



ANNUAL REPORT

2011 12

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



OFFICE OF THE INSPECTOR
OF CUSTODIAL SERVICES

RESPONSIBLE MINISTER

Minister for Corrective Services
The Hon. Murray Cowper, MLA

ACCOUNTABLE AUTHORITY

Office of the Inspector of Custodial Services

ACCESS

Level 5, Albert Facey House,
469 Wellington Street,
Perth WA 6000

CONTACT

Telephone: (08) 6551 4200
Facsimile: (08) 6551 4216
Email: corporate@oics.wa.gov.au
Web: www.oics.wa.gov.au

ABOUT THIS REPORT

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

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

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

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

Contents

Part One – Overview

1. Background	3
2. Role of the Office	3
3. Primary Functions and Powers	3
Inspections	3
Liaison Visits	4
Audits	4
Thematic Reviews	5
Offences	5
4. Achievements in 2011–2012	5
Inspections	5
Report Summaries	6
Recommendations	7
Timeliness of Reports	10
Upcoming Inspections	10
Liaison Visits	11
Audits	11
Thematic Reviews	11
Independent Visitor Services	11
Community Relations	12
Community of Practice	12
5. Trends in Correctional Management	12
Audits	12
Juveniles and Young Adults	15
6. Staff	16
7. Relationships	17
Parliament	17
Minister	17
Other Agencies	17
8. Other Functions	18
Risk Notices	18
‘Show Cause’ Notices	18
Terrorism (<i>Preventative Detention</i>) Act 2006	18
Disclosure of Information	18

Part Two – Governance

Source Reference	19
Operational Structure	20
Senior Officers	20
Administered Legislation	21
Other Key Legislation Impacting on the Office’s Activities	21
Performance Management Framework	22
Key Performance Indicators	23
Detailed Information in Support of Key Performance Indicators	23
Measuring Performance	23
Key Effectiveness Indicators	24

Key Efficiency Indicators	26
Other Financial Disclosures	26
Governance Disclosures	26
Other Legal Requirements	27
Disability Access and Inclusion Plan Outcomes	28
Recordkeeping Plans	28
Occupational Safety and Health	28
Sustainability	29
Corruption Prevention	29
Part Three – Financial Statements	
Source Reference	30
Independent Audit Opinion	31
Statement of Comprehensive Income	34
Statement of Financial Position	35
Statement of Cash Flows	36
Statement of Changes in Equity	37
Summary of Consolidated Account Appropriations and Income Estimates	38
Notes to the Financial Statements	39

Part One – Overview

1. Background

The Office of the Inspector of Custodial Services ('the Office') was established in 2000. The then government had decided to introduce a privately operated prison and the Office, which was broadly modelled on the UK Prison Inspectorate, was seen by Parliament as an essential component in ensuring transparency and public accountability. It was decided that the same independent inspection regime should apply to all the state's prisons and to arrangements relating to the transport of people in custody, court custody and court security.

In 2003, the Office's jurisdiction was extended to juvenile detention centres, as had been originally contemplated. It was also originally anticipated that jurisdiction would expand to police lockups but this has yet to happen.

Neil Morgan (previously Professor of Law at the University of Western Australia) is the current Inspector and commenced his duties on 30 March 2009. The first Inspector of Custodial Services was Professor Richard Harding.



Professor Neil Morgan

2. Role of the Office

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

The Office aims to contribute directly and indirectly to:

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

3. Primary Functions and Powers

Inspections

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

In effect, the Act requires the Office to inspect and report to Parliament on all the state's prisons, juvenile detention centres and court custody centres and prescribed lock up facilities in Western Australia at least once every three years.¹

The Inspector generally provides three to four months notice to the Department as to the dates on which he proposes to conduct inspections. The Inspector also has the power, should this be considered necessary or appropriate, to conduct inspections that are unannounced or are preceded by a short notice period.

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

¹ Sections 19–20 of the *Act*.

Section 20 of the *Act* requires the Inspector to prepare an inspection report following each inspection, detailing the inspection findings and recommendations. Legislative provisions and agreed practices ensure that the Minister and the Department are fully aware of the contents of reports prior to their release. In essence, the *Act*² requires that before expressing a critical opinion in a report, the Inspector must give the other person an opportunity to make submissions. Agreed protocols, including a Memorandum of Understanding between the Office and DCS, further embed due process practices.

As such, after the on-site period has concluded, a draft report is written and is sent to the Department for comment. Usually the Department has at least four weeks to provide any comments on the text of the report and to work on its responses to the report's recommendations. In its responses to recommendations, the Department will state the extent to which it supports the recommendations and will also provide comment on those recommendations. These responses are published in the report and, where recommendations have been supported, progress against those recommendations is monitored.

Once a report has been finalised and printed, it is sent to Parliament. It is then, in effect, embargoed for at least 30 days before tabling.³ The process of conducting an inspection, drafting a report, engaging with the department and releasing it to the public rarely takes less than six months.

Liaison Visits

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

Staff (including the Inspector) conduct liaison visits, at least three times per year, with all facilities and services. The purpose is to monitor performance and progress both against recommendations made after previous inspections and against other relevant standards and expectations.

These visits can be announced or unannounced. Wholly unannounced visits have been rare because the intent is to engage with key staff and prisoners and some degree of advance notice ensures that the necessary arrangements can be made. However, it is not uncommon for visits to be conducted at short notice.

Audits

Sections 21–22 of the *Act* empower the Inspector to conduct 'occasional reviews' of 'custodial services'. A 'custodial service' means, in essence, any matter relating to the management, control or security of a prison, detention centre or other place; and any matter relating to the security, control, safety, care or welfare of a detained person.⁴ Occasional reviews may be published but are not subject to the same reporting requirements as mandated inspections.

For the first ten years of the Office's operations, sections 21–22 of the *Act* were mainly used to carry out thematic reviews of specific areas of concern. These have included the Management of Vulnerable and Predatory Prisoners (Report 15); Deaths in Custody at Hakea Prison (Report 22); Cognitive Skills Training (Report 23); and Health Services (Report 35).

Sections 21–22 also provide the statutory basis for new 'audit' powers which were extended through the *Inspector of Custodial Services Amendment Act 2011* (proclaimed on 18 January 2012). The 2011 amendments expand and embed the Inspector's powers to examine custodial services in relation to specific people or groups of people in custody. They were prompted by the findings of the coroner's inquest into the death of respected Aboriginal elder Mr Ward as a result of a long distance transport.

2 Section 37 of the *Act*.

3 Section 35 of the *Act*.

4 Section 3 of the *Act*.

As with other inspection activities, audits will lead to findings and/or recommendations, and the results of audits may be published. However, audits differ from other inspection activities in terms of both their focus and their methodology. Traditionally, the Office's jurisdiction has been primarily site-based. Audits, on the other hand, are focused on any actions of the Department that could reasonably be expected to pose a risk to the life, personal safety, welfare security or control of a prisoner, a person in custody or a juvenile detainee; or treatment that was cruel, inhuman or degrading. Audits can be issue-based, population-based or site-based. An example of an issue-based audit might be the problem of 'roof ascents' by prisoners and detainees. A population-based audit might examine the issues faced by young adult women in prisons. A site-based audit might examine the quality of re-entry services at a particular prison.

Thematic Reviews

Pursuant to sections 21 and 22 of the *Act*, the Inspector may also undertake occasional inspections of custodial places or services, and these may take the form of thematic reviews. Thematic reviews are generally targeted at specific custodial services across all custodial places throughout Western Australia and tend to be conducted over a longer time frame than either audits or mandatory inspections under section 19.

Offences

The *Act* contains a number of offences relating to the hindering and obstruction of the Inspector and those authorised by him to undertake their statutory duties. It is also an offence to victimise those who assist the Inspector in conducting his duties. Penalties for these offences include fines and imprisonment. The existence of these offences is an important symbol to ensure that the Inspector can effectively operate, particularly in protecting those who are brave enough to bring serious matters to the attention of the Inspector that may otherwise not come to light. In 2011–12 issues of Office access to Departmental documentation needed to be negotiated on a number of occasions but each of these occurrences was resolved without the need for the Inspector to consider charges for breaches of the *Act*.

4. Achievements in 2011–2012

Inspections

In the 2011–12 financial year the Inspector completed the on-site physical inspection of six custodial facilities:

- Bunbury Regional Prison (July 2011)
- Broome Regional Prison (September 2011)
- Albany Regional Prison (November 2011)
- Boronia Pre-release Centre for Women (January 2012)
- Wooroloo Prison Farm (March 2012)
- Hakea Prison (May 2012)

In each case the on-site inspection work was completed within the three-year time frame required by the *Act*. Advanced notice was given for each of these inspections.

Report Summaries

Seven reports were completed to the satisfaction of the Inspector this year. Six were inspection reports of specific sites, and one was a state-wide review of transport services for juveniles. The following is a summary of the findings of each report.

Report 73: Report of an Announced Inspection of Bandyup Women's Prison

Bandyup Prison is a multi-purpose women's prison. It caters for 63 per cent of the state's female prison population and includes sentenced prisoners, prisoners on remand and women of all security classifications (maximum, medium and minimum). The prison accommodates a large number of Aboriginal women, mothers with significant family responsibilities, pregnant women and women with babies. The inspection found that while there were still areas of good practice, the prison was suffering from severe overcrowding. Overall, there was a distinct lack of fit between official policy documents which promise a 'women-centred' philosophy of corrections and what is experienced on the ground. The report drew particular attention to the lack of adequate planning and action to accommodate rising numbers of female prisoners and to address issues of mental illness.

Report 74: Review of Regional Youth Custodial Transport Services in Western Australia

This report examined the arrangements for transporting arrested children from regional Western Australia, following the transfer of this function from WA Police to the Department of Corrective Services. The report found that 70 per cent of country transports were being completed within the targeted time frame of 24 hours from official notification. However, children in regional areas were likely to spend at least one night in a police lockup after a request for transport was made. This problem was particularly acute in Kununurra where almost three quarters of these children spent two nights in the lockup after their initial court appearance. The report found that, overall, young people were positive about the experience of being transported by the Department of Correctional Services. It was recommended that the Department should continue to maintain responsibility for this service which was supported and enacted.

Report 75: Report of an Announced Inspection of Bunbury Regional Prison

Bunbury Regional Prison is a medium security adult facility, with two minimum security units. At the time of the report the prison was significantly overcrowded. The inspection found the prison had generally been well managed and that the introduction of a Pre Release Unit had been a particularly positive development. However it had been impacted by a number of challenges both specific to Bunbury and more broadly to the state system. They included the increase in the prison population, evidence of more prisoner on prisoner assaults and unsustainably high workers compensation levels. The report also raised concerns about the number of prisoners who had acquired Hepatitis C at some point during their time in Western Australia's prisons.

Report 76: Report of an Announced Inspection of Banksia Hill Juvenile Detention Centre

At the time of this report, Banksia Hill was in the midst of transformation. It housed young men and boys, most of whom had been sentenced. A major expansion of the facility was anticipated to be complete in mid-2012. Banksia Hill will then become the sole juvenile detention centre in WA. It will be responsible for housing male and female children both those that are sentenced and those that are on remand. Rangeview, the facility currently housing boys on remand and girls will cease to function as a juvenile detention centre and will become a privately-operated prison for young men aged 18 to 24. In addition to coping with physical redevelopment and cultural change, Banksia Hill has needed to manage an increasing number of detainees over the past three years. The inspection found an improvement in overall climate and atmosphere from previous years. However there were also a number of significant issues around staff/detainee relations in general and practices relating to detainee discipline and regression in particular. The report found that poor documentation and record keeping made it impossible to verify whether there was full compliance with rules relating to discipline and regression and that the rules themselves were confusing in aim and wording.

