
New South Wales Auditor-General's Report

Financial Audit

Volume Eight 2014

Focusing on Police and Justice
(Law, Order and Emergency Services)



The role of the Auditor-General

The roles and responsibilities of the Auditor-General, and hence the Audit Office, are set out in the *Public Finance and Audit Act 1983*.

Our major responsibility is to conduct financial or 'attest' audits of State public sector agencies' financial statements. We also audit the Total State Sector Accounts, a consolidation of all agencies' accounts.

Financial audits are designed to add credibility to financial statements, enhancing their value to end-users. Also, the existence of such audits provides a constant stimulus to agencies to ensure sound financial management.

Following a financial audit the Audit Office issues a variety of reports to agencies and reports periodically to parliament. In combination these reports give opinions on the truth and fairness of financial statements, and comment on agency compliance with certain laws, regulations and government directives. They may comment on financial prudence, probity and waste, and recommend operational improvements.

We also conduct performance audits. These examine whether an agency is carrying out its activities effectively and doing so economically and efficiently and in compliance with relevant laws. Audits may cover all or parts of an agency's operations, or consider particular issues across a number of agencies.

Performance audits are reported separately, with all other audits included in one of the regular volumes of the Auditor-General's Reports to Parliament – Financial Audits.

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Pursuant to the *Public Finance and Audit Act 1983*,
I present Volume Eight of my 2014 report.

A handwritten signature in black ink, appearing to read 'Grant Hehir'.

Grant Hehir
Auditor-General
20 November 2014

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Part One

Section One

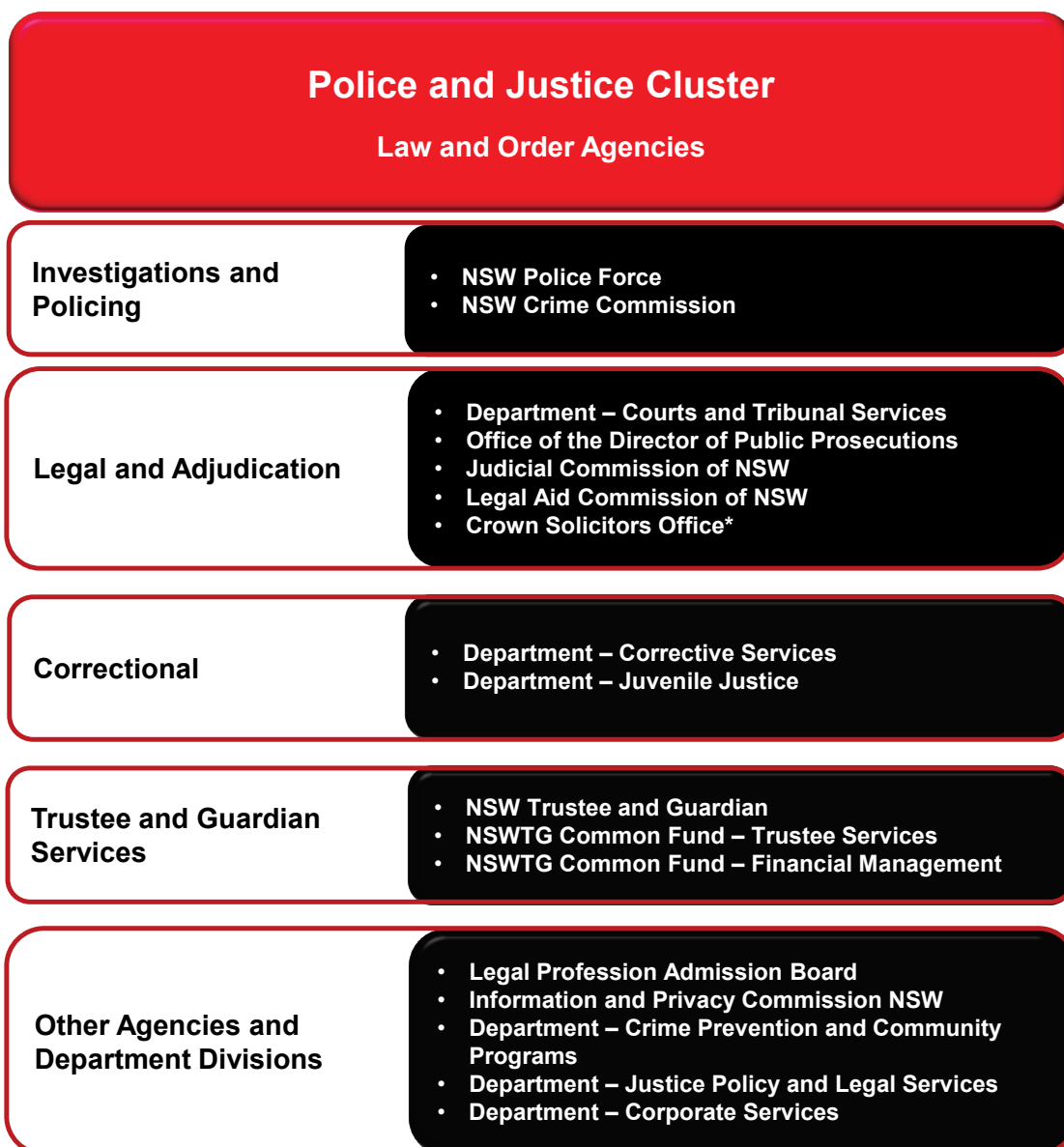
Law and Order



Executive Summary

This report gives the results of the financial statement audits of law and order agencies within the Police and Justice cluster for the year ended 30 June 2014. Unqualified audit opinions were issued on all financial statements for the year ended 30 June 2014.

The Department of Police and Justice (the Department) is the principal agency for the cluster. The Department was renamed the Department of Justice from 1 July 2014.



* The Crown Solicitor's Office was removed from the Department and established as a separate reporting entity from 24 February 2014.

The Department also includes the following five Offices: the Office of the Secretary, NSW Trustee and Guardian, Bureau of Crime Statistics and Research, the Office of Justice Cluster and Shared Corporate Services.

Snapshot of the Cluster

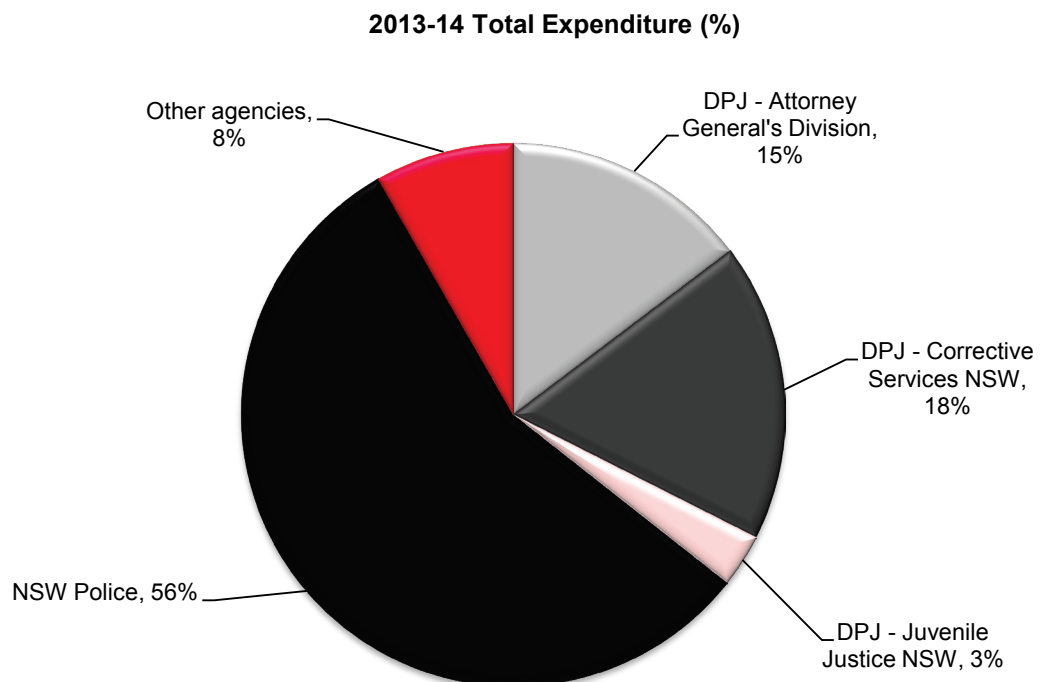
A snapshot of the law and order agencies within the cluster for the year ended 30 June 2014 is shown below.



* Full Time Equivalent.

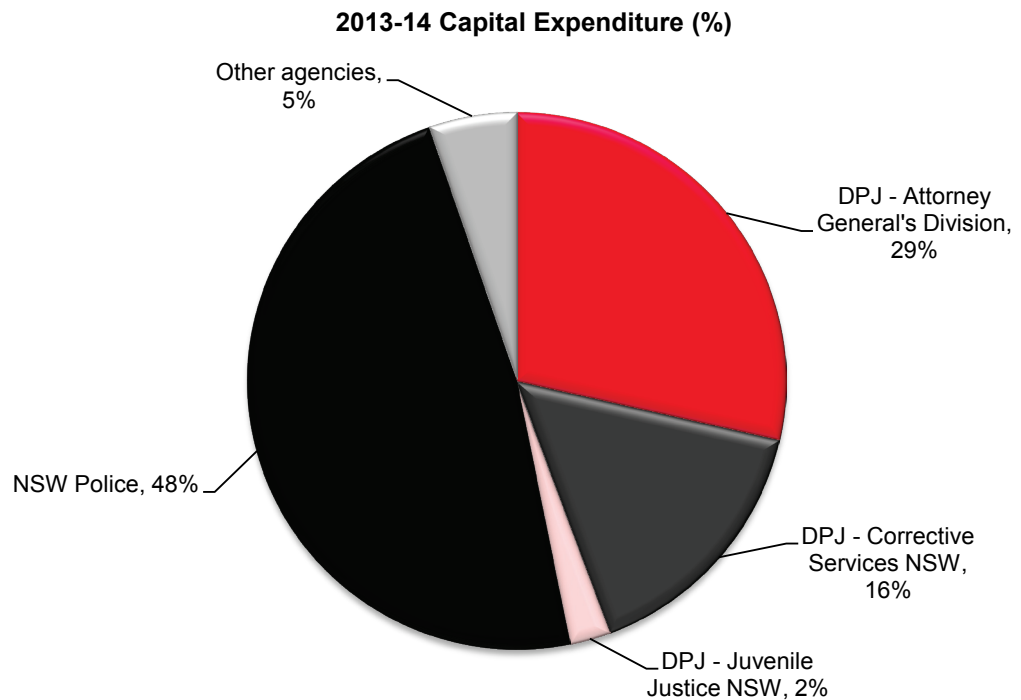
Total expenditure incurred by the law and order agencies was \$6.1 billion in 2013-14 with employee related expenses accounting for more than 70 per cent of this.

The NSW Police Force (the Force) accounted for 56.1 per cent of total expenditures as shown below.



DPJ: Department of Police and Justice
Source: Agencies' financial statements (audited).

Law and order agencies spent \$284 million on capital projects in 2013-14.



DPJ: Department of Police and Justice

Source: Agencies' financial statements (audited).

The Department spent \$133 million and the Force \$136 million on capital expenditure during the year. This represented 94.7 per cent of all capital expenditure for the law and order agencies in the cluster.

This report provides Parliament and other users of the financial statements with an analysis of the law and order agencies' results and key observations in the following areas:

- Financial and Performance Reporting
- Financial Controls
- Governance
- Service Delivery.

