risk exposure

The following table details the credit risk exposure on the Office's trade receivables using a provision matrix.

	Total	Days Past Due				
		Current	30 Days	31-60 Days	61-90 Days	> 91 Days
	\$	\$	\$	\$	\$	\$
30 June 2019						
Expected credit loss rate	0%	0%	0%	0%	0%	0%
Estimated total gross carrying amount at default	59,322	59,322	-	-	-	-
Expected credit losses	-	-	-	-	-	-
30 June 2018						
Expected credit loss rate	0%	0%	0%	0%	0%	0%
Estimated total gross carrying amount at default	223,797	223,797	-	-	-	-
Expected credit losses	-	-	-	-	-	-

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.

2019	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	231,789	-	-	231,789	231,789	231,789	-	-	-	-
Restricted cash and cash equivalents	NIL	22,000	-	-	22,000	22,000	-	-	-	-	22,000
Receivables (i)	NIL	59,322	-	-	59,322	59,322	59,322	-	-	-	-
Amounts receivable for services	NIL	155,000	-	-	155,000	155,000	-	-	-	155,000	-
		468,111	-	-	468,111	468,111	291,111	-	-	155,000	22,000
Financial Liabilities											
Payables (i)	NIL	136,454	-	-	136,454	136,454	136,454	-	-	-	-
		136,454	-	-	136,454	136,454	136,454	-	-	-	-

(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.

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	-	-	-	-	22,000
Receivables (i)	NIL	223,797	-	-	223,797	223,797	223,797	-	-	-	-
Amounts receivable for services	NIL	181,000	-	-	181,000	181,000	-	-	-	181,000	-
		799,332	-	-	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)

(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 2019.

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
Initial application of Australian Accounting Standards	9.2
Future impact of Australian Accounting Standards issued not yet operative	9.3
Key management personnel	9.4
Related party transactions	9.5
Remuneration of auditors	9.6
Equity	9.7
Supplementary financial information	9.8
Explanatory statement	9.9

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 Initial application of Australian Accounting Standards

AASB 9 Financial Instruments

AASB 9 Financial Instruments replaces AASB 139 Financial Instruments: Recognition and Measurements for annual reporting periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement, impairment, and hedge accounting.

The Office applied AASB 9 prospectively, with an initial application date of 1 July 2018. The adoption of AASB 9 has resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. In accordance with AASB 9.7.2.15, the Office has not restated the comparative information which continues to be reported under AASB 139. Differences arising from adoption have been recognised directly in Accumulated surplus/(deficit).

9.3 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 15	Revenue from Contracts with Customers	1 Jan 2019
Nature of Change	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 contracts with customers. The mandatory effective date of this Standard is currently 1 January 2019 after being amended by AASB 2016-7.	
Impact	The Office's income is primarily derived from appropriations which will be measured under AASB 1058, and thus will not be materially affected by this change. Although the recognition of 'user charges and fees' and 'sales' revenues will be deferred until the Office has discharged its performance obligations, these revenues are expected to be fully recognised at year-end and no contract liability will exist.	
Transition	The Office will adopt the modified retrospective approach on transition to AASB 15. No comparative information will be restated under this approach, and the Office will recognise the cumulative effect of initially applying the Standard as an adjustment to the opening balance of accumulated surplus/(deficit) at the date of initial application.	
AASB 16	Leases	1 Jan 2019
Nature of Change	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.	
Impact	The recognition of additional assets and liabilities, mainly from operating leases, will increase the Office's total assets, total liabilities and equity. The amount of increase is currently being assessed. Also, interest and depreciation expenses will increase, offset by a decrease in rental expense for the year ending 30 June 2020 and beyond.	

9.3 Future impact of Australian Accounting Standards not yet operative (continued)

**Operative for reporting
periods beginning
on/after**

The assessment is based on the following accounting policy positions:

- Option 1/Option 2 of the modified retrospective approach on transition.
- The 'low value asset' threshold set at \$5,000.
- For leases classified as 'short term' (12 months or less), these are not recognised under AASB 16.
- Land, buildings and investment property ROU assets are measured under the fair value model, subsequent to initial recognition.
- Discount rates are sourced from WA Treasury Corporation (WATC).