Report 77: Report of an Announced Inspection of Broome Regional Prison

Broome Regional Prison is predominately a minimum security facility for males but also houses a small number of females. Aboriginal prisoners represent the vast majority of the Broome prisoner population. It is the oldest operating prison in WA and previous inspection reports had raised serious concerns about the condition of the prison. This inspection found there had been a number of improvements to Broome's physical infrastructure since the previous inspections. However, despite these investments, options for further redevelopment are limited given the small size of the site. Conditions at the prison remained confined, restrictive and chronically overcrowded. In some parts of the prison it was not uncommon for six or more men to share a hot, cramped cell designed for no more than three people. Broome's future is tied up with the opening of a new prison at Derby, but there had been no announcement regarding the future role of Broome once the Derby prison is operational. The resulting uncertainty was having a detrimental impact on the morale and confidence of the staff.

Report 78: Report of an Announced Inspection of Albany Regional Prison

Albany Regional Prison is a multi-security prison that includes a short term suite for female prisoners. Previous inspections in 2002, 2005 and 2008 consistently praised Albany as one of the state's best performing prisons. This report confirmed that it remained a high performer but made recommendations designed to ensure that performance does not slip and that the prison sustains adequate infrastructure to meet the needs of its growing number of prisoners and its complex prisoner profile. Close to 30 per cent of the prisoner population were classified as foreign nationals, over half of whom were Indonesian prisoners who had been charged with 'people smuggling' offences. This report examined the management of these prisoners and found that while they were being managed well, there were significant areas of concern around the detention of minors and the inability of Indonesian 'people smugglers' to provide any financial support to their families while in custody (rules which do not apply to any other significant foreign national group).

Report 79: Report of an Announced Inspection of Boronia Pre-release Prison

Boronia is a minimum-security prison for women with a primary focus on preparing the prisoners for re-entry into the community. It has provision for children to live with their mothers until the age of four and for older children up to the age of 12 to have regular extended day and overnight stays. Boronia is the state's most modern operational prison, with the accommodation consisting of shared houses, not cells. It is a small facility currently housing around 80 women and has remained largely immune to the overcrowding issues that are impacting on other prisons around the state and, in particular, Bandyup Women's Prison. The inspection found that Boronia provided a safe, secure, calm and positive environment for the women that are held there. However, more needed to be done to improve access to the facility for Aboriginal women, to promote continuing innovation, and to evaluate the facility's success in terms of improved correctional outcomes.

Recommendations

There were 127 recommendations made in the seven completed reports this financial year. The overall number of recommendations rose from previous years partially due to the need to provide more specificity in recommendations to ensure a more detailed and response and to allow better monitoring of progress. In some instances, recommendations that would previously have formed part of one large recommendation have been split into separate recommendations.

This year, the largest number of recommendations related to administration and accountability, increasing sharply from previous years. There were also increases in the number of recommendations relating to care and wellbeing and to human rights.

The mix of recommendations contained in inspection reports.

Type of Recommendation	2007–08 (%)	2008–09 (%)	2009–10 (%)	2010–11 (%)	2011–12 (%)
Custody & security	6	19	13	6	9
Care & wellbeing	18	13	18	12	19
Health	8	6	11	15	11
Rehabilitation	11	16	4	15	6
Reparation	5	4	1	6	1
Human rights	1	8	14	4	8
Racism, Aboriginality & Equity	14	6	11	17	10
Administration and accountability	12	17	9	10	24
Staffing issues	22	10	16	13	11
Correctional value for money	5	1	3	4	1
Total number of recommendations(n)	130	83	76	109	127

In eight out of ten of the recommendation types the Department accepted the recommendations above the target set by this Office. Disappointingly the two areas where the target was not met were in human rights and racism and equity issues. For these two categories, the Office is targeting 100 per cent acceptance of all recommendations. Four recommendations out of 23 in these two areas (17 per cent) were not accepted by the Department.

The extent of support for recommendations contained in inspection reports.⁵

Type of Recommendation	Target (%)	2007–08 (%)	2008–09 (%)	2009–10 (%)	2010–11 (%)	2011–12 (%)
Custody and security	75	92	100	80	83	82
Care and wellbeing	75	81	100	77	93	75
Health	75	90	100	100	83	79
Rehabilitation	75	86	92	33	79	88
Reparation	75	80	100	Nil	80	100
Human rights	100	100	100	100	67	90
Racism, Aboriginality and Equity	100	100	60	100	100	77
Administration and accountability	50	71	86	43	100	71
Staffing issues	50	97	100	92	100	93
Correctional value-for-money	50	78	100	100	67	100

⁵ The number of recommendation in some categories is very small. Consequently the non-acceptance of even a single recommendation has a marked influence on the reported percentage and may not accurately reflect the Department's true position.

As in previous years, not all of the recommendations that were accepted received a simple unqualified response of ‘supported’ by the Department. Approximately one third of all recommendations received unqualified support. Another third were partially supported or supported in principle. A further 15 per cent of recommendations were supported but claimed to already be the subject of existing Departmental initiatives. The Department began using this response in 2010–2011 and the proportion of responses in this category fell considerably in 2011–12.

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

Support for recommendations.

Level of Support	2007–08 (%)	2008–09 (%)	2009–10 (%)	2010–11 (%)	2011–12 (%)
Supported	49	57	26	15	31
Supported – existing initiative	-	-	-	41	15
Partially supported or qualified	39	35	54	31	31
Not supported	11	8	15	9	19
Unable to be determined	1	-	4	4	3

It should be noted that there are times when, even though the response is ‘not supported’, the Department does in fact pursue the recommended course of action. On the other hand, support for a recommendation does not necessarily mean that the Department adequately progresses the issue. During an inspection, the Department’s progress against recommendations made during the inspection three years previously is therefore assessed. The percentage of recommendations against which this Office considers that the Department has made adequate or better progress remained the same as last year at 54 per cent.

Progress against past recommendations.

Rating	2007–08 (%)	2008–09 (%)	2009–10 ⁶ (%)	2010–11 (%)	2011–12 (%)
Poor	7	7	10	9	13
Less than acceptable	37	24	40	37	33
Acceptable	45	44	43	41	39
More than acceptable	10	21	7	13	13
Excellent	1	3	-	-	-
N/A	-	-	-	-	2

⁶ Reports 64 and 65 were excluded as some commentary was provided but no rating.

Timeliness of Reports

As described earlier,⁷ a number of due process requirements and agreed protocols limit the speed at which inspection reports can become public. These include legislative requirements for the Department to have time to respond to the text and recommendations in reports and for completed reports to be embargoed for at least 30 days after they are sent to Parliament.

In 2007–08, inspection reports took an average of 42 weeks to become public. Since then the Office has been working to reduce this time and has achieved a significant reduction from the 2007–08 levels. However, the time taken to publicly release reports is again rising. In 2010–11 reports were made public in an average of 28 weeks and in 2011–12 it took an average of 31 weeks. This increase is explained by a number of factors. Most of the state's prisons have grown in size over the past three years, not only in site size, but also in numbers of staff and prisoners. Prisons are living environments therefore this growth has increased the complexity of the prisons. The more complex prison environment has in turn increased the complexity of inspections leading to a corresponding rise in the average time taken to draft reports and the length of those reports. Consequently 2011–12 also saw an increase in the average time taken for the Department's comments to be finalised. Within these constraints, the Office will continue to strive for reduced times to publication.

Timeliness Marker	2007–2008 (weeks)	2008–2009 (weeks)	2009–2010 ⁸ (weeks)	2010–2011 (weeks)	2011–2012 (weeks)
Average time to draft report	16	15	11	13	14
Time taken by Department to review draft report	8	6	5	5	7
Time to lodge final report with Parliament	38	27	22	24	27
Overall time to publication	42	32	26	28	31

Upcoming Inspections

The Inspector is required to provide notice via the Annual Report of announced inspections that will be conducted in the next financial year.⁹ Inspections proposed for 2012–13 are:

- Pardelup Prison Farm (August 2012)
- Greenough Regional Prison (October 2012)
- Banksia Hill (January 2013¹⁰)
- Karnet Prison Farm (March 2013)
- Casuarina Prison (May 2013)

During 2012–13 system-wide reviews will be undertaken of:

- Court custody centres
- Work camps

In addition two new facilities will come on line during 2012–13: West Kimberley Regional Prison and Wandoo (a prison for young males aged 18 to 24 on the site of the current Rangeview Remand Centre for Juveniles). Although the initial inspection for both these two facilities is scheduled to take place during 2013–14 circumstances may require one of them to be brought forward.

⁷ See section 3 of this Report.

⁸ This figure did not include the report of the inspection of Greenough Regional Prison: see the 2009–10 Annual Report. .

⁹ Section 33(2)(e) of the *Act*.

¹⁰ Although the inspection of Banksia Hill is presently scheduled for January 2013, the date may vary to take into account the actual date of completion of the facility's expansion.

Liaison Visits

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

In the normal course of events, the Office aims to achieve 90 such visits per year. This year, commensurate with an increased risk profile in many prisons, the Office exceeded its visit target, completing 100 liaison visits.

Audits

The changes to the *Act* which were proclaimed in January 2012 allow the Inspector to undertake reviews not only in relation to prisons but also to prisoners. A focus of the office in 2011–12 was to undertake strategic planning for the new function, to recruit staff to undertake this new role, to gain direct access to datasets and other material containing information on individuals held in custody, and to develop capacity, skills, processes and priorities.

Work commenced on several audits towards the later part of the financial year. These will be completed and, where appropriate, will be published during the next financial year. In addition development of planning process to identify and schedule appropriate future audits has commenced.

Thematic Reviews

During 2010–11, work commenced on a Thematic Review of Women in Prison in Western Australia. It was originally anticipated that the final report would be completed by 30 June 2012. However, in response to pressures generated by the increasing number of female prisoners, including strong interventions and recommendations by this Office, the Department of Corrective Services has itself embarked on more work in this area in 2011–12. It has been decided that Greenough Regional Prison will house a much larger number of female prisoners, the West Kimberley Regional Prison in Derby is due to open in October 2012, and further medium and long term planning is underway. Given these developments, completion of the thematic review in 2011–12 would have been premature. The report will be completed in 2012–13 and will include a review of women's imprisonment over the past decade and a discussion of the existing initiatives and future planning.

Independent Visitor Service

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

This year a total of 159 reports were submitted by Independent Visitors and referred to the Department of Corrective Services for action.

At the completion of the year there were 41 Independent Visitors appointed to 15 adult and two juvenile facilities. Of these, seven visited more than one facility. The Independent Visitor Service has a full complement of Visitors but recruiting of volunteers is ongoing to cover resignations and retirements. Currently there is a special focus on recruiting Aboriginal Independent Visitors with initial interest being positive.

Community Relations

Consulting with volunteer organisations and externally located stakeholders, which provide services in custodial settings is an essential component of inspections. Similarly, local members of parliament, mayors, shire presidents and local community members are given the opportunity to comment on how correctional activities fit into their communities.

In 2011–12 the Office continued to further develop links with the Aboriginal community across Western Australia through effective communication and networking by the Community Liaison Officer. The Inspector would like to acknowledge the contribution made by and to thank all community-based individuals and groups contributing to the activities of the Office this year.

Community of Practice

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

In 2011–12 the Inspector made numerous presentations to professional audiences in Western Australia, nationally and overseas. They included papers to:

- Australian and New Zealand Ombudsman Conference, Brisbane July 2011
- WA Criminal Lawyers' Association (a talk on Women in Prison), September 2011
- Students at Curtin University (December 2011)
- Students at the University of Western Australia (January 2012)
- 'Implementing Human Rights in Closed Environments', Conference, Melbourne, February 2012
- WA Magistrates Conference, May 2012

The Inspector was rapporteur for the Asian and Pacific Conference of Correctional Administrators (www.apcca.org) in Japan in October 2011. He also published a book on criminal law in Malaysia and Singapore.¹¹

5. Trends in Correctional Management

Adults

Prisoner numbers and costs

2011–12 saw the continuation of a very challenging period for the Department of Corrective Services. The adult prisoner population increased markedly over the year from around 4,600 in mid-2011 to over 4,950 in June 2012. Put in context, an increase of 350 prisoners is equivalent to a new medium sized prison.¹² Prior to 2009, numbers had been less than 4,000. It is a tribute to staff, management and prisoners themselves that these increases have been managed without major incidents.