Financial and Performance Reporting

Financial and performance reporting is an important dimension of good governance. Confidence in public sector decision making and transparency is enhanced when financial and performance reporting is accurate, timely and clear.

Analysis of the financial and performance reporting of the law and order agencies in 2013-14 shows:

- improving quality in financial reporting with reported misstatements falling from 47 in 2009-10 to 20 in 2013-14
- broad success in performing early close procedures resulting in earlier submission and audit of the financial statements
- the cost of the Police Blue Ribbon Insurance scheme, as a percentage of total police officers' remuneration, remains above target at 8.3 per cent (statutory target 4.6 per cent)
- the average annual cost of a juvenile in custody increased to \$293,223 from \$283,605, mainly due to fixed costs being spread over fewer detainees
- the average annual cost of an adult prisoner in 2012-13 fell to \$91,006 from \$108,503 in 2011-12, largely due to cost reduction strategies implemented in 2011-12, and more inmates
- a framework to compare the relative costs of operating private and public correctional centres is not yet in place
- after adjusting for the NSW Trustee and Guardian's investment management fee of 0.5 per cent, client returns in 2013-14 for five of the ten portfolios were either equal to or marginally better than benchmark. The remaining five achieved marginally lower returns
- the accuracy of budgeting across the cluster has improved over the last five years
- total base salaries and wages increased by 3.7 per cent during the year from \$3.0 billion to \$3.1 billion, mainly due to a combination of pay rises and increases in the number of Police officers.
- other expenses increased by \$65.7 million (4.2 per cent) to \$1.6 billion.

Financial Controls

Appropriate financial controls help ensure the efficient and effective use of resources and the implementation and administration of agencies policies. They are essential for quality and timely decision making, effective financial management and other desired outcomes.

The audits did not identify any high risk internal control weaknesses. Information technology issues increased by 9.1 per cent to 12, with information security accounting for most issues.

The number of recommended internal audit actions (116) identified in 2013-14 suggests control weaknesses still exist within NSW Trustee and Guardian.

Staff with excess annual leave balances above the NSW Government target of 35 days numbered 9,914 or 29.9 per cent of law and order staff.

Total overtime costs increased by 5.8 per cent despite the number of staff being paid overtime falling by 6.4 per cent.

Sick leave cost \$82.2 million, with staff taking an average of 65.3 hours sick leave, an increase of 3.3 per cent. Average sick leave taken by frontline FTE staff in the Department fell to 94.4 from 100.5 hours, but remained significantly above the target.

The Force lost 110 hours per FTE employee in 2013-14 (114 hours in 2012-13) for both sick and workplace injury leave.

Governance

Governance refers to 'the framework of rules, relationships, systems and processes within, and by which, authority is exercised and controlled in agencies. It includes the systems the entities, and those charged with governance, use and are held to account by others.

The Department is still integrating policies, operations and systems across its divisions. It should complete this as a matter of urgency to ensure effective and consistent governance, financial control and financial management across the Department.

The Department is yet to finalise an appropriate structure for its internal audit and risk management functions. Until an appropriate governance structure has been implemented for the Department as a whole, fraud and other control risks may not be identified and mitigated.

A new framework to measure and monitor the performance of the Victims Support Scheme was implemented during the year, but is yet to provide performance information.

The Legal Aid Commission completed an Activity Based Costing implementation project plan in 2013-14 and piloted the system in September 2014.

Funds in the Crown Entity's 'Confiscated Proceeds Account' have increased from \$74.5 million at 30 June 2010 to \$113 million at 30 June 2014.

Incidents of alleged financial irregularities were identified within the Department and NSW Trustee and Guardian during the year, and are still subject to investigation.

Service Delivery

Service delivery is improved if service requirements are clear, targets are set, comprehensive management information exists and there is clear authority and accountability.

The Department introduced initiatives during the year to meet NSW 2021 goals.

Generally most crime categories in New South Wales have trended down since 2009.

The rate of prisoners returning to prison remained above the national average in 2012-13, and the proportion of prisoners on remand decreased marginally in 2013-14.

The daily average number of adult prisoners in custody increased by 6.5 per cent in 2013-14 to 10,447 inmates and prison occupancy was at 95.0 per cent of operating capacity.

The average number of juvenile offenders in custody decreased by 3.1 per cent to 314 at 30 June 2014.

Outstanding claims relating to the former Victims Compensation Fund more than halved during 2013-14 to 10,958.

The NSW Government has provided funding to ensure all pending Victims Compensation Fund claims are finalised by 30 June 2015.

Of the \$251 million in restitution debts owed by offenders at 30 June 2014, the Department estimates \$21.7 million will be recovered.

The Force had 245 less full-time equivalent police officers than the number of authorised positions at 30 June 2014.

Recommendations

The Law and Order agencies should:

1. when implementing SAP, design and allocate user access profiles to ensure appropriate segregation of duties, and then regularly review them to ensure appropriate segregation of duties are maintained
2. reinforce efforts to meet the NSW Government's employee annual leave targets
3. reinforce efforts to effectively manage sick leave
4. ensure agencies which have experienced incidents of fraud, reassess their fraud controls.

The Department of Police and Justice should:

5. ensure the State's publicly managed correctional centres are subject to the same degree of oversight and performance management and reporting as that applied to the privately managed centres
6. use the analysis of costs to identify efficiencies and reassess performance measures used to oversight public and private prisons
7. reassess the Victims Support Scheme's (VSS) outstanding claims liability each year to determine whether 'Incurred But Not Reported' (IBNR) claims can be reliably measured
8. complete the integration of its policies, operations and systems across its divisions as a matter of urgency
9. finalise and implement an appropriate internal audit and risk management framework as a matter of urgency
10. once integration is complete at the Department level, roll out the new policies and systems to other agencies in the cluster, where appropriate
11. ensure information in the VSS Reporting and Quality Assurance Framework is sufficient to monitor and measure the performance and success of the VSS, including the age of claim applications.

The Office of the Director of Public Prosecutions should:

12. reinforce efforts to implement a strategy to reduce excessive employee flex leave balances.

The Treasurer, in consultation with the Minister for Police and the Minister for Justice, should:

13. determine how funds in the Crown Entity's Confiscated Proceeds Account should be used.

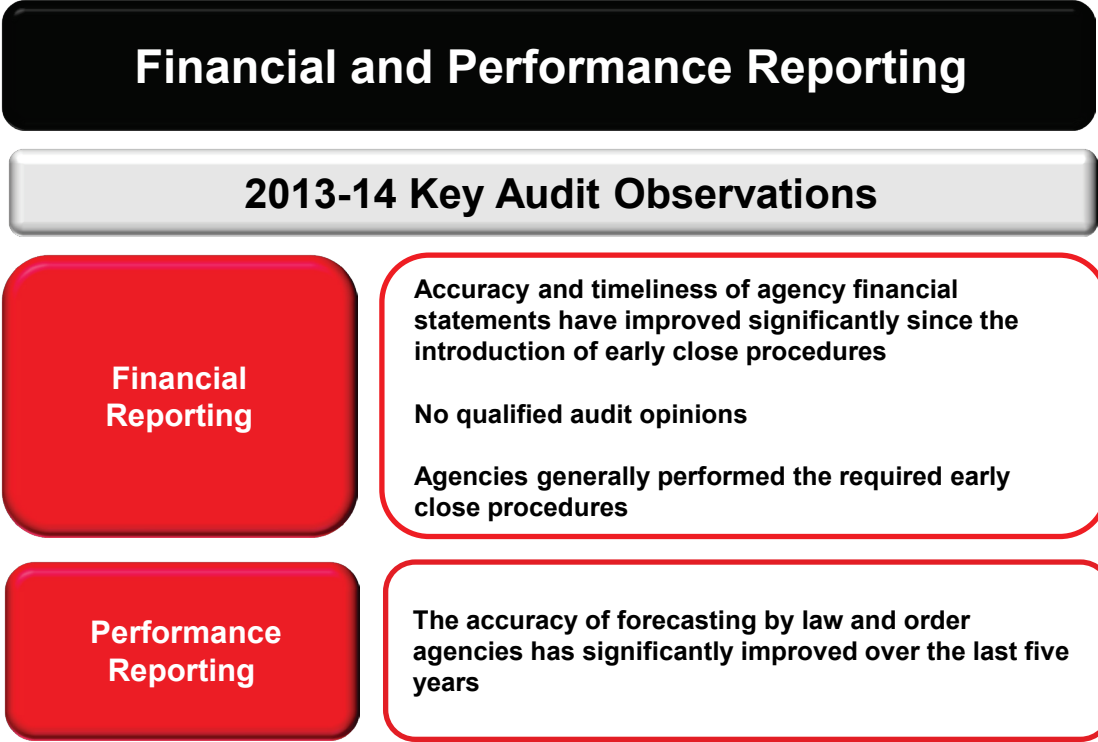
The NSW Trustee and Guardian should:

14. identify meaningful and measurable performance indicators and targets for the cost and quality of the services provided to the community.

Financial and Performance Reporting

Financial and performance reporting is an important dimension of good governance. It is only when people have access to accurate and timely information about what the Government is doing, that it can be held to account. Confidence in public sector decision making and transparency is enhanced when financial and performance reporting is accurate, timely and clear.

Government requires accurate and timely financial and performance information from agencies to enable effective decision making and financial management.



Quality and Timeliness of Financial Reporting

Unqualified audit opinions were issued on all law and order agencies' financial statements for the year ended 30 June 2014. The table below provides an overview of significant matters included in statutory audit reports in 2013-14 and reported monetary misstatements in each of the last five years.

Agency	Audit Result for 2013-14		Reported Misstatements for the year ended 30 June				
	Modified Opinion	Number of Significant Matters	2014	2013	2012	2011	2010
Department of Police and Justice	No	1	7	3	9	18	24
Legal Aid Commission of NSW	No	--	3	1	7	2	3
Office of the Legal Aid Commission of NSW	No	--	--	--	--	--	--
Office of the Director of Public Prosecutions	No	--	--	1	1	4	2
Judicial Commission of NSW	No	--	1	--	2	2	2
Legal Profession Admissions Board	No	--	2	5	3	1	4
Crown Solicitor's Office	No	--	2	--	--	--	--
Information and Privacy Commission NSW	No	--	2	2	6	3	4
NSW Trustee and Guardian	No	--	1	3	4	3	6
NSW Crime Commission	No	1	--	--	1	1	2
NSW Crime Commission Staff Agency	No	--	--	--	--	--	--
NSW Police Force	No	--	2	4	5	2	--
Total for Cluster		2	20	19	38	36	47

Source: Statutory Audit Reports issued by the Audit Office.

All material misstatements reported in 2013-14 were corrected in the financial statements. In addition to the 20 misstatements, the following two significant matters were reported to the Treasurer, and Minister and those charged with the governance of the Department and the NSW Crime Commission:

- suspected financial irregularities in the Department that are currently subject to ongoing internal and external reviews
- breaches of the *Public Finance and Audit Act 1983* (the Act) by the NSW Crime Commission. The Commission failed to notify the Auditor-General and Treasurer of two companies it established in 2011-12 for covert operations and, because of security and staff safety concerns, did not prepare financial statements for these companies as required by the Act.

The number of reported misstatements fell significantly in 2012-13, reflecting the improved quality of financial reporting across the cluster. The decrease is largely attributed to the introduction of early close procedures by Treasury in 2012.