Transition The Office will adopt the modified retrospective approach on transition to AASB 16. No comparative information will be restated under this approach, and the Office will recognise the cumulative effect of initially applying the Standard as an adjustment to the opening balance of accumulated surplus/(deficit) at the date of initial application.

AASB 1058 Income of Not-for-Profit Entities

1 Jan 2019

Nature of Change 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 by the Office.

Impact AASB 1058 will have no impact on appropriations and recurrent grants received by the Office – they will continue to be recognised as income when funds are deposited in the bank account or credited to the holding account. The Office has determined that no revenue from capital grants will be deferred into future reporting periods. Hence there will be no impact on 1 July 2019.

Transition The Office will adopt the modified retrospective approach on transition to AASB 1058. No comparative information will be restated under this approach, and the Office will recognise the cumulative effect of initially applying the Standard as an adjustment to the opening balance of accumulated surplus/(deficit) at the date of initial application.

9.3 Future impact of Australian Accounting Standards not yet operative (continued)

		Operative for reporting periods beginning on/after
AASB 1059	Service Concession Arrangements: Grantors	1 Jan 2020
Nature of Change	<p>This Standard addresses the accounting for a service concession arrangement (a type of public private partnership) by a grantor that is a public sector agency by prescribing the accounting for the arrangement from the grantor's perspective. Timing and measurement for the recognition of a specific asset class occurs on commencement of the arrangement and the accounting for associated liabilities is determined by whether the grantee is paid by the grantor or users of the public service provided.</p> <p>The mandatory effective date of this Standard is currently 1 January 2020 after being amended by AASB 2018-5.</p>	
Impact	The Office does not manage any public private partnership that is within the scope of the Standard	
AASB 2016-8	Amendments to Australian Accounting Standards – Australian Implementation Guidance for Not-for-Profit Entities	1 Jan 2019
Nature of Change	<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>	
AASB 2018-4	Amendments to Australian Accounting Standards – Australian Implementation Guidance for Not-for-Profit Public Sector Licensors	1 Jan 2019
Nature of Change	<p>This Standard amends AASB 15 to add requirements and authoritative implementation guidance for application by not-for-profit public sector licensors to transactions involving the issue of licences. There is no financial impact as the Office does not issue licences.</p>	
AASB 2018-5	Amendments to Australian Accounting Standards – Deferral of AASB 1059	1 Jan 2019
Nature of Change	<p>This Standard amends the mandatory effective date of AASB 1059 so that AASB 1059 is required to be applied for annual reporting periods beginning on or after 1 January 2020 instead of 1 January 2019. There is no financial impact.</p>	

9.3 Future impact of Australian Accounting Standards not yet operative (continued)

		Operative for reporting periods beginning on/after
AASB 2018-7	Amendments to Australian Accounting Standards – Definition of Material	1 Jan 2020
Nature of Change	This Standard clarifies the definition of material and its application by improving the wording and aligning the definition across AASB Standards and other publications. There is no financial impact.	
AASB 2018-8	Amendments to Australian Accounting Standards – Right-of-Use Assets of Not-for-Profit Entities	1 Jan 2019
Nature of Change	This Standard provides a temporary option for not for profit entities to not apply the fair value initial measurement requirements for right-of-use assets arising under leases with significantly below-market terms and conditions principally to enable the entity to further its objectives.	
Impact	The Office will elect to apply the option to measure right-of-use assets under peppercorn leases at cost (which is generally about \$1). As a result, the financial impact of this Standard is not material.	

9.4 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 (\$)	2019	2018
10,001–20,000	1	-
30,001–40,000	1	-
40,001–50,000	-	1
200,001–210,000	1	-
210,001–220,000	-	1
260,001–270,000	-	1
290,001–300,000	1	-
	\$	\$
Short-term employee benefits	449,097	405,598
Post-employment benefits	78,460	64,084
Other long-term benefits	23,733	50,609
Termination benefits	-	-
Total compensation of senior officers	551,290	520,291

9.5 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.
- 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 Justice receivable for the corresponding employee liabilities transferred to the Office	6.1
• Department of The Premier and Cabinet receivable for the corresponding employee liabilities transferred to the Office	6.1
Liabilities	
• Office of Auditor General accrued audit fees	6.1 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.