To some extent there has been a redistribution of load from community based corrections to the custodial sector. Between June 2009 and June 2012, the total number of adults on community justice service orders dropped from around 5,750 to just over 4,000.¹³ A good deal of this decline can be attributed to the fact that the number of people on parole dropped from around 1,200 in June 2009 to around 415 in June 2012.

The cost difference between custodial and community based sentences is substantial. The Department

11 S Yeo, N Morgan and WC Chan, *Criminal Law in Malaysia and Singapore* (2nd Ed) (LexisNexis, 2012).

12 At the time of writing, Albany Regional Prison, Bandyup Women's Prison, Bunbury Regional Prison, Greenough Regional Prison and Karnet Prison Farm are holding between 275 and 320 prisoners, and Wooroloo Prison Farm is holding 370. The only prisons holding substantially more are Acacia Prison (995), Casuarina Prison (643) and Hakea Prison (875).

13 http://www.correctiveservices.wa.gov.au/_files/about-us/statistics-publications/statistics/mg-report-1208.pdf

of Corrective Services Annual Report states that in 2010–11, the cost per day of keeping an offender in custody was \$291.51 (or \$106,401 per annum). The cost of managing an adult under community supervision was \$45.26 per day (or \$16,520 per annum). Both of these figures represented a significant increase from 2009–10 and some specific factors affected the 2010–11 costs.¹⁴ However, the figures provide a general sense of the relative costs of custodial as opposed to community based sentences.

It is also important to emphasise that the increase in prisoner numbers is not evenly spread, with four areas seeing particular growth: women, Aboriginal people, people being held on remand and foreign national prisoners (see below).

Measures of overcrowding

High prisoner numbers continue to bring great pressure to bear on prison infrastructure, staff and prisoners. The nationally accepted benchmark for measuring prison occupancy rates, utilised in Australia's annual *Reports on Government Services* ('ROGS') is to compare the average daily population of prisons with prison design capacity.¹⁵ The optimal utilisation rate for prisons is between 90 and 95 per cent to allow for gender differences, security ratings, prisoners' geographical origins, movements between prisons, the need to separate some people for risk management reasons, and to allow for upward fluctuations in prisoner numbers. ROGS figures show that in 2010–11, the national prison utilisation rate was 101 per cent and that in Western Australia it was over 130 per cent. Obviously, some prisons are operating above this level and some are below.

The Department of Corrective Services itself now rarely refers to design capacity but uses, instead, the term 'operational capacity'. This term includes the bunk beds which have been progressively installed across much of the system, especially over the past three years, in cells which were designed only for single occupancy. It does not, however, include arrangements such as mattresses placed on cell floors. Using this measure, the Department's annual report for 2010–2011 put the system's capacity at just 91.9 per cent.¹⁶

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

New capacity

There had been limited investment in additional prison accommodation between 2005 and 2008. Soon after assuming office, with the prisons essentially full to design capacity, and with numbers increasing, the government allocated a large amount of funding to add additional capacity for prisoner accommodation, over and above the addition of double bunks to existing cells.

The planned investment in new accommodation units has been directed almost exclusively at male prisoners. Five new units with a combined double bunked capacity of 640 have been added at Albany Regional Prison (one unit) and at Hakea and Casuarina Prisons (two units at each). Most of these units became operational, after some delays, in 2011–12. However the opening of new units has usually corresponded with the closing of other units to allow for renovation, so that the doubling up of single cells has been largely redistributed not redressed. In addition, as the inspection reports point out, investment in supporting infrastructure has not generally kept pace with the increasing number of prisoners.

¹⁴ For discussion and explanation, see http://www.correctiveservices.wa.gov.au/_files/about-us/statistics-publications/dcs-annual-report-2010-2011.pdf, 108–109.

¹⁵ *Report on Government Services 2012* (www.pc.gov.au/gsp/rogs/2012), chapter 8. 'Design capacity' means, in essence, the number which the prison was designed and intended to hold.

¹⁶ http://www.correctiveservices.wa.gov.au/_files/about-us/statistics-publications/dcs-annual-report-2010-2011.pdf, 33.

Additional accommodation units have also been added at Karnet Prison Farm. In 2010, Pardelup became a prison rather than a work camp and new work camps for males have opened at Wyndham (June 2011) and at Dowerin and Warburton (2011–12). Roebourne Regional Prison will also have a new work camp for male prisoners. Later in 2012, the current Rangeview Remand Centre for juveniles is scheduled to open as a prison for young men aged 18–14 and will be called Wandoo. The new West Kimberley Prison in Derby will open and will house both male and female prisoners. And another 387 beds will be added to Acacia Prison with a projected completion date in 2014.

Female prisoners

Female prisoners constitute an increasing proportion of a growing prisoner population (now close to 9 per cent of the population compared with 7 per cent in 2008). From 2009 onwards, this Office frequently raised its concerns about the need for more dedicated and planned accommodation for female prisoners but there has been inadequate planning and action. Bandyup Women's Prison has been in particular need.¹⁷

The upward trend in female prisoner numbers has been evident for many years and the increase was particularly marked from January 2009 to April 2010. Over this time the male prisoner population rose by 22 per cent (around 800 people) but the number of women rose by 33 per cent (around 100 people). In 2011–12, the number of female prisoners rose sharply again, from 354 to 439 women (24 per cent). However, despite these clear trends and despite the extensive investment in new beds for male prisoners, there has been little planned and targeted investment for female prisoners.

During 2011–12, a new unit was opened at Bandyup consisting of demountable units which had been intended for Karnet male prison and were now considered surplus to need at that prison. However, even with this new unit being opened, up to 40 women have recently been sleeping on mattresses on the floor at Bandyup in cold conditions and in cells designed for one person. Such conditions are wholly unacceptable.

In the latter half of 2011–12, it was decided that one of the existing male units at Greenough Regional Prison will be converted to a 72 bed female unit. This will give a net sum gain of around 50 beds and the opening of the West Kimberley Prison in Derby (scheduled for November 2012) will also provide more female accommodation. However, these are only interim measures and will barely cover current need. Investment in purpose built, good quality female prison accommodation and in women-centred services is urgently needed.

Aboriginal prisoners

The most recent Australian Bureau of Statistics snapshot of the nation's prisons confirms that Western Australia has the highest per capita incarceration rate of Aboriginal people in the country.¹⁸ Department of Corrective Services statistics also show the total number of Aboriginal prisoners to be at unprecedented levels. On 28 June 2012, there were 1,965 Aboriginal people in prison (39.6 per cent of the total of 4,958 and an increase of more than 10 per cent since June 2011).¹⁹ And 47.5 per cent of female prisoners are currently Aboriginal.

Inspections undertaken during 2011–12 continued to draw attention to the need for a stronger strategic focus and practical initiatives to improve Aboriginal prisoners' access to positive re-entry programs.

Remand prisoner numbers

The prison population as a whole has risen very quickly since 2009. The most obvious contributing factor was the tougher stance taken to parole by the Prisoners Review Board. However, another important change was also occurring, with a marked increase in the number of prisoners being held on remand.

17 OICS, *Report of an Announced Inspection of Bandyup Women's Prison*, Report No. 73, August 2011.

18 In Western Australia, around one in 32 Aboriginal adults is currently in prison. The next highest rate is found in South Australia (one in 45): see Australian Bureau of Statistics, *Prisoners in Australia 2011*, Table 3.3: [http://www.ausstats.abs.gov.au/ausstats/subscriber.nsf/0/7B05CD44A0E2FC8ACA25795F000DBD0F/\\$File/45170_2011.pdf](http://www.ausstats.abs.gov.au/ausstats/subscriber.nsf/0/7B05CD44A0E2FC8ACA25795F000DBD0F/$File/45170_2011.pdf)

19 http://www.correctiveservices.wa.gov.au/_files/about-us/statistics-publications/statistics/2012/cnt120628.pdf

During 2008–09 and 2009–10, remandees generally constituted around 16 per cent of the population. By June 2011, the figure had increased to around 18 per cent and at the end of June 2012 stood at 19.3 per cent or more than 950 people.

These figures are of serious concern and both the reasons behind the trends and the options in terms of custodial management require further analysis.

Mental health

It is universally acknowledged that prisoners have very high mental health needs. Unfortunately, the state's secure forensic psychiatric unit (the Frankland Centre) only has 32 beds, the same number as when it opened in 1993. As a result, many unwell people are being held in prison rather than in dedicated mental health facilities.²⁰ This is an area in which a whole of government approach is likely to bring real benefits.

Foreign national prisoners

Reflecting local population changes and increased opportunities for travel, Western Australia's prison population is becoming more diverse. There are growing numbers of foreign national prisoners and also of prisoners from culturally and linguistically diverse backgrounds. A number of reports have concluded that although individual prisons are sensitive to the issues which such diversity generates, and adopt pragmatic and sensible ad hoc practices, there is a need for centrally driven policies, guidance and support.

Surfeit of maximum security beds

At the end of June 2012, around 380 adult prisoners (eight per cent of the total prisoner population) were rated maximum security. However, the vast majority of the new units for male prisoners have been put into maximum security facilities (Albany, Casuarina and Hakea prisons). As a result, there are now in excess of 2,500 maximum security beds. This means that many prisoners are subject to more restrictive and more expensive regimes than the Department's assessment system dictates. At the end of June 2012, around 290 minimum security prisoners were being held at Albany, Casuarina and Hakea.

Bandyup prison presents a particularly good example. It is designated maximum security and at the end of June 2012 held around 300 prisoners. However, only 24 (eight per cent) were rated maximum security. Two thirds of the women (195) were rated medium security and therefore still required a significant level of closed security and supervision. However, 83 of the women (28 per cent) were rated minimum security. Unfortunately, because it is a maximum security facility, those 83 women have not been able to undertake the positive activities, including activities outside the prison, which should be available to minimum security prisoners and which would assist in their preparation for a safe and crime free return to the community.

Juveniles and Young Adults

Juveniles

The juvenile detainee population fluctuated throughout the year starting at 180 and ranging between peaks of 200 and a low of 164. There has been significant investment over recent years in 'Regional Youth Justice Services' in the Kimberley, Pilbara, Goldfields and Gascoyne regions. Although these initiatives are still bedding in, there are signs that they are helping to reduce the number of children being held in detention in Perth.

However, Aboriginal children remain highly over-represented. For a short time in late 2011, their numbers dropped to around 62 per cent of the juvenile detention centre population but by the end of June 2012 the figure stood again at over 70 per cent. In addition, a large proportion of juvenile detainees are unsentenced. In 2011–12, the figure was generally between 40 and 45 per cent but at times it exceeded 50 per cent.²¹

²⁰ This point has been made in many inspection reports, notably OICS, *Report of an Announced Inspection of Bandyup Women's Prison*, Report No. 73, August 2011.

²¹ For the position in other states and Territories, see Australian Institute of Health and Welfare (AIHW), *Juvenile Justice in Australia: 2010–11* (<http://aihw.gov.au/publication-detail/?id=10737422554>). Unfortunately, Western Australia (along with the Northern Territory) did not provide the same level of detail for the AIHW report as other states and Territories, so direct cross-jurisdictional comparisons are difficult.

Until now, Western Australia has had two juvenile detention facilities: Banksia Hill Detention Centre (which has mainly held sentenced males) and Rangeview Remand Centre (which has mainly held females and unsentenced males). Rangeview has been identified as the site for a new facility for young males (see below) and work has been underway for some time to convert Banksia Hill to become the sole juvenile detention centre. The building work is running behind time and the project has faced a number of challenges. 15 September 2012 is the projected date at which the amalgamated facility will be fully operational.

Young adults

The exiting Rangeview Remand Centre will be converted to a privately operated facility for minimum security males aged 18 to 24. Serco, who already run Acacia Prison, have been contracted to run the facility which will be called Wandoo. This represents an exciting opportunity to provide improved rehabilitation and reintegration opportunities for a complex cohort of prisoners and it is an initiative which this Office will watch with interest.