During 2013--14, Treasury issued TC 14/02 'Mandatory early close procedures for 2014', which amongst other things, was aimed at ensuring continuing improvements to the quality and timeliness of agencies' annual financial reporting.

The Treasury Circular required the law and order agencies to:

- perform certain early close procedures and submit supporting work papers to the Audit Office within specified timeframes
- submit 30 June 2014 financial statements to the Audit Office by the dates stipulated in the circular.

Law and order agencies generally performed the early close procedures in accordance with the circular and all agencies' 30 June 2014 financial statements were submitted to the Audit Office by the specified dates. This in turn enabled the Audit Office to complete the audits and issue unqualified audit opinions by the agreed earlier deadlines.

Early close procedures enabled key issues to be addressed and resolved before year end. These included successfully addressing the requirements of:

- new and updated accounting standards on property, plant and equipment valuations, AASB 13 *Fair Value Measurement* and AASB 2011-8 *Amendments to Australian Accounting Standards arising from AASB 13*.
- amendments to AASB 119 *Employee Benefits* for post-employment benefits, termination benefits and other changes
- changes to legislation impacting agency restructures, such as the *Administrative Arrangements Order 2014*.

Key Issues from Financial Audits

Update on the performance of the Police Blue Ribbon Insurance Scheme

In 2013-14, the old Death and Disability scheme for the Force recognised net income because recoveries exceeded scheme costs for the year. The recoveries were from officers who received Total and Permanent Disability payments and were required to pay back the Partial and Permanent Disability benefits they had received.

The insurance premium for the Police Blue Ribbon Insurance Scheme, which replaced the Death and Disability Scheme, increased in 2013-14 due to changes in policy features and benefit cover from 1 October 2013, as well as an increase in the number of police officers. The main change was an increase in the period of income protection for officers from a maximum of five years to seven years.

The Force's self-managed income protection scheme covered police officers who did not meet the 'at work' test prescribed in Blue Ribbon Insurance Scheme (that is, the period between the closure of the old scheme and the date the insurance policy became effective). These costs increased in 2013-14 as a result of the benefit payment being for a full year compared to the part year benefit payment in 2012-13.

The breakdown of death and disability expenditure over the past four years is shown below.

Year ended 30 June	2014 \$000	2013 \$000	2012 \$000	2011 \$000
Death and Disability net expense/(income) (old scheme)	(19,728)	58,649	220,741	165,010
Police Blue Ribbon Insurance Scheme (new scheme)*	124,698	99,927	80,248	29,929
Self-managed income protection expense	5,390	3,482	--	--
Total death and disability net expense	110,360	162,058	300,989	194,939

* Insurance premiums for 2010-11 and a component of 2011-12 relate to Total and Permanent Disability and death premiums paid under the old scheme.

Source: NSW Police Force (unaudited).

Police officers contribute up to 1.8 per cent of their salary towards the cost of the Blue Ribbon premium and the remainder is funded by the Force. Total contributions by police officers in 2013-14 were \$22.7 million (\$21.4 million in 2012-13) and represent 18.2 per cent (21 per cent) of the total premium paid during the year.

The cost of the Blue Ribbon scheme for the year ended 30 June 2014 was 8.3 per cent of total police officers' remuneration, which remains above the statutory target of 4.6 per cent. A 2014 performance audit on the 'Effectiveness of the New Death and Disability Scheme' reported this target was achievable within five years if the improved claims performance continues, other emerging risks are contained, and these result in decreased insurance premiums.

The performance audit of the Blue Ribbon scheme made several recommendations. All of these were accepted by the Force, which is responding by:

- obtaining actuarial advice on required patterns of claims and responsibilities to develop milestones for meeting target
- identifying key information required and options for the Government to inform the market of the scheme's performance and encourage competition in the insurance industry for the Blue Ribbon policy
- integrating Workforce Improvement Program initiatives into current workforce practices (refer 'Workforce Improvement Program' below).

Income protection claims paid by the insurer

During 2013-14, total income protection claims paid by the insurer under the Blue Ribbon scheme amounted to \$4.1 million with an average claim payment of \$24,692.

Year ended 30 June	2014	2013
Total income protection claim payments (\$)	4,148,279	608,446
Number of income protection claims paid	168	39
Average claim paid (\$)	24,692	15,601

Source: NSW Police Force (unaudited).

Total claim payments are expected to grow over time as the full cost of claims under the Blue Ribbon scheme, which commenced in October 2012, are recognised. These claims may extend to a maximum of seven years under this policy.

Income protection claims paid by the Force

Claims paid by the Force under the self-managed income protection during 2013-14 amounted to \$5.4 million, making the average claim paid \$31,708.

Year ended 30 June	2014	2013
Total income protection claim payments (\$)	5,390,403	3,481,527
Number of income protection claims paid	170	175
Average claim size paid (\$)	31,708	19,894

Source: NSW Police Force (unaudited).

Workforce Improvement Program

The Workforce Improvement Program is focused on managing the rehabilitation, retraining and deployment of injured police officers. The Force is integrating the program's initiatives into current workforce practices by:

- engaging two additional deployment resources to facilitate improved return-to-work outcomes
- improving data analysis and reporting to enable local monitoring of performance and providing standardised data reports
- consulting with insurance providers to explore opportunities to streamline communication and processes between injured officers and case managers.

Department of Police and Justice

Young Offender Costs

The table below shows the average annual cost of supervising and caring for young offenders over the past four years.

Year ended 30 June	2014 \$	2013 \$	2012 \$	2011* \$
Average annual cost per juvenile in custody**	293,223	283,605	279,225	237,980
Average annual cost per juvenile in community based services**	8,017	9,125	6,935	6,205
Average annual cost per juvenile in Youth Justice Conferencing**	3,577	3,650	3,285	2,555

* Responsibility of Department of Family and Community Services to 31 March 2011 and Department of Police and Justice thereafter.

** The average annual cost includes net operating expenses and capital costs.

Source: Department (unaudited).

Juvenile Justice centres have experienced a sustained drop in the number of detainees since 2009-10, falling 26.6 per cent from 428 to 314 detainees at 30 June 2014. The average annual cost per juvenile in custody has increased each year to \$293,223 in 2013-14. The Department attributes the increase to fixed juvenile custody costs being spread over the decreasing number of detainees.

Juvenile Justice has responded by 'mothballing' accommodation units in some juvenile centres, resulting in their capacity falling by 75 beds in 2013-14. While mothballed units are not in active use, they are available should detainee numbers increase in the future.

Refer to the Service Delivery section of this report for further details on the capacity of Juvenile Centres and the number of juveniles in custody.

Adult Offender Costs

The table below shows the total net operating expenditure and capital cost per prisoner per year for all prisons in Corrective Services.

Year ended 30 June	2013 \$	2012 \$	2011 \$	2010 \$	2009 \$
Cost per prisoner per annum in all prisons	91,006	108,503	104,289	106,826	111,627

Source: Productivity Commission Report on Government Services 2014 (unaudited).

The table shows the costs per prisoner per year have fallen by 18.5 per cent since 2008-09, and 16.1 per cent since 2011-12. The decrease reflects fixed prison costs being spread over an increasing number of inmates, and the benefit of cost reduction strategies implemented by Corrective Services in 2011-12, including:

- progressive decommissioning of three prisons
- across the board review of operations and staffing resulting in 569 fewer positions.

Data for 2013-14 was not available at the date of this report. Refer to the Service Delivery section of this report for further details on the capacity of adult prisons and the prison population.

Juvenile and Adult Offender Costs

The tables above show the average annual cost of a juvenile in custody is significantly higher than that of an adult inmate. This is attributed to:

- higher levels of supervision needed for juveniles to meet duty of care responsibilities and child protection requirements
- more staff required to facilitate out of cell activities to re-engage juveniles back into education, and to support individual rehabilitation and re-entry into the community
- the added cost of providing specialist programs for juveniles to address offending behaviour through assessment, case management consultation, individual and group counselling and psychological services
- the lower number of juveniles compared to adult inmates resulting in higher per unit costs for juveniles. Youth Justice Centres for juveniles accommodate between 25 to 90 young people, while adult centres can accommodate between 600 to 800 inmates
- out of cell time for juveniles of 16 hours compared to eight hours for most adult inmates
- Youth Justice Centres having a ratio of one officer for every five detainees, while adult prisons have one officer for about 15 inmates
- the frequency of night checks, juveniles are checked every 20 minutes, adults every four hours.

Privately versus publicly managed correctional centres

Recommendation

The State's publicly managed correctional centres should be subject to the same degree of oversight and performance management and reporting as that applied to the privately managed centres.

The Department should use the analysis of costs to identify efficiencies and reassess performance measures used to oversight public and private prisons.

A 2009 Legislative Council Inquiry into the privatisation of prisons and prison related services recommended Corrective Services develop a more rigorous methodology to compare costs between public and private prisons. The Department advises that a consultant has now completed a detailed like-for-like analysis of costs, and the consultant's Cabinet-In-Confidence report was submitted to the Expenditure Review Committee in October 2014.

The Department should use the consultant's analysis to identify efficiencies and reassess the performance measures used to oversight public and private prisons.

The Department subjects private operators' performance to continuous appraisal, which incorporates monitoring and reporting against performance linked fees and operating specifications within the contracts. Publicly managed correctional centres should be subject to a similar degree of oversight and performance management and reporting as that applied to privately managed centres.

Performance audit on performance framework for prison services

A performance audit on the performance framework for prison services is expected to be tabled in Parliament in April/May 2015. The audit will examine and assess the performance framework for custodial centre operations against the following criteria:

- are key (efficiency, effectiveness and process) performance indicators specified and targets set?
- are performance indicators in line with good practice?
- are performance requirements met?
- are actions taken to respond to variations in performance, both at individual prisons and by the monitoring authority?

Measurement of outstanding claims liability for Victims Support Services (VSS)

Recommendation

The Department should reassess the Victims Support Scheme's (VSS) outstanding claims liability each year to determine whether 'Incurred But Not Reported' (IBNR) claims can be reliably measured.

The Department's financial statements included an actuarially assessed outstanding claims liability of \$123 million at 30 June 2014 (\$150 million at 30 June 2013) for lodged, but unresolved VSS claims. The liability does not include IBNR claims on the basis they cannot yet be reliably measured. This is because:

- the scheme was recently reformed and new and old scheme benefits are not equivalent. As a result, the experience of the old scheme cannot be used to reliably estimate IBNR claims for the new scheme
- there is little actual claims experience under the new scheme to help estimate IBNR claims, and claims-to-date have been lower than expected
- the range of possible IBNR claims and the degree of uncertainty in the IBNR estimate is significantly greater than that of reported claims.

An IBNR claim occurs when a victim of crime claim has not yet been received or if received, has not yet been assessed and resolved.

Further information on victim support claims is in the Service Delivery section of this report.

NSW Trustee and Guardian

Financial Returns on Funds Managed by NSW Trustee and Guardian

The 'NSW Trustee and Guardian Common Fund – Financial Management' (the Financial Management Fund) holds the funds of clients whose financial affairs are directly managed by the NSW Trustee and Guardian, or a private manager. The Fund comprises an Access Fund, which is an interest bearing working account for client transactions, and seven diversified investment funds. Custodial and investment management services are provided by the private sector.

The 'NSW Trustee and Guardian Common Fund – Trustee' (the Trustee Fund) operates two portfolios of investments for client funds received by the NSW Trustee and Guardian as executor, trustee or attorney. The primary portfolio invests in high quality cash deposits and short term money market securities, while the growth portfolio aims for 70 per cent investment in the Indexed Australian Shares Sector Trust, and 30 per cent in the Indexed International Shares Sector Trust. The growth portfolio is managed by New South Wales Treasury Corporation.