9.6 Remuneration of Auditor

	2019 \$	2018 \$
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	28,400	27,980

9.7 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
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Contributions by owners

- Capital appropriation	-	-
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Total contributions by owners	-	-
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Balance at end of period	274,000	274,000
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Accumulated Deficit

Balance at start of period	(327,928)	(293,522)
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Surplus/(deficit) for the period	(288,852)	(34,406)
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Balance at end of period	(616,780)	(327,928)
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Total Deficit at End of Period

	(342,780)	(53,928)
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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.

9.8 Supplementary Financial Information

The Office did not have any bad debts in the years ended 30 June 2019 and 2018. 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 2018 and 2019.

9.9 Explanatory Statement

All variances between estimates (original budget) and actual results for 2019, and between the actual results for 2019 and 2018 are shown below. Narratives are provided for key variations selected from observed major variances, which are generally greater than:

- Five per cent (5%) and \$79,252 for the Statements of Comprehensive Income and Cash Flows.
- Five per cent (5%) and \$10,632 for the Statement of Financial Position.

Significant variances between estimate and actual for 2019:

Statement of Comprehensive Income

	Variance Note	Original Budget 2019 \$	Actual 2019 \$	Actual 2018 \$	Variance Between Estimate and Actual \$	Variance Between Actual Results for 2019 and 2018 \$
Employee benefits expense	(1) A	2,515,000	2,695,398	2,435,057	180,398	260,341
Supplies and services	(2)	758,000	920,295	851,776	162,295	68,519
Depreciation & impairment expense		-	1,440	29,132	1,440	(27,692)
Accommodation expenses		328,000	315,182	311,453	(12,818)	3,729
Other expenses		40,000	30,307	31,392	(9,693)	(1,085)
Total Cost of Services		3,641,000	3,962,622	3,658,810	321,622	303,812
Income						
Revenue		5,000	5,499	1,907	499	3,592
Total Revenue		5,000	5,499	1,907	499	3,592
Total Income other than Income from State Government		5,000	5,499	1,907	499	3,592
NET COST OF SERVICES		3,636,000	3,957,123	3,656,903	321,123	300,220
Income from State Government						
Service appropriation		3,554,000	3,590,000	3,544,000	36,000	46,000
Services received free of charge		88,000	78,271	78,497	(9,729)	(226)
Total Income from State Government		3,642,000	3,668,271	3,622,497	26,271	45,774
SURPLUS/(DEFICIT) FOR THE PERIOD		6,000	(288,852)	(34,406)	(294,852)	(254,446)
OTHER COMPREHENSIVE INCOME						
Items not reclassified subsequently to profit or loss		-	-	-	-	-
Total other comprehensive income		-	-	-	-	-
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		6,000	(288,852)	(34,406)	(294,852)	(254,446)

9.9 Explanatory Statement (continued)

Statement of Financial Position

	Variance Note	Original Budget 2019 \$	Actual 2019 \$	Actual 2018 \$	Variance Between Estimate and Actual \$	Variance Between Actual Results for 2019 and 2018 \$
ASSETS						
Current Assets						
Cash and cash equivalents		414,000	231,789	372,535	(182,211)	(140,746)
Receivables		43,000	90,678	264,655	47,678	(173,977)
Amounts receivable for services	(3)	26,000	-	2,000	(26,000)	(2,000)
Other current assets	B	32,000	31,092	67,113	(908)	(36,021)
Total Current Assets		515,000	353,559	706,303	(161,441)	(352,744)
Non-Current Assets						
Restricted cash and cash equivalents		7,000	22,000	22,000	15,000	-
Amounts receivable for services	(4) C	183,000	155,000	179,000	(28,000)	(24,000)
Plant and equipment	(5)	82,000	1,061	2,501	(80,939)	(1,440)
Total Non-Current Assets		272,000	178,061	203,501	(93,939)	(25,440)
TOTAL ASSETS		787,000	531,620	909,804	(255,380)	(378,184)
LIABILITIES						
Current Liabilities						
Payables		147,000	141,085	184,399	(5,915)	(43,314)
Employee-related provisions	(6)	506,000	658,247	663,964	152,247	(5,717)
Total Current Liabilities		653,000	799,332	848,363	146,332	(49,031)
Non-Current Liabilities						
Employee related provisions	(6) D	142,000	75,068	115,369	(66,932)	(40,301)
Total Non-Current Liabilities		142,000	75,068	115,369	(66,932)	(40,301)
TOTAL LIABILITIES		795,000	874,400	963,732	79,400	(89,332)
NET LIABILITIES		(8,000)	(342,780)	(53,928)	(334,780)	(288,852)
EQUITY						
Contributed equity		274,000	274,000	274,000	-	-
Accumulated surplus/(deficit)		(282,000)	(616,780)	(327,928)	(334,780)	(288,852)
TOTAL EQUITY/(DEFICIT)		(8,000)	(342,780)	(53,928)	(334,780)	(288,852)