Although originally called a ‘Young Adults Facility’, Wandoo is in fact a young males facility. As part of the planning for female prisoners, and leveraging off the Wandoo experience, there is much to be said for examining alternative options for young women prisoners too. Their needs – often as young mothers and victims as well as offenders – tend to be very high.

6. Staff

In 2011–12 the Office had 19.2 Full Time Equivalent staff made up of full time and part time employees. Staff comprise the Inspector, Deputy Inspector, and three teams comprising: Operations; Strategy, Audit and Community Relations; and Corporate Services.

As permitted under section 12 of the *Act*, the Inspector delegated his powers to the acting Deputy Inspector once during the year from 10 October to 21 October 2011.

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

- Australian Human Rights Commission
- Department of Education and Training, WA
- Department of Training and Workforce Development, WA
- Drug & Alcohol Office, WA
- Hands-On Infection Control
- Hollywood Private Hospital
- Law Society of WA
- Legal Aid (WA)
- Office of Correctional Services Review, Department of Justice, Victoria
- Prison Mental Health Service, Queensland
- State Forensic Mental Health Service, WA
- Mr Hylton Quail (barrister)

7. Relationships

Parliament

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

The Inspector welcomes these opportunities to provide ongoing comment and clarification of his views on correctional issues to Parliament. It is a fundamental belief of this Office that well-informed parliamentarians are a very important safeguard for balanced criminal justice policies and for the rights of both staff and people in custody.

Minister

The Inspector is an independent officer who reports to the Parliament and is not subject to Ministerial direction, except as set out in sections 17–18 of the *Act*. In essence, these sections empower the Minister to direct in writing that the Inspector should inspect and report on a place of custody or a custodial service. The Inspector must comply with such a direction unless, in the Inspector's opinion, there are exceptional circumstances for not complying.

This power for the Minister to 'direct' a review was exercised on a number of occasions in the first seven years of the Office's operations where Ministers felt they needed advice on some specific high risk matters such as the Special Handling Unit at Casuarina Prison (Report 1); the Management of Offenders (Report 30); and an incident at Rangeview Remand Centre for Juveniles (Report 41). It has not been formally invoked in more recent years.

Most importantly, however, the Inspector aims for a positive, regular engagement with the Minister to keep the Minister informed of areas of concern. On a several occasions in 2011–12, the Inspector provided advice on specific matters at the request of the Minister. There are regular scheduled meetings, and other meetings are held as required, between the Inspector and the Deputy Inspector (or other Office staff) and the Minister, the Chief of Staff or relevant policy advisors.

In June 2012, ministerial responsibility for Corrective Services passed from the Honourable Terry Redman MLA to the Honourable Murray Cowper MLA. The Inspector's relationship with the new Minister for Corrective Services continues to develop.

Other Agencies

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

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

During 2011–12, the Inspector met with the Chief Justice, the Chief Judge of the District Court, the president of the Children's Court, the Chief Magistrate, the Coroner, Crime and Corruption Commissioner, the Director of Public Prosecutions, the Auditor General, the Ombudsman, the Commissioner for Children and Young People, the Equal Opportunity Commissioner, the Freedom of Information Commissioner and the Director of Health and Disability Services Complaints Office. Representatives from the Office met on a regular basis with staff from the Ombudsman to further develop options for information sharing and to develop a closer working relationship.

8. Other Functions

Risk Notices

The Inspector raises matters of risk with the Department and the Minister in several ways. These include inspection reports, correspondence and meetings with the Minister and / or the Commissioner for Corrective Services, and the process of issuing a 'risk notice'. Risk notices are used sparingly and generally will not be used if the issue has been raised in other ways and is being addressed as a result. There were no risk notices issues this financial year, though many areas of risk were raised with the Minister and the Commissioner for Corrective Services.²²

'Show Cause' Notices

In addition to the new audit function, the Government's response to the Coroner's inquest into the death of Mr Ward included power for the Inspector to issue a 'show cause notice' to the Department.²³ If the Inspector suspects, on reasonable grounds, that there is a serious risk to the security, control, safety, care or welfare of a prisoner, or that a person is being subject to cruel, inhuman or degrading treatment, he can issue a notice to the Department requiring it to 'show cause' why the matter should not be referred to the Minister.

This power came into force on 18 January 2012. It was not exercised in 2011–12 though issues of risk were regularly raised through other means. Ideally, the avenues of communication between the Inspector, the Department and the Minister will be such that matters can be raised and will receive a response without needing to consider the issue of a show cause notice. In practice, it is therefore likely to be used primarily (i) where issues have been raised in other ways but have not received an adequate response; or (ii) where there is a sudden matter of high risk which requires an immediate response.

Terrorism (*Preventative Detention*) Act 2006

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

Disclosure of Information

This Office regularly receives letters and telephone calls regarding the performance of prisons from prisoners, relatives and friends of prisoners, lawyers and various agencies. Under section 26 of the *Act* the Office may only refer such matters to another agency or deal with them within the context of an inspection or review. This year 67 letters were received which were responded to within an average of six days.

²² Some of the general issues raised are discussed in section 5 of this report – 'Trends in Correctional Services'.

²³ Section 33A of the *Act*.

Part Two – Source Reference

FMA sec 61
TI 902

HON MURRAY COWPER MLA
MINISTER FOR CORRECTIVE SERVICES

In accordance with section 61 of the *Financial Management Act 2006*, the Annual Report of the Office of the Inspector of Custodial Services for the financial year ended 30 June 2012.

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



Neil Morgan
Accountable Authority

8 August 2012

Contact Details

Postal

Level 5 Albert Facey House
469 Wellington Street
PERTH WA 6000

Electronic

Website: www.oics.wa.gov.au
Email: corporate@oics.wa.gov.au
Telephone: 61 8 6551 4200
Facsimile: 61 8 6551 4216

Operational Structure

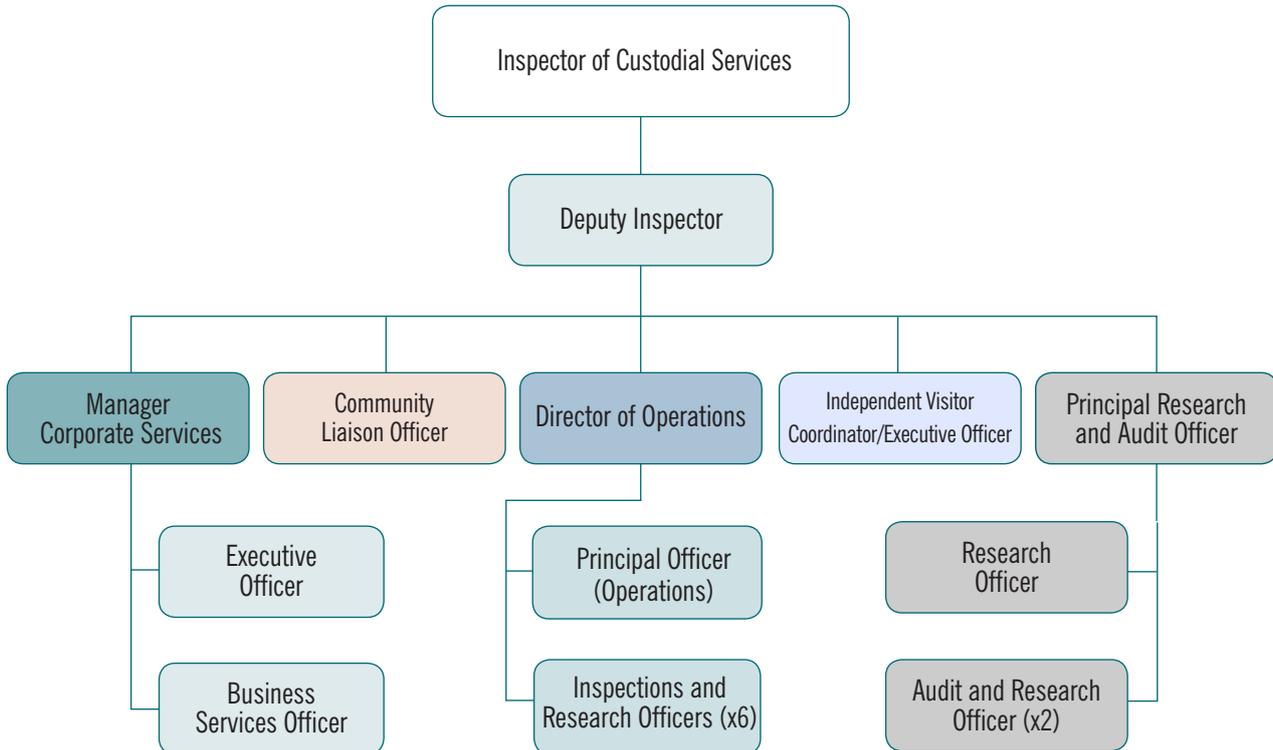
Enabling legislation

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

Responsible Minister

The Hon. Murray Cowper, MLA, Minister for Corrective Services.

Organisational Chart



Senior Officers

Professor Neil Morgan (The Inspector of Custodial Services)

Appointed Inspector on 30 March 2009, Neil Morgan is the second Inspector of Custodial Services in Western Australia, following Professor Richard Harding. He was Professor of Law at the University of Western Australia, a member of the Parole Board of Western Australia, and Director of Research for the Western Australia Law Reform Commission project on Aboriginal Customary law. He has been Rapporteur for the Asian and Pacific Conference of Correctional Administrators for the past decade and a consultant to numerous government departments and other agencies in Australia. His research has focused mainly on criminal law, sentencing and the administration of sentences in Australia and in the Asia Pacific region. Recent publications include *Criminal Law in Malaysia and Singapore* (with Stanley Yeo and Chan Wing Cheong), LexisNexis, Singapore, 2007; *Criminal Law in Malaysia and Singapore: A Casebook Companion* (with Stanley Yeo and Chan Wing Cheong), LexisNexis, Singapore, 2009; and (with Richard Harding) *Implementing the Optional Protocol to the Convention Against Torture: Options for Australia* (2008) – www.hreoc.gov.au/human_rights/publications.

Deputy Inspector: Andrew Harvey

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

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

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

Administered Legislation

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

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

Other Key Legislation Impacting on the Office's Activities

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

Bail Act 1982

Corruption and Crime Commission Act 2003

Court Security and Custodial Services Act 1999

Crime (Serious and Repeat Offenders) Sentencing Act 1992

Criminal Law (Mentally Impaired Defendants) Act 1996

Equal Opportunity Act 1984

Evidence Act 1906

Fines, Penalties and Infringement Notices Enforcement Act 1994

Interpretation Act 1984

Occupational Health and Safety Act 1984

Parole Orders (Transfer) Act 1984

Prisoners (Interstate Transfer) Act 1983

Prisoners (Release for Deportation) Act 1989

Prisons Act 1981

Dangerous Sexual Offenders Act 2006

Disability Services Act 1993

Parliamentary Commissioner Act 1971

Public Sector Management Act 1994

Racial Discrimination Act 1975

Sentence Administration Act 1995

Terrorism (Preventative Detention) Act 2006

Victims of Crime Act 1994

Young Offenders Act 1994

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

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

Performance Management Framework

Outcome Based Management Framework

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

Service: Inspection and review of custodial services.

Shared Responsibilities with Other Agencies

The Office did not deliver services jointly with any other agency in 2011/12.

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

	2011–12 Target (000's)	2011–12 Actual (000's)	2011–12 Variation (000's)
Outcome: The Parliament, Minister and other stakeholders are informed about the performance of custodial services.			
Key Effectiveness Indicators			
The extent to which the Department of Corrective Services and, where relevant, other agencies accept recommendations contained in reports.	90%	85%	(5%)
Service: Inspection and Review of Custodial Services			
Key Efficiency Indicators			
Average cost per Inspection Report	\$250	\$239	(\$11)
Average cost per Liaison Visit Report	\$5	\$5	\$0
Average cost per Exit Debrief	\$70	\$63	(\$7)
Average cost per Independent Visitor Scheme Report	\$1	\$1	\$0
Average cost per Ministerial Advice	\$5	\$5	\$0
Average cost per Issues Paper	\$50	n/a	n/a

Key Performance Indicators

Certification of Key Performance Indicators

I hereby certify that the performance indicators are based on proper records, are relevant and appropriate for assisting users to assess the Office of the Inspector of Custodial Service's performance, and fairly represent the performance of the Office for the financial year ended 30 June 2012.