The table below shows investment returns achieved on client funds under management compared to benchmark in 2012-13 and 2013-14.

Year ended 30 June	Client returns (%) 2014	Benchmark return (%) 2014	Difference return (%) 2014	Client returns (%) 2013	Benchmark return (%) 2013	Difference return (%) 2013
Financial management portfolios						
Access Fund	2.2	2.2	--	3.2	3.3	(0.1)
Australian Cash	2.0	2.2	(0.2)	3.1	3.3	(0.2)
Australian Cash Plus	2.9	3.1	(0.2)	3.5	3.8	(0.3)
Australian Fixed Interest	5.3	5.6	(0.3)	2.7	2.8	(0.1)
Australian Shares	16.6	16.6	--	22.3	22.8	(0.5)
Australian Listed Property Securities	10.4	10.6	(0.2)	24.2	24.2	--
International Bond	7.5	7.0	0.5	4.1	4.5	(0.4)
International Share	23.1	23.1	--	29.8	30.0	(0.2)
Trustee Portfolios						
Primary Portfolio	2.4	1.9	0.5	3.9	3.3	0.6
Growth Portfolio	17.6	18.6	(1.0)	25.6	26.1	(0.5)

Note: Standard industry benchmarks for the relevant asset class are used for each fund. Benchmark and client returns are net of the NSW Trustee and Guardian's investment management fee of 0.5 per cent.

Source: NSW Trustee and Guardian Annual Reports (unaudited).

The funds with exposure to domestic and international equities performed especially strongly in 2013-14, compared to cash and fixed interest funds. After adjusting for the NSW Trustee and Guardian's investment management fee of 0.5 per cent, client returns for five of the ten portfolios were either equal to or marginally better than benchmark. The remaining five achieved marginally lower returns.

The NSW Trustee and Guardian maintains separate funds for Financial Management and Trustee clients because they are subject to different taxation requirements.

Performance against Budget

Law and order agencies returned a combined deficit of \$17.9 million in 2013-14, compared to a combined surplus of \$368 million in 2012-13. The \$103 million difference between the budgeted surplus and actual deficit is 1.7 per cent of total expenses and 1.7 per cent of total revenue.

The table below shows budgeted and actual results for law and order agencies over the last five years.

Law and Order Cluster Total

	2014		2013		2012		2011		2010	
	Actual	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual	Budget
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Abridged Statement of Comprehensive Income - Year Ended 30 June										
Employee expenses	4,428	4,399	4,060	4,291	4,219	4,182	3,826	3,445	3,520	3,173
All other expenses and losses	1,644	1,615	1,577	1,609	1,666	1,571	1,517	1,378	1,396	1,249
Total expenses	6,072	6,014	5,637	5,900	5,885	5,753	5,343	4,823	4,916	4,422
Government contributions	5,596	5,628	5,378	5,468	5,665	5,477	5,000	4,668	4,483	4,245
Other revenue	458	471	627	435	396	365	389	281	365	260
Total revenue	6,054	6,099	6,005	5,903	6,061	5,842	5,389	4,949	4,848	4,505
Surplus/(Deficit)	(18)	85	368	3	176	89	46	126	(68)	83
Total other comprehensive income/(expense)*	122	--	162	--	(48)	--	331	--	81	--
Total comprehensive income	104	85	530	3	128	89	377	126	13	83
Abridged Statement of Financial Position - at 30 June										
Current assets	615	518	508	428	541	455	403	324	354	319
Non-current assets	5,828	5,753	5,767	5,555	5,646	5,586	5,550	5,106	4,879	4,539
Total assets	6,443	6,271	6,275	5,983	6,187	6,041	5,953	5,430	5,233	4,858
Current liabilities	1,073	1,051	973	957	1,110	968	974	923	984	827
Non-current liabilities	529	508	569	414	854	554	546	440	491	419
Total liabilities	1,602	1,559	1,542	1,371	1,964	1,522	1,520	1,363	1,475	1,246
Net assets	4,841	4,712	4,733	4,612	4,223	4,519	4,433	4,067	3,758	3,612
Extract from Statement of Cash Flows - Year Ended 30 June										
Purchases of Property, Plant and Equipment	284	338	332	322	324	304	358	348	324	337

* Includes transactions taken directly to equity, such as asset revaluation movements and actuarial movements on defined benefit superannuation plans

Source: Audited Financial Statements. Government grant transfers and personnel services transactions between entities have been eliminated.

Actual v Budget Indicator

●	Variance below 2 per cent of budget
●	Variance between 2 and 5 per cent of budget
●	Variance greater than 5 per cent of budget

Trends in Actual versus Budget Indicator

The table above shows the accuracy of budgeting by law and order agencies has improved significantly over the last five years. Between 2009-10 and 2010-11 the variances between actual and budget for underlying line items (excluding totals) were all above five per cent. In 2013-14 all base line variances, with the exception of current assets, were less than five per cent.

The improvement reflects the increasing emphasis on the accuracy of forecasting and the quality of financial reporting by the Department and the Treasurer.

The Treasurer has actively engaged with agency Chief Financial Officers and communicated the importance of accurate financial information at various forums. The Treasurer's request for the Auditor-General to review agency budget estimates and forecasts in recent years has also been aimed at improving overall quality.

Expenses

Total expenses for law and order agencies were \$58.0 million more than budget in 2013-14. Factors contributing to the unfavourable variance included:

- Department employee related expenditure exceeding budget by \$25.5 million mainly due to the use of casual staff and overtime to accommodate the increase in inmates in corrective facilities
- other operating expenses at the Department exceeding budget by \$20.5 million mainly as a result of higher computer licence fees and variations in outsourced correctional management fees due to increased inmate numbers
- the insurance premium for the Force's Blue Ribbon insurance scheme increased by \$24.8 million primarily due to improved member benefits coverage
- the Force's triennial actuarial review of Long Service Leave resulted in a \$7.5 million increase in on-costs.

The Force had a saving of \$20.0 million on depreciation expenses due to realignment of budget values and capital program impacts.

Total comprehensive income

Total comprehensive income of law and order agencies was \$104 million for 2013-14, \$19.0 million above the budgeted surplus of \$85.0 million.

Total other comprehensive income of \$122 million includes a \$121 million upward movement in the fair value of land and buildings. The Department posted the highest increase, \$105 million, in the value of land and buildings within the cluster.

In 2013-2014, law and order agencies generated \$458 million (\$627 million in 2012-13) in revenue from sources other than government contributions. The fall in this source of revenue is primarily due to recognition of \$216 million in 2012-13 for a one-off decrease in the victims' claims liability following introduction of the new Victims Support Scheme.

Assets

The value of assets held by law and order agencies totalled \$6.4 billion (\$6.3 billion).

Appendix One provides a summary of key financial results for law and order agencies in the Police and Justice cluster included within this report.

Analysis of salaries and wages, and other expenditure within the cluster

The following table shows the movement in base salaries and wages and other expenditure for all law and order agencies over the last two years.

Comparison of base salary and wages and other expenditure

Year ended 30 June	Base Salary and Wages*			Other Expenditure		
	2014 \$'000	2013 \$'000	Movement %	2014 \$'000	2013 \$'000	Movement %
Department of Police and Justice**	1,022,039	1,025,046	(0.3)	798,483	751,948	6.2
Legal Aid Commission	81,086	77,495	4.6	146,753	144,885	1.3
Office of Director of Public Prosecutions	72,408	71,435	1.4	24,594	23,052	6.7
Judicial Commission	3,792	3,597	5.4	1,599	1,761	(9.2)
Legal Profession Admission Board	875	985	(11.2)	898	709	26.7
Crown Solicitors Office**	11,074	--	--	12,868	--	--
Information and Privacy Commission	2,493	3,499	(28.8)	2,041	1,424	43.3
NSW Trustee & Guardian	50,232	49,294	1.9	21,354	18,607	14.8
NSW Crime Commission	14,220	12,118	17.3	6,061	5,658	7.1
NSW Police Force	1,811,103	1,716,100	5.5	617,620	618,497	(0.1)
Cluster Total	3,069,322	2,959,569	3.7	1,632,271	1,566,541	4.2

* Excludes superannuation, long service leave, workers' compensation, payroll tax, fringe benefits tax and redundancy payments.

** Crown Solicitor's Office was established as a separate reporting entity from 24 February 2014. All expenditure prior to this date is included in the Department of Police and Justice.

Source: Agencies' financial statements (audited).

Base salary and wages for law and order agencies increased by 3.7 per cent from \$3.0 billion in 2012-13 to \$3.1 billion in 2013-14. Most of the increase related to the Force, mainly due to an increase in police numbers and 3.2 and 2.5 per cent pay increases for non-executive police officers and administrative officers respectively, with effect from 1 July 2013.

Salaries and wages for the Department decreased by 0.3 per cent over the same period, partly impacted by the Crown Solicitor's Office becoming a separate reporting entity from 24 February 2014. If this had not occurred, base salary and wages would have increased by 0.8 per cent.

Total other expenditure for all law and order agencies increased by \$65.7 million or 4.2 per cent to \$1.6 billion. This was mainly attributable to the Department, whose non-salary and wage expenditure increased by \$46.5 million to \$798 million. This was largely due to additional Victims Support Service claims of \$21.2 million and Crown Solicitor's Office legal costs of \$11.5 million.

The Office of the Director of Public Prosecutions' expenditure increased by \$1.5 million to \$24.6 million in 2013-14 largely as a result of increased private barrister costs resulting from a higher case load.

NSW Crime Commission costs for 2013-14 increased by 7.1 per cent to \$6.1 million. This was mainly due to additional costs with the development and introduction of new IT systems to support administrative and operational activities of the Commission.

NSW Trustee and Guardian costs increased due to a new contract for corporate facilities management services implemented in 2013-14. Marketing and advertising activity also increased in 2013-14, and included campaigns to promote services such as the provision of wills, community outreach programs and other key campaigns such as Seniors' Week.

Financial Controls

Appropriate financial controls help agencies ensure the efficient and effective use of resources and the implementation and administration of policies. They are essential for quality and timely decision making to achieve effective financial management and other desired outcomes.