9.9 Explanatory Statement (continued)

Statement of Cash Flows

	Variance Note	Original Budget 2019 \$	Actual 2019 \$	Actual 2018 \$	Variance Between Estimate and Actual \$	Variance Between Actual Results for 2019 and 2018 \$
Statement of Cash Flows (Controlled Operations)						
CASH FLOWS FROM STATE GOVERNMENT						
Service appropriations		3,526,000	3,590,000	3,542,000	64,000	48,000
Capital contributions		-	-	2,000	-	(2,000)
Holding account drawdowns		26,000	26,000	24,000	-	2,000
Net cash provided by State Government		3,552,000	3,616,000	3,568,000	64,000	48,000
CASH FLOWS FROM OPERATION ACTIVITIES						
Payments						
Employee benefits	(7) E	(2,515,000)	(2,667,676)	(2,513,570)	(152,676)	(154,106)
Supplies and services		(709,000)	(761,561)	(773,357)	(52,561)	11,796
Accommodation		(328,000)	(311,247)	(311,767)	16,753	520
Other payments		(40,000)	(30,307)	(31,392)	9,693	1,085
GST payments on purchases		(100,000)	(111,399)	(116,995)	(11,399)	5,596
Receipts						
GST receipts on sales		42,000	550	2,156	(41,450)	(1,606)
GST receipts from taxation authority		100,000	120,351	102,590	20,351	17,761
Other receipts		5,000	4,543	1,907	(457)	2,636
Net cash provided by/(used In) operating activities		(3,545,000)	(3,756,746)	(3,640,428)	(211,746)	(116,318)
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	(8)	(19,000)	(140,746)	(72,428)	(121,746)	(68,318)
Cash and cash equivalents at the beginning of the period		440,000	394,535	466,963	(45,465)	(72,428)
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		421,000	253,789	394,535	(167,211)	(140,746)

9.9 Explanatory Statement (continued)

Notes to Variances Between Budgeted and Actual Expenses

Statement of Comprehensive Income

- (1) Employee benefits expense was higher than the budget as the Office required additional employee support to meet its operational objectives, including the succession of its Inspector and Deputy Inspector.
- (2) Supplies and services expense exceeded budget by \$162,000. The Office spent an additional \$160,000 on the upgrade of its IT network systems and maintenance to provide access via the cloud. Also, the budget did not account for the hiring of the new inspector as this happened in May 2019.

Statement of Financial Position

- (3) The Office does not expect to draw down funds for services in the next 12 months.
- (4) The Office drew down funds from its capital holding account to help fund the upgrade of the Office's IT system.
- (5) The difference represents items capitalised in the budget but expensed in the financial statements.
- (6) The budget did not provide for leave provisions transferring into the Office.

Statement of Cash Flow

- (7) The Office spent an additional \$153,000 to employ staff to meet its operational objectives, including the succession of its Inspector and Deputy Inspector and meet the pay-out of leave entitlements.
- (8) The additional outflow of cash of \$121,000 reflects the additional payments for employee benefits and IT services as previously described.

Comments to Variances Between Actual Results for 2019 and 2018

Statement of Comprehensive Income

- A Employee benefits expense was higher than budget as the Office required additional employee support to meet its operational objectives, including the succession of its Inspector and Deputy Inspector and meet the pay-out of leave entitlements.

Statement of Financial Position

- B The decrease in prepayments reflect the timing of service 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 employee-related provisions consist of annual leave and long service leave. Outstanding leave hours decreased during the current reporting period as part of the Office's continuing drive to reduced employee liabilities.

Statement of Cash Flow

- E Employee benefits payments were higher as the Office required additional employee support to meet its operational objectives including the succession of its Inspector and Deputy Inspector and the pay-out of leave entitlements.

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



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