Neil Morgan

8 August 2012

Detailed Information in Support of Key Performance Indicators

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

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

Measuring Performance

Government Goal

Social and environmental responsibility:

Ensuring that economic activity is managed in a socially and environmentally responsible manner for the long-term benefit of the State.

Desired Outcome

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

Mission

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

Service: Inspection and review of custodial services

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

Key Effectiveness Indicators

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

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

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

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

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

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

Key Effectiveness Indicator

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

Type of Recommendation	Target	2008–09 (%)	2009–10 (%)	2010–11 (%)	2011–12 (%)
1. Custody and security	75	100	80	83	82
2. Care and wellbeing	75	100	77	93	75
3. Health	75	100	100	83	79
4. Rehabilitation	75	92	33	79	88
5. Reparation	75	100	Nil	80	100
6. Human rights	100	100	100	67	90
7. Racism, Aboriginality & equity	100	60	100	100	77
8. Administration and accountability	50	86	43	100	71
9. Staffing issues	50	100	92	100	93
10. Correctional value-for-money	50	100	100	67	100

Key Efficiency Indicators

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

- the mean cost per inspection, thematic review and directed review point;
- the mean cost per liaison visit¹;
- the mean cost per inspection exit debrief;
- the mean cost per independent visitor scheme report;
- the mean cost per issues paper; and
- the mean cost per ministerial advice.

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

The inspections are *mandated* by statute. It is required that places of custody be inspected 'at least every three years' (*Inspector of Custodial Services Act 2003*, s.19). There are 16 prisons and one detention centre in Western Australia and 18 court custody centres that are within the Inspector's jurisdiction. The remainder are statutorily authorised but not mandated.

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

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

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

Key Efficiency Indicators

Key Effectiveness Indicator	Target 2008–11	Actual 2008–09	Actual 2009–10	Actual 2010–11	Target 2011–12	Actual 2011–12
Inspection report point	7.5	9.5	8	7.5	7.5	9
Average cost per inspection report (\$)	150,000	160,824	221,600	212,911	250,000 ²	238,710
Liaison visit report	90	95	90	98	90	100
Average cost per liaison visit report (\$)	5,500	5,331	4,959	5,823	5,000	4,944
Inspection exit debrief	5	5	5	5	5	6
Average cost per Inspection exit debrief (\$)	72,000	76,392	69,385	56,359	70,000	63,188
Independent visitors' scheme report	90	132	126	158	90	159
Average cost per independent visitors' scheme report (\$)	900	976	951	908	1,000	949
Ministerial advice	12	14	12	12	12	12
Average cost per ministerial advice (\$)	5,000	4,948	4,233	5,192	5,000	4,974
Issues paper	1	0	1	0	1	0
Average cost per issues paper (\$)	56,000	0	48,777	0	50,000	0

¹ Liaison visits are part of the Inspector's policy of 'continuous inspections'.

² The target average cost per inspection report point has increased because it includes the cost of the new auditing function. The Inspectorate has already employed staff to commence this operation. However, a new efficiency indicator has yet to be developed and folded into the budget papers. This is expected to occur next year.

Other Financial Disclosures

Source Reference

Employment and Industrial Relations

Staff Profile

	2011-12	2010-11
Full-time permanent	16	15
Full-time contract	-	-
Part-time measured on an FTE basis	2.2	2
On secondment	1	-
Total	19.2	17

Staff Development

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

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

Workers' Compensation

There were no compensation claims recorded during the financial year.

Governance Disclosures

Source Reference

TI 903

Contracts with Senior Officers

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

Other Legal Requirements

Source Reference

Public Sector
Management Act
Section 31(1)

Compliance with Public Sector Management Act Section 31(1)

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

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



Neil Morgan
Inspector of Custodial Services

8 August 2012

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

Disability Access and Inclusion Plan Outcomes

(*Disability Services Act 1993, s29*)

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

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

The Office is now committed to disability services and demonstrates this by the following means:

- ensuring that people with disabilities, their families and carers enjoy the same access to reports as the rest of the community. For example, upon request, the Office has made its reports available in audio format for people with sight impairment; and
- progressing the six desired outcomes of its DAIP.

The Office's DAIP includes an implementation plan designed to achieve each of the six desired outcomes during 2011/12.

Recordkeeping Plans

The State Records Commission approved the Office's recordkeeping plan in December 2005. This plan has since been partially implemented and updated with amendments. It was resubmitted to the State Records Commission for re-approval for a period of five years to December 2014.

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

Occupational Safety and Health

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

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

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

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

Annual Performance

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

Sustainability

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

- Using recycled paper for photocopying and printing;
- Reducing the vehicle fleet from six to five;
- Replacing vehicles (6-cylinder) with smaller vehicles (4-cylinder);
- Using recycled printer and toner cartridges; and
- Turning off lighting during the day in meeting and file rooms.

Corruption Prevention

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

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

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

Part Three – Financial Statements

Source Reference

FMA sec 62(2)

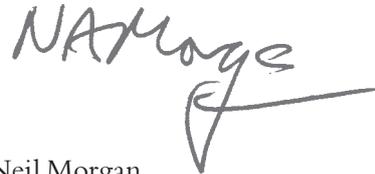
The accompanying financial statements of the Office of the Inspector of Custodial Services have been prepared in compliance with the provisions of the *Financial Management Act 2006* from proper accounts and records to present fairly the financial transactions for the financial year ending 30 June 2012 and the financial position as at 30 June 2012.

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



Derek Summers
Chief Finance Officer

8 August 2012



Neil Morgan
Accountable Authority

8 August 2012



Auditor General

INDEPENDENT AUDITOR'S REPORT

To the Parliament of Western Australia

OFFICE OF THE INSPECTOR OF CUSTODIAL SERVICES

Report on the Financial Statements

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

The financial statements comprise the Statement of Financial Position as at 30 June 2012, the Statement of Comprehensive Income, Statement of Changes in Equity, Statement of Cash Flows and Summary of Consolidated Account Appropriations and Income Estimates for the year then ended, and Notes comprising a summary of significant accounting policies and other explanatory information.

Inspector of Custodial Services' Responsibility for the Financial Statements

The Inspector of Custodial Services is responsible for keeping proper accounts, and the preparation and fair presentation of the financial statements in accordance with Australian Accounting Standards and the Treasurer's Instructions, and for such internal control as the Inspector of Custodial Services determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Opinion

In my opinion, the financial statements are based on proper accounts and present fairly, in all material respects, the financial position of the Office of the Inspector of Custodial Services at 30 June 2012 and its financial performance and cash flows for the year then ended. They are in accordance with Australian Accounting Standards and the Treasurer's Instructions.

Report on Controls

I have audited the controls exercised by the Office of the Inspector of Custodial Services during the year ended 30 June 2012.

Controls exercised by the Office of the Inspector of Custodial Services are those policies and procedures established by the Inspector of Custodial Services to ensure that the receipt, expenditure and investment of money, the acquisition and disposal of property, and the incurring of liabilities have been in accordance with legislative provisions.

Inspector of Custodial Services' Responsibility for Controls

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

Auditor's Responsibility

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

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

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

Opinion

In my opinion, the controls exercised by the Office of the Inspector of Custodial Services are sufficiently adequate to provide reasonable assurance that the receipt, expenditure and investment of money, the acquisition and disposal of property, and the incurring of liabilities have been in accordance with legislative provisions during the year ended 30 June 2012.

Report on the Key Performance Indicators

I have audited the key performance indicators of the Office of the Inspector of Custodial Services for the year ended 30 June 2012.

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

Inspector of Custodial Services' Responsibility for the Key Performance Indicators

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

Auditor's Responsibility

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

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

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

Opinion

In my opinion, the key performance indicators of the Office of the Inspector of Custodial Services are relevant and appropriate to assist users to assess the Office's performance and fairly represent indicated performance for the year ended 30 June 2012.

Independence

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

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

This auditor's report relates to the financial statements and key performance indicators of the Office of the Inspector of Custodial Services for the year ended 30 June 2012 included on the Office's website. The Inspector of Custodial Services is responsible for the maintenance and integrity of the Office's website. I have not been engaged to report on the integrity of the Office's website. The auditor's report refers only to the financial statements and key performance indicators named above. It does not provide an opinion on any other information which may have been hyperlinked to/from these financial statements and key performance indicators. If readers of this report are concerned with the inherent risks arising from electronic data communication they should refer to the published hard copy of the audited financial statements and key performance indicators and related auditor's report dated 15 August 2012 to confirm the information included in the audited financial statements and key performance indicators presented on this website.



GLEN CLARKE
DEPUTY AUDITOR GENERAL
Delegate of the Auditor General for Western Australia
Perth, Western Australia
15 August 2012

Statement of Comprehensive Income for the year ended 30 June 2012

COST OF SERVICES		2012	2011
	Note	\$	\$
Expenses			
Employee benefits expense	6.	1,843,800	1,773,524
Supplies and services	7.	1,039,245	588,823
Depreciation and amortisation expense	8.	46,239	22,556
Accommodation expenses	9.	291,428	236,554
Loss on disposal of non-current assets	11.	3,994	-
Other expenses	10.	9,884	33,668
Total cost of services		3,234,590	2,655,125
Income			
<i>Revenue</i>			
Other Revenue	12.	2,069	4,667
Total revenue		2,069	4,667
Total income other than income from State Government		2,069	4,667
NET COST OF SERVICES		3,232,521	2,650,458
Income from State Government			
Service Appropriation	13.	3,095,000	2,909,000
Resources received free of charge	13.	69,341	7,382
Total income from State Government		3,164,341	2,916,382
SURPLUS/(DEFICIT) FOR THE PERIOD		(68,180)	265,924
Total other comprehensive income		-	-
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		(68,180)	265,924

See also Note 2(c) on 'Schedule of Income and Expenses by Service'

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

Statement of Financial Position as at 30 June 2012

	Note	2012 \$	2011 \$
ASSETS			
Current Assets			
Cash and cash equivalents	24.	184,088	143,079
Receivables	15.	109,491	105,412
Amounts receivable for services	16.	25,000	12,000
Other assets	17.	4,674	-
Total Current Assets		323,253	260,491
Non-Current Assets			
Restricted cash and cash equivalents	14, 24.	48,607	30,617
Amounts receivable for services	16.	128,000	95,000
Plant and equipment	18.	119,753	33,815
Intangible asset	19.	6,594	-
Total Non-Current Assets		302,954	159,432
TOTAL ASSETS		626,207	419,923
LIABILITIES			
Current Liabilities			
Payables	21.	420,918	115,458
Provisions	22.	432,251	376,302
Total Current Liabilities		853,169	491,760
Non-Current Liabilities			
Provisions	22.	57,893	196,838
Total Non-Current Liabilities		57,893	196,838
TOTAL LIABILITIES		911,062	688,598
NET ASSETS		(284,855)	(268,675)
EQUITY			
Contributed Equity	23.	274,000	222,000
Accumulated surplus/(deficit)		(558,855)	(490,675)
TOTAL EQUITY		(284,855)	(268,675)

See also Note 2(c) on the 'Schedule of Assets and Liabilities by Service'.