Financial Controls	
2013-14 Key Audit Observations	
Internal Controls	Compliance with agency policies, and controls over asset management, expenditure and payroll functions should be improved
Information Technology	Information security should be improved, including password settings and access controls
Human Resources	Almost 30 per cent of staff have annual leave balances above Treasury's target Management of sick leave should be improved

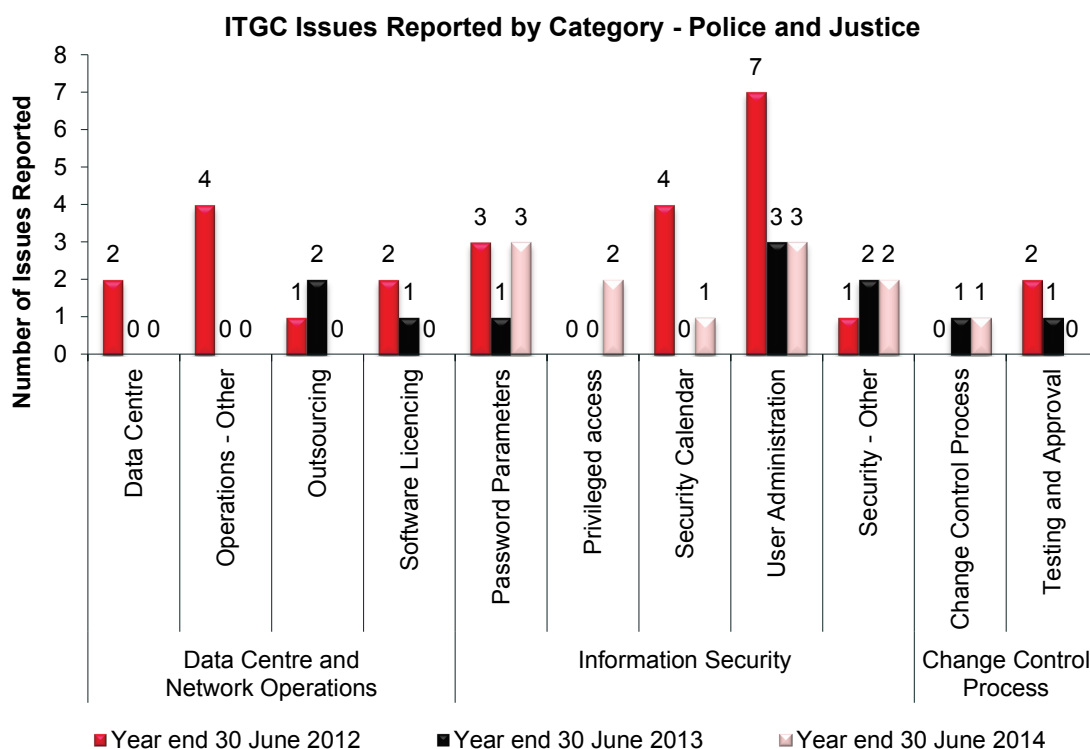
Internal Controls

Weaknesses in internal controls increase the risk of fraud or error. The financial statement audits for 2013-2014 concluded that, generally, the entities' internal controls are appropriately designed and operating effectively to produce reliable and timely financial reports. However, the audits did identify areas where internal controls should be improved, and these were reported to management. Common observations included:

- absence of entity-wide contract registers that capture relevant contract details for contract management and publication as required by the *Government Information (Public Access) Act 2009*
- employee salary overpayments and overpayment suspense accounts not reconciled on a timely basis
- lack of formal signed service level agreements for human resources, financial functions, and fixed asset register maintenance provided by the Department to other entities within the cluster
- fixed asset additions and disposals not recorded in fixed asset registers on a timely basis and inaccurate claims for goods and services tax on purchased fixed assets
- excess recreation leave balances and instances of negative recreation leave balances
- conflicts of interest registers not always maintained in accordance with agency Codes of Conduct and conflicts not always declared
- general ledger maintenance issues, including no review of reconciliations, incorrect journal postings and mappings, discrepancies in reports and intra-entity transactions not eliminated
- weaknesses in control over recording of revenue
- instances of executive staff having the ability to authorise purchase orders above their delegated authority, without a direct mitigating control
- limited controls in the Department's JusticeLink system to prevent unauthorised changes to bank account and other disbursement details.

Information Technology

Information systems audits focused on the information technology (IT) processes and controls supporting the integrity of financial data used in the preparation of agencies' financial statements. These audits identified 12 IT issues for agencies within the Police and Justice cluster, an increase of 9.1 per cent from 2012-13. There were two repeat issues from 2012-13, both of which related to suggested improvements to information security.



Information security issues accounted for all but one of the IT issues identified in 2013-14 for the cluster. The following areas were of particular concern:

- user administration issues accounted for 27.3 per cent of the information security issues. Most related to weaknesses around timely termination of user access to systems, which increases the risk of unauthorised access to financial systems
- financial system password settings not being configured securely, as required by agency policies and better practice standards, accounted for 27.3 per cent of the information security issues. Weak password settings increase the risk of security attacks, data integrity issues, data privacy breaches and identity theft.

Disaster Recovery Planning

In 2013-14, ten agencies within the Police and Justice cluster completed a self-assessment of their disaster recovery planning and testing capabilities. Agencies reported they had established and regularly reviewed their disaster recovery plans for critical financial systems. However, some agencies had only performed partial testing of their recovery capabilities and plans.

Managing Segregation of Duties Issues in SAP

Recommendation

When implementing SAP, agencies should design and allocate user access profiles to ensure appropriate segregation of duties, and then regularly review them to ensure appropriate segregation of duties is maintained.

Most agencies within the cluster are either already using SAP, have recently implemented it or are planning to implement it as the key financial system. Managing segregation of duties in an SAP environment has been challenging for many agencies within the cluster. To address this, many agencies have recently implemented the SAP Governance Risk and Compliance (GRC) solution, which offers a preventative and real-time approach to monitoring and preventing segregation of duties and other compliance violations, and risk events.

Agencies should maximise the benefits of the SAP GRC solution. Simply implementing SAP GRC is not a definitive solution to address segregation of duties issues. As part of the initial system implementation, agencies should design and configure SAP user access to achieve appropriate segregation of duties. While SAP GRC can help agencies identify segregation of duties violations, they need to be proactive and timely in reviewing and resolving violations.

Fixed Asset Stocktake Deficiencies

Last year's Report to Parliament noted that the Department's stocktakes had identified many fixed assets were missing or unaccounted for, particularly in the IT area. The Department established a dedicated team to investigate the discrepancies and wrote-off 589 assets with a net book value of \$1.9 million.

The Department engaged an external expert to investigate the implications of the missing assets, who concluded:

- there was no evidence to warrant an investigation into possible systemic misappropriation of fixed assets
- fixed asset stocktake procedures were deemed reasonably effective
- policy and procedural documentation needs to be tightened and the controls around fixed asset maintenance processes needed strengthening to enforce business requirements
- formal asset policies and procedures are not uniformly followed across all Corrective Services NSW facilities, which results in significant data quality issues within the fixed asset management process.

Controls within NSW Trustee and Guardian

Last year's Report to Parliament referred to the number of internal audit actions identified within NSW Trustee and Guardian during the year and those which remained outstanding at year end. The status of internal audit actions as at 30 June 2014 is shown in the table below:

Year ended 30 June	2014 Number	2013 Number
Outstanding actions at the beginning of the year	32	13
Additional actions identified during the year	116	70
Actions addressed during the year	(125)	(51)
Outstanding actions at year end	23	32
Overdue actions	5	13

Source: Information provided by NSW Trustee and Guardian (unaudited).

Management advises three of the five outstanding actions at 30 June 2014 have since been addressed and the remaining two will be completed in 2014-15. They relate to information systems and records management.

The NSW Trustee and Guardian has an active internal audit program, reflecting the risks associated with safeguarding and managing client assets and finances.

Administration of client assets

The NSW Trustee and Guardian manages approximately 2,500 clients' assets at any given time, including valuables and residential properties. To ensure clients' properties are maintained in a proper state of repair, the NSW Trustee and Guardian is implementing a model for regular inspections and planned maintenance.

Payment of non-standard transactions

The Trustee and Guardian processes a high volume of non-standard transactions, which increases the risk of fraud and error. Non-standard transactions include:

- payments from client trust accounts to third parties, including overseas third parties
- reimbursements to third parties, such as client family members
- direct cash payments to clients.

The variable nature of these transactions means they need more manual intervention than standard/regular payments. This makes establishing and maintaining a strong control environment more difficult, but more important.

The NSW Trustee and Guardian is implementing a new client information management system in 2015 with the aim of improving the control environment. The system's specifications will incorporate control improvements recommended by an expert in transactional banking fraud.

Human Resources

Excessive Annual Leave

Recommendation

Law and order agencies should reinforce efforts to meet the NSW Government's employee annual leave targets.

Treasury Circular TC14/11 'Reduction of Accrued Recreation Leave Balances' requires agencies to make all reasonable attempts to reduce accrued employee recreation leave balances to a maximum of 35 days or less by 30 June 2014 and 30 days or less by 30 June 2015, within the constraints of relevant industrial instruments and legislation.

Excess leave balances can affect an organisation in the following ways:

- the associated financial liability generally increases over time as salaries increase
- workplace health and safety issues may arise
- employee fraud may remain undetected.

The table below shows the number of staff with more than 35 days accrued annual leave at 30 June 2014 and more than 40 days at 30 June 2013:

Year ended 30 June	2014	2013	Movement
Agency	Staff with Annual Leave >35 days	Staff with Annual Leave >40 days	Staff Numbers
Department of Police and Justice	2,911	2,087	824
Legal Aid Commission of NSW	87	54	33
Office of the Director of Public Prosecutions	96	77	19
Judicial Commission of NSW	3	1	2
Legal Profession Admission Board	--	--	--
Crown Solicitor's Office	17	3	14
Information and Privacy Commission NSW	--	--	--
NSW Trustee and Guardian	83	62	21
NSW Crime Commission	2	--	2
NSW Police Force	6,715	5,065	1,650
Total for Cluster	9,914	7,349	2,565

Source: Provided by agencies (unaudited).

The total number of staff with excess annual leave has increased; with 9,914 employees' annual leave balances exceeding 35 days (29.9 per cent of full time equivalent (FTE) staff). This is a 34.9 per cent increase on 2013 when 7,349 staff had balances above 40 days (21.9 per cent of FTE staff).

The Department advises it has initiatives in place to address excessive annual leave balances. These include quarterly reviews of balances by Business Centre Managers and annual advices sent to employees reminding them of the requirement to reduce their leave balances below Treasury targets.

Front line employees within the Force and the Department have annual leave entitlements in excess of the usual four weeks per annum.

Overtime

Law and order agencies continue to pay significant amounts of overtime. Overtime is paid at a premium rate and, if not effectively managed, can result in higher than necessary expenditure and increased work, health and safety issues, particularly when fatigued employees perform high-risk tasks. Associated allowances include expenses for travel, meals and other incidental costs relating to overtime.

The following table shows the overtime paid to administrative and frontline staff as a percentage of base salary, over the last two years.

Year ended 30 June	Base salary (\$'000)		Number of employees paid overtime		Total overtime paid (\$'000)		Total overtime as % of base salary	
	2014	2013	2014	2013	2014	2013	2014	2013
Department of Police and Justice	1,022,039	1,025,046	5,100	5,229	24,092	22,129	2.4	2.2
Legal Aid Commission of NSW	81,086	77,495	189	145	661	596	0.8	0.8
Office of the Director of Public Prosecutions	72,408	71,435	37	32	53	41	0.1	0.1
Judicial Commission of NSW	3,792	3,597	8	8	11	6	0.3	0.2
Legal Profession Admission Board	875	985	5	5	--	1	--	0.1
Crown Solicitor's Office	11,074	--	137	122	74	--	0.7	--
Information and Privacy Commission NSW	2,493	3,499	1	1	--	--	--	--
NSW Trustee and Guardian	50,232	49,294	179	194	207	252	0.4	0.5
NSW Crime Commission	14,220	12,118	6	5	14	5	0.1	--
NSW Police Force	1,811,103	1,716,100	13,805	15,058	39,005	37,577	2.2	2.2
Total	3,069,322	2,959,569	19,467	20,799	64,117	60,607	2.1	2.0

Note: The Crown Solicitor's Office was removed from the Department and established as a separate reporting entity from 24 February 2014. The number of employees paid overtime assumes the Office operated as a separate entity for both years.

Source: Base salary obtained from agencies' financial statements (audited). All other data supplied by agencies (unaudited).

Approximately 87.5 per cent of overtime paid in the cluster was to frontline staff, mainly comprising police officers and custodial staff within correctional and juvenile centres. In 2013-14, overtime paid to frontline staff by the Department and the Force totalled \$20.0 million (\$18.3 million in 2012-13) and \$35.8 million (\$34.7 million) respectively.