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

Statement of Cash Flows for the year ended 30 June 2012

	Note	2012 \$	2011 \$
CASH FLOWS FROM STATE GOVERNMENT			
Service appropriations		3,037,000	2,888,000
Capital contributions		52,000	91,000
Holding account drawdowns		12,000	-
Treasurer's Advance		-	(300,000)
Net Cash provided by State Government		3,101,000	2,679,000
Utilised as follows:			
CASH FLOWS FROM OPERATING ACTIVITIES			
Payments			
Employee benefits		(1,887,592)	(1,642,113)
Supplies and services		(690,208)	(621,866)
Accommodation		(291,428)	(236,554)
Other expenses		(9,884)	(33,668)
GST payments on purchases		(129,145)	(91,315)
Receipts			
GST receipts on sales		3,819	10,744
GST receipts from taxation authority		103,133	90,068
Other receipts		2,069	3,898
Net cash provided by/(used in) operating activities	24.	(2,899,236)	(2,520,806)
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments			
Purchase of non-current physical assets		(136,293)	(18,181)
Purchase of non-current intangible assets		(9,130)	-
Receipts			
Proceeds from sale for non-current assets		2,658	-
Net cash provided by/(used in) investing activities		(142,765)	(18,181)
Net increase/(decrease) in cash and cash equivalents		58,999	140,013
Cash and cash equivalents at the beginning of period		173,696	33,683
CASH AND CASH EQUIVALENTS AT THE END OF PERIOD	24.	232,695	173,696

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

Statement of Changes in Equity for the year ended 30 June 2012

	Note	Contributed Equity	Accumulated surplus/(deficit)	Total Equity
Balance at 1 July 2010	23.	131,000	(756,599)	(625,599)
Surplus/(deficit)		-	265,924	265,924
Total comprehensive income for the year		-	265,924	265,924
Transactions with owners in their capacity as owners:				
Capital contributions		91,000	-	91,000
Total		91,000	-	91,000
Balance at 30 June 2011		222,000	(490,675)	(268,675)
Balance as at 1 July 2011		222,000	(490,675)	(268,675)
Surplus/(deficit)		-	(68,180)	(68,180)
Total comprehensive income for the year		-	(68,180)	(68,180)
Transactions with owners in their capacity as owners:				
Capital contributions		52,000	-	52,000
Total		52,000	-	52,000
Balance at 30 June 2012		274,000	(558,855)	(284,855)

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

Summary of Consolidated Account Appropriations and Income Estimates for the year ended 30 June 2012

	2012 Estimate \$	2012 Actual \$	Variance \$	2012 Actual \$	2011 Actual \$	Variance \$
DELIVERY OF SERVICES						
Item 100 Net amount appropriated to deliver services	2,883,000	2,883,000	-	2,883,000	2,713,000	170,000
Amount Authorised by Other Statutes - Salaries and Allowances Act 1975	212,000	212,000	-	212,000	196,000	16,000
Total appropriations provided to deliver services	3,095,000	3,095,000	-	3,095,000	2,909,000	186,000
Capital						
Item 158 Capital appropriations	52,000	52,000	-	52,000	91,000	(39,000)
GRAND TOTAL	3,147,000	3,147,000	-	3,147,000	3,000,000	147,000
Details of Expenses by Services						
Inspection and Review of Custodial Services	3,100,000	3,234,590	134,590	3,234,590	2,655,125	579,465
Total Cost of Services	3,100,000	3,234,590	134,590	3,234,590	2,655,125	579,465
Less Total Income	(5,000)	(2,069)	2,931	(2,069)	(4,667)	2,598
Net Cost of Services	3,095,000	3,232,521	137,521	3,232,521	2,650,458	582,063
Adjustment	-	(137,521)	(137,521)	(137,521)	258,542	(396,063)
Total appropriations provided to deliver services	3,095,000	3,095,000	-	3,095,000	2,909,000	186,000
Capital Expenditure						
Purchase of non-current physical assets	64,000	136,293	72,293	136,293	18,181	118,112
Adjustments for other funding sources	(12,000)	(84,293)	(72,293)	(84,293)	72,819	(157,112)
Capital appropriations	52,000	52,000	-	52,000	91,000	(39,000)

Adjustments comprise movements in cash balances and other accrual items such as receivables, payables and superannuation. Note 28 'Explanatory statement' provides details of any significant variations between estimates and actual results for 2012 and between the actual results for 2012 and 2011.

Notes to the Financial Statements

Note 1. Australian Accounting Standards

General

The Office's financial statements for the year ended 30 June 2012 have been prepared in accordance with Australian Accounting Standards. The term 'Australian Accounting Standards' includes Standards and Interpretations issued by the Australian Accounting Standards Board (AASB).

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

Early adoption of standards

The Office cannot early adopt an Australian Accounting Standard unless specifically permitted by TI 1101 *Application of Australian Accounting Standards and Other Pronouncements*. There has been no early adoption of Australian Accounting Standards that have been issued or amended (but not operative) by the Office for the annual reporting period ended 30 June 2012.

Note 2. Summary of significant accounting policies

(a) General statement

The Office is a not-for-profit reporting entity that prepares general purpose financial statements in accordance with Australian Accounting Standards, the Framework, Statements of Accounting Concepts and other authoritative pronouncements of the AASB as applied by the Treasurer's instructions. Several of these are modified by the Treasurer's instructions to vary application, disclosure, format and wording.

The *Financial Management Act* and the Treasurer's instructions impose legislative provisions that govern the preparation of financial statements and take precedence over Australian Accounting Standards, the Framework, Statements of Accounting Concepts and other authoritative pronouncements of the AASB.

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

(b) Basis of preparation

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

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

The financial statements are presented in Australian dollars and all values are rounded to the nearest dollar.

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

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

(c) Reporting entity

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

Mission

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

The Office is predominantly funded by Parliamentary appropriations.

Service

The Office provides only one service which relates to inspection and review of custodial services. Hence the "Schedule of Income and Expenses by Service" has not been presented in the financial statements for the year ended 30 June 2012.

(d) Contributed equity

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

(e) Income

Revenue recognition

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

Service appropriations

Service Appropriations are recognised as revenues at fair value in the period in which the Office gains control of the appropriated funds. The Office gains control of appropriated funds at the time those funds are deposited to the bank account or credited to the 'Amounts receivable for services' (holding account) held at Treasury.

Net Appropriation Determination

The Treasurer may make a determination providing for prescribed receipts to be retained for services under the control of the Office. In accordance with the determination specified in the 2011–2012 Budget Statements, the Office retained \$2,069 in 2012 (\$4,667 in 2011) from the following:

- other departmental revenue.

Gains

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

(f) Plant and equipment

Capitalisation/expensing of assets

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

Initial recognition and measurement

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

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

Subsequent measurement

Subsequent to initial recognition as an asset, the historical cost model is used for plant and equipment. All items of plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses.

Depreciation

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

Depreciation is calculated using the straight line method, using rates which are reviewed annually.

Estimated useful lives for each class of depreciable asset are:

Communications	5 years
Computer hardware	3 years
Leasehold improvements	7 years
Office equipment	5 years

(g) Intangible assets

Capitalisation/expensing of assets

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

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

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

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

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

Computer software ^(a)	3 years
----------------------------------	---------

(a) Software that is not integral to the operation of any related hardware.

Computer software

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

(h) Impairment of assets

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

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

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

(i) Leases

The Office has not entered into any finance leases.

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

(j) Financial instruments

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

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

Financial instruments have been disaggregated into the following classes:

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

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

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

(k) Cash and cash equivalents

For the purpose of the Statement of Cash Flows, cash and cash equivalent (and restricted cash and cash equivalent) assets comprise cash on hand and short-term deposits with original maturities of three months or less that are readily convertible to a known amount of cash and which are subject to insignificant risk of changes in value.

(l) Accrued salaries

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

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

(m) Amounts receivable for services (holding account)

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

(n) Receivables

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

(o) Payables

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

(p) Provisions

Provisions are liabilities of uncertain timing or amount and are recognised where there is a present legal or constructive obligation as a result of a past event and when the outflow of resources embodying economic benefits is probable and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at the end of each reporting period.

Provisions – employee benefits

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

Annual leave

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

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

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

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

Long service leave

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

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

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

Unconditional long service leave provisions are classified as current liabilities as the Office does not have an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period. Pre-conditional and conditional long service leave provisions are classified as non-current liabilities because the Office has an unconditional right to defer the settlement of the liability until the employee has completed the requisite years of service.

Purchased Leave

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

Superannuation

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

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

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

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

Employees commencing employment prior to 16 April 2007 who were not members of either the Pension Scheme or the GSS became non-contributory members of the West State Superannuation Scheme (WSS). Employees commencing employment on or after 16 April 2007 became members of the GESB Super Scheme (GESBS). From 30 March 2012, existing members of the WSS or GESBS and new employees become able to choose their preferred superannuation fund. The Office makes concurrent contributions to GESB or other funds on behalf of employees in compliance with the *Commonwealth Government's Superannuation Guarantee (Administration) Act 1992*. Contributions to these accumulation schemes extinguish the Office's liability from superannuation charges in respect of employees who are not members of the Pension Scheme or GSS.

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

Provisions – other

Employment on-costs

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

(q) Superannuation expense

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

(r) Resources received free of charge or for nominal cost

Resources received free of charge or for nominal cost that can be reliably measured are recognised as income at fair value. Where the resource received represents a service that the Office would otherwise pay for, a corresponding expense is recognised. Receipts of assets are recognised in the Statement of Financial Position.

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

(s) Comparative figures

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

Note 3. Judgements made by management in applying accounting policies

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

Operating lease commitments

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

Note 4. Key sources of estimation uncertainty

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

Long Service Leave

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

Note 5. Disclosure of changes in accounting policy and estimates

Initial application of an Australian Accounting Standard

The Office has applied the following Australian Accounting Standards effective for annual reporting periods beginning on or after July 2011 that impacted on the Office.

Note 5. Disclosure of changes in accounting policy and estimates

Initial application of an Australian Accounting Standard

The Office has applied the following Australian Accounting Standards effective for annual reporting periods beginning on or after 1 July 2010 that impacted on the Office.

AASB 1054

Australian Additional Disclosures

This Standard, in conjunction with AASB 2011-1 *Amendments to Australian Accounting Standards arising from the Trans-Tasman Convergence Project*, removes disclosure requirements from other Standards and incorporates them in a single Standard to achieve convergence between Australian and New Zealand Accounting Standards. There is no financial impact.

AASB 2009-12

Amendments to Australian Accounting Standards [AASB 5, 8, 108, 110, 112, 119, 133, 137, 139, 1023 & 1031 and Int 2, 4, 16, 1039 & 1052]

This Standard makes editorial amendments to a range of Australian Accounting Standards and Interpretations. There is no financial impact.

<i>AASB 2010-4</i>	<p><i>Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 1, 7, 101 & 134 and Int 13]</i></p> <p>The amendments to AASB 7 clarify financial instrument disclosures in relation to credit risk. The carrying amount of financial assets that would otherwise be past due or impaired whose terms have been renegotiated is no longer required to be disclosed. There is no financial impact.</p> <p>The amendments to <i>AASB 101</i> clarify the presentation of the statement of changes in equity. The disaggregation of other comprehensive income reconciling the carrying amount at the beginning and the end of the period for each component of equity. There is no financial impact.</p>
<i>AASB 2010-5</i>	<p><i>Amendments to Australian Accounting Standards [AASB 1, 3, 4, 5, 101, 107, 112, 118, 119, 121, 132, 133, 134, 137, 139, 140, 1023 & 1038 and Int 112, 115, 127, 132 & 1042]</i></p> <p>This Standard makes editorial amendments to a range of Australian Accounting Standards and Interpretations. There is no financial impact.</p>
<i>AASB 2011-1</i>	<p><i>Amendments to Australian Accounting Standards arising from the Trans-Tasman Convergence Project [AASB 1, 5, 101, 107, 108, 121, 128, 132 & 134 and Int 2, 112 & 113]</i></p> <p>This Standard, in conjunction with AASB 1054, removes disclosure requirements from other Standards and incorporates them in a single Standard to achieve convergence between Australian and New Zealand Accounting Standards. There is no financial impact.</p>

Voluntary changes in accounting policy

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

Future impact of Australian Accounting Standards not yet operative

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

		Operative for reporting periods beginning on/after
<i>AASB 9</i>	<p><i>Financial Instruments</i></p> <p>This Standard supersedes AASB 139 <i>Financial Instruments: Recognition and Measurement</i>, introducing a number of changes to accounting treatments. The Standard was reissued in December 2010. The Office has not yet determined the application or the potential impact of the Standard.</p>	1 Jan 2013
<i>AASB 10</i>	<p><i>Consolidated Financial Statements</i></p> <p>This Standard supersedes requirements under AASB 127 <i>Consolidated and Separate Financial Statements</i> and Int 112 <i>Consolidation – Special Purpose Entities</i>, introducing a number of changes to accounting treatments.</p> <p>The Standard was issued in August 2011. The Office has not yet determined the application or the potential impact of the Standard.</p>	1 Jan 2013

<i>AASB 11</i>	<i>Joint Arrangements</i> This Standard supersedes AASB 131 <i>Interests in Joint Ventures</i> , introducing a number of changes to accounting treatments. The Standard was issued in August 2011. The Office has not yet determined the application or the potential impact of the Standard.	1 Jan 2013
<i>AASB 12</i>	<i>Disclosure of Interests in Other Entities</i> This Standard supersedes disclosure requirements under AASB 127 <i>Consolidated and Separate Financial Statements</i> , <i>AASB 128 Investments in Associates</i> and <i>AASB 131 Interests in Joint Ventures</i> . The Standard was issued in August 2011. The Office has not yet determined the application or the potential impact of the Standard.	1 Jan 2013
<i>AASB 13</i>	<i>Fair Value Measurement</i> This Standard defines fair value, sets out a framework for measuring fair value and requires disclosures about fair value measurements. There is no financial impact.	1 Jan 2013
<i>AASB 119</i>	<i>Employee Benefits</i> This Standard supersedes AASB 119 (October 2010). As the Office does not operate a defined benefit plan, the impact of the change is limited to measuring annual leave as a long-term employee benefit. The resultant discounting of annual leave benefit has an immaterial impact.	1 Jan 2013
<i>AASB 127</i>	<i>Separate Financial Statements</i> This Standard supersedes requirements under AASB 127 <i>Consolidated and Separate Financial Statements</i> , introducing a number of changes to accounting treatments. The Standard was issued in August 2011. The Office has not yet determined the application or the potential impact of the Standard.	1 Jan 2013
<i>AASB 128</i>	<i>Investments in Associates and Joint Ventures</i> This Standard supersedes AASB 128 <i>Investments in Associates</i> , introducing a number of changes to accounting treatments. The Standard was issued in August 2011. The Office has not yet determined the application or the potential impact of the Standard.	1 Jan 2013
<i>AASB 1053</i>	<i>Application of Tiers of Australian Accounting Standards</i> This Standard establishes a differential financial reporting framework consisting of two tiers of reporting requirements for preparing general purpose financial statements. There is no financial impact.	1 Jul 2013
<i>AASB 2009-11</i>	<i>Amendments to Australian Accounting Standards arising from AASB 9 [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 121, 127, 128, 131, 132, 136, 139, 1023 & 1038 and Int 10 & 12]</i> [Modified by AASB 2010-7]	1 Jul 2013
<i>AASB 2010-2</i>	<i>Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements [AASB 1, 2, 3, 5, 7, 8, 101, 102, 107, 108, 110, 111, 112, 116, 117, 119, 121, 123, 124, 127, 128, 131, 133, 134, 136, 137, 138, 140, 141, 1050 & 1052 and Int 2, 4, 5, 15, 17, 127, 129 & 1052]</i> This Standard makes amendments to Australian Accounting Standards and Interpretations to introduce reduced disclosure requirements for certain types of entities. There is no financial impact.	1 Jul 2013

AASB 2010-7	<p><i>Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 120, 121, 127, 128, 131, 132, 136, 137, 139, 1023 & 1038 and Int 2, 5, 10, 12, 19 & 127]</i></p> <p>This Standard makes consequential amendments to other Australian Accounting Standards and Interpretations as a result of issuing AASB 9 in December 2010. The Office has not yet determined the application or the potential impact of the Standard.</p>	1 Jan 2013
AASB 2011-2	<p><i>Amendments to Australian Accounting Standards arising from the Trans-Tasman Convergence Project – Reduced Disclosure Requirements [AASB 101 & 1054]</i></p> <p>This Standard removes disclosure requirements from other Standards and incorporates them in a single Standard to achieve convergence between Australian and New Zealand Accounting Standards for reduced disclosure reporting. There is no financial impact.</p>	1 Jul 2013
AASB 2011-6	<p><i>Amendments to Australian Accounting Standards – Extending Relief from Consolidation, the Equity Method and Proportionate Consolidation – Reduced Disclosure Requirements [AASB 127, 128 & 131]</i></p> <p>This Standard extends the relief from consolidation, the equity method and proportionate consolidation by removing the requirement for the consolidated financial statements prepared by the ultimate or any intermediate parent entity to be IFRS compliant, provided that the parent entity, investor or venturer and the ultimate or intermediate parent entity comply with Australian Accounting Standards or Australian Accounting Standards – Reduced Disclosure Requirements. There is no financial impact.</p>	1 Jul 2013
AASB 2011-7	<p><i>Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards [AASB 1, 2, 3, 5, 7, 9, 2009-11, 101, 107, 112, 118, 121, 124, 132, 133, 136, 138, 139, 1023 & 1038 and Int 5, 9, 16 & 17]</i></p> <p>This Standard gives effect to consequential changes arising from the issuance of AASB 10, AASB 11, AASB 127 <i>Separate Financial Statements</i> and AASB 128 <i>Investments in Associates and Joint Ventures</i>. The Office has not yet determined the application or the potential impact of the Standard.</p>	1 Jan 2013
AASB 2011-8	<p><i>Amendments to Australian Accounting Standards arising from AASB 13 [AASB 1, 2, 3, 4, 5, 7, 9, 2009-11, 2010-7, 101, 102, 108, 110, 116, 117, 118, 119, 120, 121, 128, 131, 132, 133, 134, 136, 138, 139, 140, 141, 1004, 1023 & 1038 and Int 2, 4, 12, 13, 14, 17, 19, 131 & 132]</i></p> <p>This Standard replaces the existing definition and fair value guidance in other Australian Accounting Standards and Interpretations as the result of issuing AASB 13 in September 2011. There is no financial impact.</p>	1 Jan 2013

<i>AASB 2011-9</i>	<i>Amendments to Australian Accounting Standards – Presentation of Items of Other Comprehensive Income [AASB 1, 5, 7, 101, 112, 120, 121, 132, 133, 134, 1039 & 1049]</i>	1 Jul 2012
	This Standard requires to group items presented in other comprehensive income on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments). The Office has not yet determined the application or the potential impact of the Standard.	
<i>AASB 2011-10</i>	<i>Amendments to Australian Accounting Standards arising from AASB 119 (September 2011) [AASB 1, 8, 101, 124, 134, 1049 & 2011-8 and Int 14]</i>	1 Jan 2013
	This Standard makes amendments to other Australian Accounting Standards and Interpretations as a result of issuing AASB 119 Employee Benefits in September 2011. The Office has not yet determined the application or the potential impact of the Standard.	
<i>AASB 2011-11</i>	<i>Amendments to AASB 119 (September 2011) arising from Reduced Disclosure Requirements</i>	1 Jan 2013
	This Standard gives effect to Australian Accounting Standards – Reduced Disclosure Requirements for AASB 119 (September 2011). There is no financial impact.	
<i>AASB 2012-1</i>	<i>Amendments to Australian Accounting Standards – Fair Value Measurement – Reduced Disclosure Requirements [AASB 3, 7, 13, 140 & 141]</i>	1 Jan 2013
	This Standard establishes and amends reduced disclosure requirements for additional and amended disclosures arising from AASB 13 and the consequential amendments implemented through AASB 2011-8. There is no financial impact.	

Changes in accounting estimates

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

Note 6. Employee benefits expense	2012	2011
	\$	\$
Wages and salaries (a)	1,644,755	1,589,994
Superannuation – defined contribution plans (b)	173,497	176,446
Other related expenses	25,548	7,084
Total	1,843,800	1,773,524

- (a) Includes the value of the fringe benefit to the employee plus the fringe benefits tax component, leave entitlements including superannuation contribution component.
- (b) Defined contribution plans include West State, Gold State and GESB Super Scheme (contributions paid). Employment on-costs expenses, such as workers' compensation insurance, are included at note 10 'Other Expenses'. Employment on-costs liability is included in note 22 'Provisions'.

Note 7. Supplies and services	2012	2011
	\$	\$
Communications	43,520	34,821
Consultants and contractors	495,627	202,244
Consumables	87,273	29,299
Materials	75,818	94,582
Lease, rent and hire costs	71,425	85,425
Travel	92,812	93,535
Other	172,770	48,917
Total	1,039,245	588,823

Note 8. Depreciation and amortisation expense	2012	2011
	\$	\$
<i>Depreciation</i>		
Computer hardware	36,140	13,948
Office equipment	3,718	3,191
Communications	931	1,242
Leasehold Improvements	2,914	4,175
Total depreciation	43,703	22,556
<i>Amortisation</i>		
Intangible assets	2,536	-
Total amortisation	2,536	-
Total depreciation and amortisation	46,239	22,556

Note 9. Accommodation expenses	2012	2011
	\$	\$
Lease rentals	291,428	236,425
Repairs and maintenance	-	129
Total	291,428	236,554

Note 10. Other expenses	2012	2011
	\$	\$
Employment on-cost(a)	(15,734)	5,811
Audit fees (b)	25,618	27,857
Total	9,884	33,668

(a) Includes workers' compensation insurance and other employment on-costs. The on-costs liability associated with the recognition of annual and long service leave liability is included at note 19 'Provisions'. Superannuation contributions accrued as part of the provision for leave are employee benefits and are not included in employment on-costs.

(b) The cost represents internal and external audit fees. Refer also to note 29 'Remuneration of auditor'.

Note 11. Net gain/(loss) on disposal of non-current assets	2012	2011
	\$	\$
<i>Proceeds from disposal of non-current assets</i>		
Leasehold improvements	2,658	-
<i>Costs of disposal of non-current assets</i>		
Leasehold improvements	(6,652)	-
Net gain/(loss)	(3,994)	-

Note 12. Other revenue	2012	2011
	\$	\$
Contributions to Executive Vehicle Scheme	1,142	4,551
Expense recoveries from other agencies	927	116
Total	2,069	4,667

Note 13. Income from State Government	2012	2011
	\$	\$
<i>Appropriation received during the period:</i>		
Service appropriation (a)	3,095,000	2,909,000
	3,095,000	2,909,000
<i>Resources received free of charge (b)</i>		
<i>Determined on the basis of the following estimates provided by agencies:</i>		
DTF - Building and Management Works	69,341	6,295
State Solicitors Office	-	1,087
	69,341	7,382
Total	3,164,341	2,916,382

(a) Service appropriations fund the net cost of services delivered. Appropriation revenue comprises a cash component and a receivable (asset). The receivable (holding account) comprises the depreciation expense for the year and any agreed increase in leave liability during the year.