The Department attributes the overtime incurred by front line staff to an increase in inmates in corrective facilities.

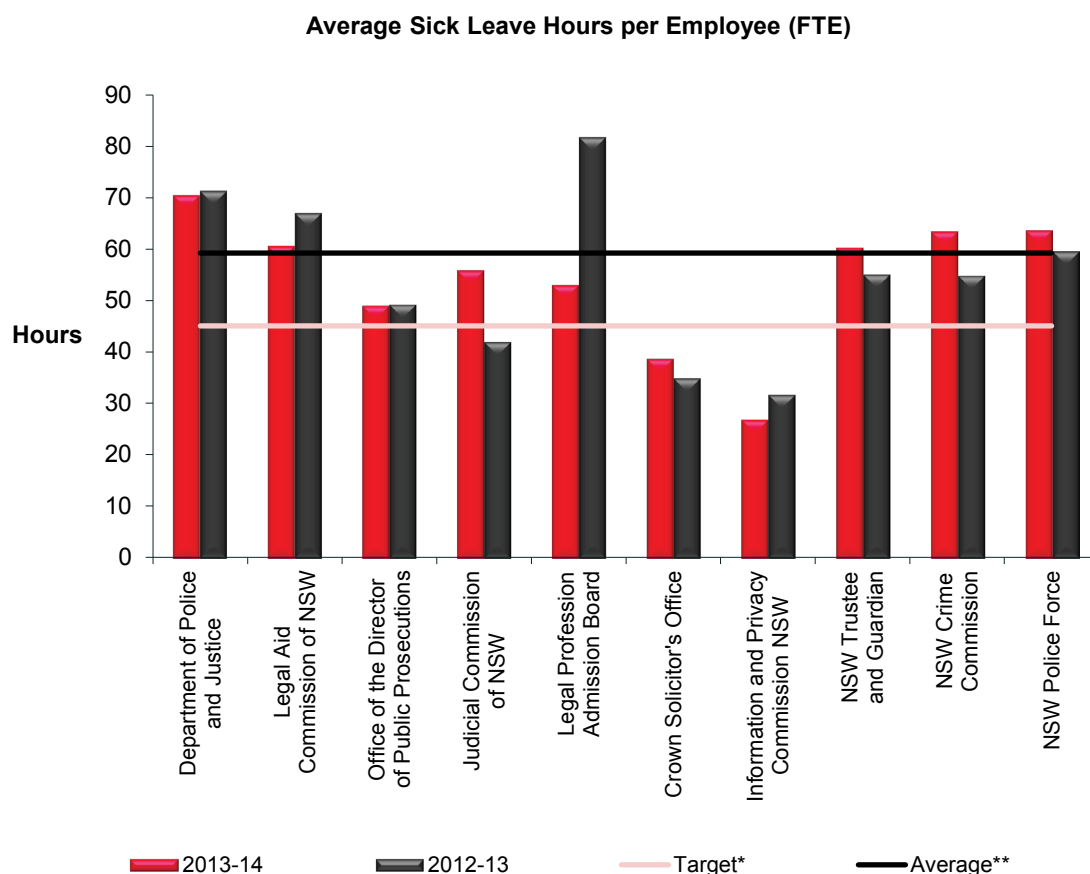
Sick Leave

Recommendation

Law and order agencies should reinforce efforts to effectively manage sick leave.

Effectively managing sick leave is a continual challenge for NSW Government agencies. Sick leave is a significant cost to agencies, and the welfare of employees may be adversely impacted if not properly managed. Total direct sick leave costs in the law and order agencies increased by 1.5 per cent from \$81.0 million in 2012-13 to \$82.2 million in 2013-14. This does not include indirect costs, such as overtime and engaging staff to back-fill absent employees.

The graph below shows average sick leave hours per employee by agency, against the NSW target and average.



* The sick leave target (45.06 hours per employee) was taken from the Memorandum of Understanding (MOU) signed in settlement of the *Crown Employees (Public Sector Salaries – 2008) Award*. The target is applicable to administrative staff.

** Average sick leave hours taken per FTE (non-casual) in NSW Government in 2012-13. Source: Public Service Commission

Note: Days are based on a seven hour day for administrative staff and 7.6 hour day for frontline staff. FTE refers to full time equivalent.

Source: Provided by agencies (unaudited).

The average sick leave taken by law and order agencies in 2013-14 increased by 3.3 per cent to 65.0 hours. Sick leave taken was above the 45.06 hour target for eight of the ten law and order agencies. Five agencies were above the NSW Government Sector average sick leave hours of 59.3 hours per FTE.

The Force's average sick leave hours have increased by 3.8 per cent since 2008-09, from 61.4 hours per FTE to 63.7 hours in 2013-14. In 2013-14, the Force's average sick leave hours increased by 6.9 per cent from 59.6 hours to 63.7 hours.

The tables below show the average sick leave hours per FTE and total sick leave expense for each agency's frontline and administrative staff.

Frontline staff

Year ended 30 June	Average Sick Leave Hours per FTE			Total Sick Leave Expense		
	2014	2013	Movement (%)	2014 \$'000	2013 \$'000	Movement (%)
Department of Police and Justice	94.4	100.5	(6.1)	12,609	16,513	(23.6)
NSW Police Force*	60.7	56.7	7.1	34,482	30,459	13.2

* Sick leave expenditure for frontline staff was not provided by the Force. The expense has been estimated using total sick leave hours, total FTE numbers and a 38 hour working week.

Source: NSW Police Force (unaudited)

Sick leave hours for frontline staff within the Department mainly relate to custodial officers within the corrective services and juvenile justice divisions.

The 2006 Auditor-General's Performance Audit report 'Management of sick leave in NSW Police and Department of Corrective Services, Follow-up of 2002 Performance Audit' referred to a Corrective Services target of seven days sick leave per custodial officer. Assuming a 7.6 hour day, this equates to a target of 53.2 hours. Sick leave taken by Department frontline staff significantly exceeded this target in 2012-13 and 2013-14.

Administrative staff

Year ended 30 June	Average Sick Leave Hours per FTE			Total Sick Leave Expense		
	2014	2013	Movement (%)	2014 \$'000	2013 \$'000	Movement (%)
Department of Police and Justice	51.8	50.6	2.4	18,199	18,556	(1.9)
Legal Aid Commission of NSW *	60.7	67.0	(9.4)	2,470	2,495	(1.0)
Office of the Director of Public Prosecutions	49.1	49.3	(0.4)	2,292	2,092	9.6
Judicial Commission of NSW	56.0	42.0	33.3	109	86	26.7
Legal Profession Admission Board	53.1	81.7	(35.0)	39	35	11.4
Crown Solicitor's Office ***	38.8	35.0	10.9	930	674	38.0
Information and Privacy Commission NSW	27.0	31.8	(15.1)	50	74	(32.4)
NSW Trustee and Guardian	60.4	55.1	9.6	1,766	1,576	12.1
NSW Crime Commission *	63.5	54.9	15.7	395	299	32.1
NSW Police Force **	76.9	71.5	7.6	8,902	8,132	9.5

* Includes staff from the staff agency.

** Sick leave expenditure for admin staff was not provided by the Force. The expense has been estimated using total sick leave hours, total FTE numbers and a 35 hour working week.

*** Includes sick leave hours and expense over the financial year for Crown Solicitor's Office as it existed as part of the Department prior to 24 February 2014.

Source: Provided by agencies (unaudited)

The tables above show average sick leave days per FTE employee is significantly greater for frontline staff than admin staff in the Department. The Department advises this partly reflects higher stress levels attributed to frontline staff. Sick leave for the Force does not include workplace injury leave. This is separately considered below.

In addition to lost productivity, sick leave often results in the additional costs to back-fill frontline workers. In 2006, the NSW Government had a goal of reducing average sick leave for public sector employees by one day per person. The Government at that time estimated savings of around \$45.0 million in replacement costs for frontline workers. The cost of replacing sick frontline workers in the Department is not measured, but is likely to be significant.

In July 2014, The Treasury issued Treasury Circular 14/13 'Managing Sick Leave Policy' to help agencies better manage absenteeism. It is part of the Government's commitment to achieving and sustaining productive, healthy, efficient and high performing workplaces.

As specified in TC 14/13, agencies can adopt a range of strategies that suit their workplace and help them address genuine illness and sick leave abuse by employees. The strategies include:

- using information management systems to monitor, measure and analyse sick leave data/information
- identifying options, strategies and support available to manage absences when they occur
- developing return to work plans where appropriate and conducting effective return to work interviews.

Agencies have previously indicated that key barriers to reducing sick leave include an ageing workforce, an industrial environment which slows workplace reform and an entitlement culture where staff think they must 'use it or lose it'.

Workplace Injury Leave – the Force

Workplace injury leave includes workers' compensation leave and any other leave (other than sick leave) for workplace injury. The Force recorded average workplace injury leave for frontline staff of 52.5 hours per FTE employee in 2013-14 (62.8 hours in 2012-13).

The Force lost 110 hours per FTE employee in 2013-14 (114 hours in 2012-13) for both sick leave and workplace injury leave, across both frontline and administrative staff.

Flex Leave - Office of the Director of Public Prosecutions

Recommendation

The Office of the Director of Public Prosecutions (the Office) should reinforce efforts to implement a strategy to reduce excessive employee flex leave balances.

Managing excessive flex leave has been an ongoing issue for the Office. At 30 June 2014, 173 employees had flex leave balances of 50 hours or more (171 at 30 June 2013). Large flex leave balances may indicate employees are working excessive hours or work-loads are not being effectively allocated to staff. Accumulating large flex balances makes it more difficult for organisations to manage annual leave balances and meet targets. The Office advises it reviews flex leave balances at its management committee meetings and develops leave plans with the employees to reduce those balances.

Last year's report to parliament recommended the Office review its flexible working arrangements. The Office advises that a revised flex leave policy is currently with the Public Service Association for approval, with a decision expected in February 2015. If a decision is not reached, the Office advises it will revert to standard flex leave policies.

Asset Management

Property Management – the Force

From 1 July 2013, the Force entered into new contracts with a service provider and contract manager.

Under a new property management model, the contract manager has greater responsibilities and performs more analysis over funding requests and expenditure claims than was previously required. The model emphasises required compliance with relevant building code legislation and standards. Through governance meetings and budgetary controls over individual projects, management advises the Force has more confidence the new arrangement will meet its needs.

Capital Projects within the Force

The following table provides an update on the ten highest budgeted projects for the Force at 30 June 2014:

Project	Original forecast completion date	Revised forecast completion date	Actual completion date (if complete)	Original budget cost (\$m)	Revised forecast cost (\$m)	Actual final cost (if complete) (\$m)
Hazardous Materials Management Program	2015	2017	na	60.8	83.1	na
COPS Technical Migration (Phase 3)	2016	2016	na	44.8	44.8	na
Upgrade of Information Technology equipment	2014	2014	2014	43.0	43.0	43.0
Digital Closed Circuit TV in Police Station Charge Areas	2014	2014	2014	23.5	23.5	23.5
Tweed Heads Police Station	2012	2017	na	15.0	25.2	na
Liverpool Police Station	2013	2016	na	18.0	22.9	na
Lake Macquarie Local Area Command	2015	2017	na	21.5	28.2	na
Voice Infrastructure Migration and Data Network Upgrade	2017	2017	na	20.5	20.5	na
Coffs Harbour Police Station	2015	2015	na	18.9	20.1	na
Prisoner Handling upgrades at 14 locations	2013	2014	2014	18.9	19.5	19.5

na project not yet completed.