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

Note 14. Restricted cash and cash equivalents	2012	2011
	\$	\$
<i>Non-current</i>		
Accrued salaries suspense account (a)	48,607	30,617
	48,607	30,617

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

Note 15. Receivables	2012	2011
	\$	\$
<i>Current</i>		
Receivables	54,617	91,309
Allowance for impairment of receivables	-	-
GST receivable	54,874	14,103
Total current	109,491	105,412
<i>Reconciliation of changes in the allowance for impairment of receivables:</i>		
Balance at start of period	-	769
Doubtful debts expense	-	-
Amounts written off during the period	-	(769)
Balance at end of period	-	-

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

Note 16. Amounts receivable for services (Holding Account)	2012	2011
	\$	\$
Current	25,000	12,000
Non-Current	128,000	95,000
Total	153,000	107,000

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

Note 17. Other assets	2012	2011
	\$	\$
<i>Current</i>		
Prepayments	4,674	-
Total current	4,674	-

Note 18. Plant and Equipment	2012	2011
	\$	\$
<i>Computing hardware</i>		
At cost	143,828	54,195
Accumulated depreciation	(38,431)	(38,306)
	105,397	15,889
<i>Leasehold improvements</i>		
At cost	-	192,580
Accumulated depreciation	-	(183,014)
	-	9,566

Communications

At cost	-	5,995
Accumulated depreciation	-	(5,064)
	-	931

Office equipment

At cost	23,027	23,105
Accumulated depreciation	(8,671)	(15,676)
	14,356	7,429
	119,753	33,815

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

	Computer Hardware	Leasehold Improvements	Communications	Office Equipment	Total
2012	\$	\$	\$	\$	\$
Carrying amount at start of year	15,889	9,556	931	7,429	33,815
Additions	125,648	-	-	10,645	136,293
Other disposals losses	-	(6,652)	-	-	(6,652)
Depreciation	(36,140)	(2,914)	(931)	(3,718)	(43,703)
Carrying amount at end of year	105,397	-	-	14,356	119,753
2011	\$	\$	\$	\$	\$
Carrying amount at start of year	11,656	13,741	2,173	10,620	38,190
Additions	18,181	-	-	-	18,181
Depreciation	(13,948)	(4,175)	(1,242)	(3,191)	(22,556)
Carrying amount at end of year	15,889	9,566	931	7,429	33,815

Note 19. Intangible asset**2012****2011**

\$

\$

Computer software

At cost	9,130	-
Accumulated amortisation	(2,536)	-
Total intangible asset	6,594	-

*Reconciliations:**Computer software*

Carrying amount at start of period	-	-
Additions	9,130	-
Amortisation expense	(2,536)	-
Carrying amount at end of period	6,594	-

Note 20. Impairment of assets

There were no indications of impairment to plant and equipment as at 30 June 2012.

The Office held no goodwill or intangible assets with an indefinite useful life during the reporting period. At the end of the reporting period there were no intangible assets not yet available for use.

All surplus assets at 30 June 2012 have either been classified as assets held for sale or written-off.

Note 21. Payables	2012	2011
	\$	\$
<i>Current</i>		
Trade payables	51,747	51,230
Accrued expenses	325,193	19,886
Accrued salaries	42,054	44,342
Commonwealth paid parental leave	1,924	-
Total current	420,918	115,458

Note 22. Provisions	2012	2011
	\$	\$
<i>Current</i>		
<i>Employee benefits provision</i>		
Annual leave(a)	187,524	219,193
Long service leave(b)	244,533	146,456
	432,057	365,649
<i>Other provisions</i>		
Employment on-costs(c)	194	10,653
	194	10,653
Total	432,251	376,302
<i>Non-current</i>		
<i>Employee benefits provision</i>		
Long service leave(b)	57,866	191,536
	57,866	191,536
<i>Other provisions</i>		
Employment on-costs(c)	27	5,302
	27	5,302
Total	57,893	196,838

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

	2012	2011
	\$	\$
Within 12 months of the end of the reporting period	117,062	125,332
More than 12 months after the end of the reporting period	70,462	93,861
Total	187,524	219,193

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

	2012	2011
	\$	\$
Within 12 months of the end of the reporting period	90,959	74,506
More than 12 months after the end of the reporting period	211,440	285,976
Total	302,399	360,482

(c) The settlement of annual and long service leave liabilities gives rise to the payment of employment on-costs including workers' compensation insurance. The provision is the present value of expected future payments.

The associated expense, apart from the unwinding of the discount (finance cost), is disclosed in note 10 'Other expenses'.

Movements in other provisions

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

	2012	2011
	\$	\$
<i>Employment on-cost provision</i>		
Carrying amount at start of period	15,955	10,144
Additional provisions recognised	(15,734)	5,811
Carrying amount at end of period	221	15,955

Note 23. 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	2012	2011
	\$	\$
Balance at start of period	222,000	131,000
<i>Contributions by owners</i>		
Capital appropriation	52,000	91,000
Total contributions by owners	52,000	91,000
Balance at end of period	274,000	222,000

Accumulated surplus/(deficit)	2012	2011
	\$	\$
Balance at start of period	(490,675)	(756,599)
Result for the period	(68,180)	265,924
Balance at end of period	(558,855)	(490,675)
Total Equity at end of period	(284,855)	(268,675)

Note 24. Notes to the Statement of Cash Flows

Reconciliation of cash

Cash at the end of the financial year as shown in the Statement of Cash Flows is reconciled to the related items in the Statement of Financial Position as follows:

	2012	2011
	\$	\$
Cash and cash equivalents	184,088	143,079
Restricted cash and cash equivalents	48,607	30,617
Total	232,695	173,696

Reconciliation of net cost of services to net cash flows provided by/(used in) operating activities

	2012	2011
	\$	\$
Net cost of services	(3,232,521)	(2,650,458)
<i>Non-cash items:</i>		
Depreciation	46,239	22,556
Resources received free of charge	69,341	7,382
Net (gain)/loss on disposal of plant and equipment	3,994	-
<i>(Increase)/decrease in assets:</i>		
Current receivables (a)	36,692	(91,309)
Other asset	(4,674)	-
<i>Increase/(decrease) in liabilities:</i>		
Current payables	305,460	(18,514)
Current provisions	55,949	110,693
Non-current provisions	(138,945)	89,434
Net GST receipts/(payments) (b)	(22,193)	9,497
Change in GST in receivables/payables (c)	(18,578)	(87)
Net cash provided by/(used in) operating activities	(2,899,236)	(2,520,806)

- (a) Note that the Australian Taxation Office (ATO) receivable/payable in respect of GST and the receivable/payable in respect of the sale/purchase of non-current assets are not included in these items as they do not form part of the reconciling items.
- (b) This is the net GST paid/received, i.e cash transaction.
- (c) This reverses out the GST in receivables and payables.

Note 25. Commitments

The commitments below are inclusive of GST where relevant.

Non-cancellable operating lease commitments	2012	2011
	\$	\$
Commitments for minimum lease payments are payable as follows:		
Within 1 year	269,177	214,413
Later than 1 year and not later than 5 years	525,190	11,294
Total	794,367	225,707

Note 26. Contingent liabilities and contingent assets

There were no contingent liabilities or contingent assets as at 30 June 2012.

Note 27. Event occurring after the end of the reporting period

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

Note 28. Explanatory statement

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

Total appropriations provided to deliver services

Significant variances between actual results for 2012 and 2011

	2012	2011	Variance
	\$	\$	\$
Total appropriation provided to deliver services for the period	3,095,000	2,909,000	(186,000)

The Inspectorate has had an increase in appropriation to employ additional staff to perform the new audit function.

Service expenditure

Significant variances between estimate and actual for 2012

	2012	2011	Variance
	\$	\$	\$
Inspection and Review of Custodial Services	3,100,000	3,234,590	134,590

The Inspectorate has increased the number of staff employed in preparation for the performance of the new audit function.

Significant variances between actual results for 2012 and 2011

	2012 Estimate	2011 Actual	Variance
	\$	\$	\$
<i>Employee Benefits</i>			
Increase in the number of staff employed in preparation for the performance of the new audit function.	1,843,800	1,773,524	(70,276)
<i>Supplies and Services</i>			
Expenditure incurred in developing and upgrading IT infrastructure, relocating to Albert Facey House, recruiting new staff and conducting an expert organisational review.	1,039,245	588,823	(450,422)
<i>Accommodation Expenses</i>			
Additional accommodation costs relating to the move to the new premises at Albert Facey House.	291,428	236,554	(54,874)

Note 29. Financial instruments

(a) Financial risk management objectives and policies

Financial Instruments held by the Office are cash and cash equivalents, restricted cash and cash equivalents, receivables and payables. The Office has limited exposure to financial risks. The Office's overall risk management program focuses on managing the risks identified below.

Credit risk

Credit risk arises when there is the possibility of the Office's receivables defaulting on their contractual obligations resulting in financial loss to the Office.

The maximum exposure to credit risk at the end of the reporting period in relation to each class of recognised financial assets is the gross carrying amount of those assets inclusive of any allowance for impairment as shown in the table at note 29 (c) 'Financial instrument disclosures' and Note 15 'Receivables'.

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

Liquidity risk

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

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

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

Market risk

Market risk is the risk that changes in market prices such as foreign exchange rates and interest rates will affect the Office's income or value of its holdings of financial instruments. The Office does not trade in foreign currency and is not materially exposed to other price risks.

(b) Categories of financial instruments

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

	2012	2011
	\$	\$
<i>Financial Assets</i>		
Cash and cash equivalents	184,088	143,079
Restricted cash and cash equivalents	48,607	30,617
Receivables(a)	207,617	198,309
<i>Financial Liabilities</i>		
Financial liabilities measured at amortised cost	420,918	115,458

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

(c) Financial instrument disclosures

Credit Risk

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

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

Aged analysis of financial assets

	Carrying Amount	Not past due and not impaired	PAST DUE BUT NOT IMPAIRED					Impaired financial assets
			Up to 1 month	1-3 months	3 months to 1 year	1-5 years	More than 5 years	
			\$	\$	\$	\$	\$	
2012								
Cash and cash equivalents	184,088	184,088	-	-	-	-	-	-
Restricted cash and cash equivalent	48,607	48,607	-	-	-	-	-	-
Receivables (a)	54,617	54,617	-	-	-	-	-	-
Amounts receivable for service	153,000	153,000	-	-	-	-	-	-
Total	440,312	440,312	-	-	-	-	-	-
2011								
Cash and cash equivalents	143,079	143,079	-	-	-	-	-	-
Restricted cash and cash equivalent	30,617	30,617	-	-	-	-	-	-
Receivables (a)	91,309	91,309	-	-	-	-	-	-
Amounts receivable for service	107,000	107,000	-	-	-	-	-	-
Total	372,005	372,005	-	-	-	-	-	-

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

Liquidity risk and interest rate exposure

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

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

	INTEREST RATE EXPOSURE					Nominal Amount	MATURITY DATES				
	Weighted Average Effective Interest Rate	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
	%	\$	\$	\$	\$		\$	\$	\$	\$	\$
2012											
Financial assets											
Cash and cash equivalents		184,088	-	-	184,088	184,088	184,088	-	-	-	-
Restricted cash and cash equivalent		48,607	-	-	48,607	48,607	-	-	48,607	-	-
Receivables (a)		54,617	-	-	54,617	54,617	54,617	-	-	-	-
Amounts receivable for service		153,000	-	-	153,000	153,000	-	-	25,000	104,000	24,000
Total		440,312	-	-	440,312	440,312	238,705	-	25,000	152,607	24,000
Financial Liabilities											
Payables		420,918	-	-	420,918	420,918	420,918	-	-	-	-
Total		420,918	-	-	420,918	420,918	420,918	-	-	-	-
2011											
Financial assets											
Cash and cash equivalents		143,079	-	-	143,079	143,079	143,079	-	-	-	-
Restricted cash and cash equivalent		30,617	-	-	30,617	30,617	-	-	30,617	-	-
Receivables (a)		91,309	-	-	91,309	91,309	91,309	-	-	-	-
Amounts receivable for service		107,000	-	-	107,000	107,000	-	-	12,000	95,000	-
Total		372,005	-	-	372,005	372,005	234,388	-	12,000	125,617	-
Financial Liabilities											
Payables		115,458	-	-	115,458	115,458	115,458	-	-	-	-
Total		115,458	-	-	115,458	115,458	115,458	-	-	-	-

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

Interest rate sensitivity analysis

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

Fair Values

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

Note 30. Remuneration of senior officers

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

	2012	2011
	No.	No.
\$0,001 – 10,000	1	-
\$80,001 – 90,000	1	-
\$160,001 – 170,000	-	1
\$260,0001 – 270,000	-	1
\$280,001 – 290,000	1	-
Total remuneration of senior officers	\$374,342	\$432,704

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

Note 31. Remuneration of auditor

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

	2012	2011
	\$	\$
Auditing the accounts, financial statements and key performance indicators	20,000	18,800
Total	20,000	18,800

Note 32. Supplementary financial information

(a) Write-offs

During the financial year, \$0 (2011: \$769) was written off the Office's debts under the authority of:

	2012	2011
	\$	\$
The accountable authority	-	769
Total	-	769

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



OFFICE OF THE INSPECTOR
OF CUSTODIAL SERVICES

www.oics.wa.gov.au