Source: NSW Police Force (unaudited).

The Force spent \$136 million on its capital program during 2013-14 (\$143 million in 2012-13) and \$178 million is budgeted for 2014-15.

As shown in the table above, several projects exceeded planned completion dates and estimated costs. The Force advises the overruns have occurred mainly due to changes in project scopes, changes in service providers and/or external factors, such as development approval delays.

Capital Projects within the Department of Police and Justice

The following table provides a summary of the Department's capital projects above \$10.0 million at 30 June 2014.

Ongoing Projects with Total cost > \$10 million	Total expenditure in 2013-14 (\$m)	Original budget cost (\$m)	Revised budget cost as at 30 June 2014 (\$m)	Estimated completion date
JMT/Downing Centre Refurbishment	5.6	27.3	28.0	2015*
Court Upgrade Program	8.0	182.5	179.4	2015*
Coffs Harbour Precinct	14.8	53.8	46.9	2015*
Newcastle Justice Precinct	11.8	92.2	85.4	2015**
Wagga Wagga Courthouse upgrade	0.8	17.3	16.6	2016**
Wollongong Courthouse upgrade	0.5	12.0	11.9	2017**
Justice Cluster Shared Corporate Services	3.7	46.3	na	2017**
Sydney CBD Decentralisation	--	15.5	na	2018*
New Sydney Central Children's Court	--	31.1	na	2018*
Justice Audio Visual Link Consolidation Project	--	40.0	na	2016*
Justice CORE ICT Program	--	27.9	na	2016*

* Project currently on schedule

** Project has experienced delays, as noted below.

Source: Department (unaudited).

The Department spent \$133 million on its capital program during 2013-14 (\$180 million in 2012-13) and \$282 million is budgeted for 2014-15.

The following four projects were identified as behind schedule:

- the Newcastle Justice Precinct project was delayed due to ground conditions, but the project is still expected to be completed in 2014-15, and within budget
- the scope of the Wagga Wagga and Wollongong projects changed primarily due to community and key stakeholder consultation processes, which followed the original development application to council. The projects were originally scheduled for completion in 2014-15
- various projects within the Justice Cluster Shared Corporate Services (JCSCS) area were postponed because the JCSCS program is now under review. The high level conceptual model and associated assumptions originally presented in the JCSCS Program business case required refinement and revalidation as the Program moved into implementation and delivery. Substantial program activities were rescheduled and realigned for 2014-15 and future years. The JCSCS project is scheduled for completion in 2016-17.

Governance

Governance refers to 'the framework of rules, relationships, systems and processes within, and by which, authority is exercised and controlled in agencies. It includes the systems that public sector agencies and those charged with governance use, to hold others to account.

The comments and observations in this section are based on the results and findings of the financial audits of law and order agencies in the Police and Justice cluster for 2013-14.

Governance

2013-14 Key Audit Observations

Governance Frameworks Supporting Service Delivery

The Department is continuing with the process of integrating policies, operations and systems

Agencies are revising processes to allow for more effective monitoring of services

Fraud

Agencies which have experienced incidents of fraud should reassess their fraud controls

Governance frameworks supporting service delivery

Integration of policies, operations and systems in the Department of Police and Justice

The Department was created on 1 July 2009 by merging the former Department of Corrective Services (DCS) and the former Attorney General Department (AGD). From 1 April 2011, the functions of the former Department of Juvenile Justice and Guardianship Tribunal were also transferred into the Department. The former reporting entities are now referred to as divisions of the Department.

Recommendation

The Department should complete the integration of its policies, operations and systems across its divisions as a matter of urgency.

A recommendation to integrate policies, operations and systems across the divisions was first raised in Volume Eight of the 2010 Report to Parliament and the Department has progressively actioned the recommendation since then. However, progress has been slow.

The Department established a Corporate Services Transformation Program in 2013-14 to oversight the ongoing process of reform and integration across the former divisions. The Department advises that the Program will affect some priority changes within the first six months, and is expected to be completed within two years.

Department progress in 2013-14

In 2013-14, the Department started a review and audit of all Corporate Service policies, beginning with the human resources and procurement areas. The aim is to consolidate and standardise policies and procedures where appropriate. Some human resource policy documents have been completed or are awaiting approval.

The Department's procurement area is also undergoing significant change, largely due to the NSW Government Procurement Reforms. A key aspect of the reforms is to transfer certain procurement functions from NSW Procurement, to the Department. The procurement reform will be incorporated into the Department's corporate services reform program.

The Department's procurement section is currently developing and implementing initiatives to bring greater consistency to procurement activities.

Integration of internal audit and risk management functions across the Department

Recommendation

The Department should finalise and implement an appropriate internal audit and risk management framework as a matter of urgency.

The Department is still determining the appropriate structure for internal audit and risk management functions at the divisional level. Progress towards determining and implementing appropriate structures has been slow.

The current (interim) structure is based on largely separate divisional internal audit and risk management functions. The possibility of future changes is impacting internal audit and risk management resourcing decisions.

The Department advises that the existing governance structures broadly achieve the requirements of TPP 09-05 'Internal Audit and Risk Management Policy for the NSW Public Sector'. Until an appropriate governance structure has been implemented for the Department as a whole, fraud and other control risks may not be identified and mitigated sufficiently.

Integration of policies, operations and systems across the Cluster

In 2014-15, the Department is establishing a Corporate Services Management Office to strengthen its capacity to lead reform of corporate services across the Police and Justice Cluster. This office will be accountable to the Department's executive team.

Recommendation

Once integration is complete at the Department level, it should roll out the new policies and systems to other agencies in the cluster, where appropriate.

The Department shares information and practices across its separate divisions so policies and operations are progressively harmonised to enable eventual integration. The Department advises it will continue to leverage best practices across the divisions and implement its transformation reforms to realise the synergies and benefits of amalgamation. The synergies and benefits should be replicated in other cluster agencies.

Processes to monitor the Victims Support Scheme administered by the Department

The Victims Support Scheme (VSS) replaced the Victims Compensation Scheme from 3 June 2013. The focus of the VSS is to provide a package of practical and financial support, instead of lump sum compensation payments to victims. The previous scheme was not effective as demonstrated by the significant backlog of claims.

Last year's report to Parliament recommended the Department ensure it had necessary processes in place to enable it to regularly monitor and measure the performance and success of the VSS in providing a more accessible, streamlined and targeted service to victims of violent crime in New South Wales.

The Department advises a new Reporting and Quality Assurance Framework (Framework) for VSS has been implemented. It will be used to measure and monitor performance of the VSS, including surveying victims who sought support and services from Victims Services. The legislation mandates a review of the scheme as soon as possible after three years and after five years from the date of commencement of the scheme, with a report of the review outcome to be tabled in both Houses of Parliament within 12 months of the review being finalised. The Department expects this will provide adequate opportunities to monitor the scheme's operations and to allow for and act on emerging, potentially adverse trends that are not within the regulatory powers of the scheme's administrators.

Refer to the Service Delivery section of this report, for the current status of the backlog of claims that arose under the Victims Compensation Scheme, and the performance of the VSS.

Legal Aid Commission Time Costing System

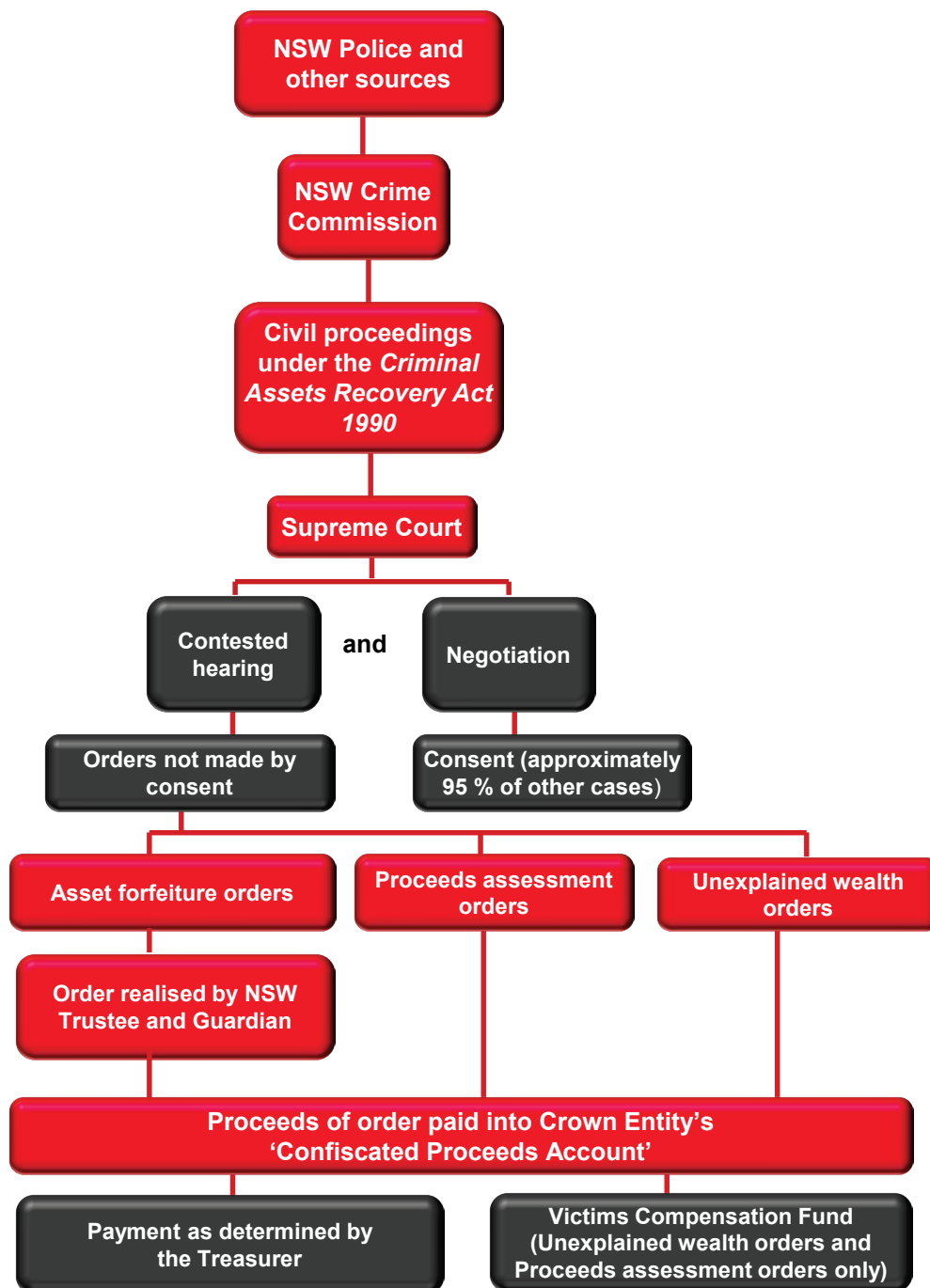
Previous reports to Parliament noted the Commission does not have a time costing system to record time spent by legal practitioners and other costs incurred on individual cases. This is unlike other professional services entities, such as law firms and accounting practices. Previous Reports to Parliament have recommended the Commission establish an appropriate time costing system that meets the requirements of section 12 of the *Legal Aid Commission Act 1979*. In the absence of such a system, it is difficult to see how the Commission can demonstrate it provides legal aid in the most 'effective, efficient and economical manner'.

The Commission advised last year that it had developed a staged introduction for an activity based costing (ABC) system. During 2013-14, the Commission completed a project plan and piloted the ABC system in September 2014. The pilot will be independently evaluated and the Commission's Board will determine the future direction of the project in February 2015.

NSW Crime Commission Asset Confiscation Process

Confiscation of assets without a criminal conviction is an area where governance controls need to be rigorous. In NSW, several agencies are involved in the confiscation process, which provides better transparency and strengthens governance controls. The agencies and process are shown below.

Criminal Assets Confiscation Process



The Force and other agencies refer matters involving persons suspected of deriving proceeds of crime or unexplained wealth to the NSW Crime Commission. This usually follows the arrest and charging of a person with an offence. The Commission investigates and commences proceedings in the Supreme Court, usually by applying for a confiscation order and a restraining order in respect of the person's assets.

As confiscation matters are civil proceedings under the *Criminal Assets Recovery Act 1990*, they are governed by the Supreme Court and statutory rules, which require the Commission to attempt to settle each matter by negotiation rather than proceeding directly to a contested hearing.

Most of the Commission's confiscation matters are settled through negotiations with the defendant, which maximises the return to the State because:

- legal fees are significantly lower in a negotiated settlement than those incurred through a contested hearing
- the Commission may be exposed to an adverse costs order if a contested hearing is lost
- the inherent risk in litigation is mitigated.

When proceedings are settled, the Commission prepares and presents orders, known as 'consent orders', to the Court.

Once the Court makes asset forfeiture orders, the NSW Trustee and Guardian receives the forfeited assets, liquidates them, and pays the proceeds (less costs) into the Confiscated Proceeds Account. When the Court makes a proceeds assessment order or unexplained wealth order, the Commission is responsible for recovering the debt, which is to be paid into the Confiscated Proceeds Account.

Recommendation

The Treasurer, in consultation with the Minister for Police and the Minister for Justice, should determine how funds in the Crown Entity's Confiscated Proceeds Account should be used.

For proceeds assessment orders and unexplained wealth orders, the amount paid by the defendant is deposited into the Crown Entity's 'Confiscated Proceeds Account' (the account). Until the amount is paid, interest accrues and the restraining order on assets remains in force. Costs incurred by the NSW Crime Commission in administering the *Criminal Assets Recovery Act 1990* are funded by appropriation rather than proceeds from this process.

Under section 32(3)(c) of the *Criminal Assets Recovery Act 1990* (the Act) 50 per cent of proceeds assessment orders and unexplained wealth orders must be paid to the Victims Support Fund (the fund). However, confiscation proceeds from assets forfeiture orders are not required to be paid into this fund. As a result, of the total payments of \$16.1 million in 2013-14 (\$12.5 million in 2013-14), \$5.2 million (\$2.1 million) was transferred to the fund.

Under section 32 of the *Criminal Assets Recovery Act 1990*, the funds in the account can also be used to 'aid law enforcement, victims support programs, crime prevention programs, programs supporting safer communities, drug rehabilitation or drug education as directed by the Treasurer in consultation with the Minister'.

It is unclear how the balance of the Confiscated Proceeds Account, \$113 million at 30 June 2014, is to be used. The table below shows the balance in the account and the transfers in and out over the last five years:

Year ended 30 June	2014 \$'000	2013 \$'000	2012 \$'000	2011 \$'000	2010 \$'000
Opening balance	108,865	97,646	88,843	74,481	69,117
Receipts	20,535	23,734	14,345	44,735	23,015
Payments	(16,086)	(12,515)	(5,542)	(30,373)	(17,651)
Closing balance	113,314	108,865	97,646	88,843	74,481

Source: Provided by The Treasury (unaudited).

Fraud in Law and Order Agencies

Recommendation

Agencies which have experienced incidents of fraud should reassess their fraud controls.

A number of actual and/or alleged incidents of fraud and other financial irregularities were brought to the attention of the Department's Audit and Risk Committee during the year. The more significant matters are currently the subject of internal and external investigations.

Alleged fraudulent activities were also noted within NSW Trustee and Guardian in 2013-14. The activities involved:

- a case manager from a Non-Government Organisation accessing a client's bank account for their own purposes and transactions - the matter is currently with the Force
- person/s unknown to a client under power of attorney arrangements fraudulently impersonating the client and requesting international transfers - the matter is currently with the Force and South African Police
- employee/s at a major bank fraudulently submitting a false instrument purporting to be from NSW Trustee and Guardian requesting an international transfer of funds from a deceased estate - the matter is currently with the Force and the Fraud Unit of the bank.

NSW Trustee and Guardian is currently re-assessing the sufficiency of relevant controls.

There were also incidents of fraud in law and order agencies relating to the manipulation of timesheets and claiming of overtime. Control systems within these entities detected these incidents.

Service Delivery

The achievement of Government outcomes can be improved through the effective commissioning of the right mix of services, whether from the public, private or not-for-profit sectors. Commissioning involves the process by which agencies assess their needs, determine priorities, design and source appropriate services, and monitor and evaluate performance.

Service Delivery

2013-14 Key Audit Observations

NSW 2021 Performance

Agencies are working towards achieving the Police and Justice cluster performance goals

Department of Police and Justice

Average adult prisoner numbers increased by 6.5 per cent during the year to 95.0 per cent of operating capacity

The backlog of Victims Compensation Fund claims more than halved in 2013-14

The rate of restitution recovery from convicted offenders marginally improved but remained low

NSW Police Force

There was a shortfall of 245 full time NSW police officers at 30 June 2014

Most crime categories continued their downward trend, but domestic violence has been marginally increasing since 2012-13

NSW Trustee and Guardian

Managed client satisfaction rates marginally improved

The value of funds and property under management increased by 5.5 per cent

Performance information

NSW 2021 Performance

NSW 2021, released in September 2011, is a ten-year plan to rebuild the economy, provide quality services, renovate infrastructure, restore government accountability and strengthen the local environment and communities.

The plan includes the following performance goals for law and order agencies in the Police and Justice cluster:

- prevent and reduce the level of crime
- prevent and reduce the level of re-offending
- improve community confidence in the justice system.

The NSW 2021 Performance Report 2014-15, prepared by the Government Performance Branch, referred to the following progress within the cluster on these goals.

Prevent and reduce the level of crime

The cluster introduced measures to reduce incidents of assault in public places, particularly those fuelled by alcohol and drugs, including the 'one punch' causing death offence. Together with increasing police numbers as part of the Government's commitment to reach an authorised strength of 16,665 officers in August 2015, new Acts were introduced to give police more powers under the *NSW Domestic Violence Justice Strategy*, and some Acts were amended to make police powers to arrest without warrant simpler and easier.

The rollout of Mobile Automatic Number Plate Recognition (ANPR) units in highway patrol vehicles enabled police to detect unregistered, and potentially uninsured, vehicles. The gangs, drugs and firearms reforms were implemented to make the streets safer.

During the year, law and order agencies continued to implement reforms arising from the ministerial audit of police resources. This aims to return police officers to frontline duties and promote a greater focus on community policing, especially in regional areas.

Number of Crime Victims

The following data on the number of victims of crime came from the Australian Bureau of Statistics. The Bureau acknowledges not all crimes are reported or recorded by police in the various jurisdictions. This impacts comparability of recorded crime levels between states.

The table below compares trends in the number of crime victims in New South Wales to national trends.

Year ended 31 December	%* inc/(dec) since 2009	2013	2012	2011	2010	2009
Crime Numbers						
NSW						
Murder	2.3	88	76	81	74	86
Attempted murder	(18.0)	41	34	59	42	50
Manslaughter	(66.7)	3	9	6	11	9
Assault	(9.2)	68,965	68,745	71,168	73,969	75,928
Sexual assault	5.5	7,608	6,671	6,001	6,436	7,210
Kidnapping/abduction**	(20.6)	305	351	408	329	384
Robbery	(30.2)	4,724	5,100	5,325	6,567	6,768
Unlawful entry with intent	(17.1)	58,584	57,461	67,410	68,652	70,693
Motor vehicle theft	(32.5)	15,114	17,199	18,446	19,409	22,400
Other theft	(6.3)	135,767	142,879	140,743	133,682	144,931
National						
Murder	(5.7)	248	255	243	231	263
Attempted murder	(33.3)	158	159	185	199	237
Manslaughter	(13.3)	26	40	30	30	30
Assault*						
Sexual assault	5.8	19,907	18,150	17,592	18,027	18,807
Kidnapping/abduction**	6.7	602	638	678	608	564
Robbery	(23.2)	11,698	13,153	13,653	14,631	15,238
Unlawful entry with intent	(8.6)	203,438	214,222	218,285	217,030	222,664
Motor vehicle theft	(11.2)	52,979	58,574	55,310	54,821	59,649
Other theft	0.9	482,900	500,552	490,059	465,547	478,807

* National data on assaults is not available

** Kidnapping/abduction statistics for New South Wales include 'deprivation of liberty' offences, which are not included for other jurisdictions. New South Wales encourages reporting of all incidents, even if not investigated. This information is used for intelligence purposes.

Source: Australian Bureau of Statistics (unaudited).

The downward trend since 2009 in most crime categories is better in New South Wales than the downward national trend.

Prevent and reduce the level of re-offending

Police powers to arrest offenders without a warrant were strengthened and simplified during the year. A new risk management approach to bail was also implemented, aimed at putting the safety of the community first.

Several enhanced models and programs were implemented for the supervision of offenders in the community. The *Life on Track* program was established to help defendants address the underlying causes of their criminal behaviour and reduce the risk of re-offending. The *Youth on Track* scheme was introduced to engage young people and their families in case work support and programs to address their identified offending-related risks and needs.

Law and order agencies also launched the redesigned *Joint Support Program*. It funds non-government organisations to deliver targeted and tailored community-based services to young offenders to address the underlying causes of criminal behaviour.

Percentage of adults convicted of a further offence within one year

The overarching NSW2021 measure for reoffending is the percentage of adults in NSW convicted for any criminal offence, who are convicted for a new proven offence committed within one year. The following table shows the percentage of adults convicted by any court, who were convicted for a further offence committed within one year.

Year ended 30 June	2013	2012	2011	2010	2009
Percentage of reconviction	na	15.2	14.8	14.9	16.1

na Information not available

Source: Department (unaudited).

The rate of prisoner reconviction within one year decreased by 0.9 per cent from 16.1 per cent in 2009 to 15.2 per cent in 2012. Between 2011 and 2012 there was an increase of 0.4 per cent.

Rate of Prisoners returning to Prison or Corrective Services within two years

The Productivity Commission's Report on Government Services 2014, provides statistics on the percentage of released prisoners who returned to prison or corrective services within two years. Corrective services include a prison sentence or a community corrections order. In New South Wales, 42.7 per cent of released prisoners had returned to prison within two years, while 47.9 per cent had returned to corrective services. The State's rate of return to prison and corrective services continues to exceed the national average.

Year ended 30 June	2013		2012		2011	
	National **	NSW	National **	NSW	National **	NSW
Per cent of individuals returning to:	%	%	%	%	%	%
Prison	40.3	42.7	39.3	42.5	39.7	43.1
Corrective services*	46.4	47.9	46.1	46.9	45.6	46.2

* Includes prison sentence or a community corrections order.

** Australian Capital Territory not provided.

Source: Productivity Commission's Report on Government Services 2014 (unaudited).

Reoffending while on Parole

The NSW Bureau of Crime Statistics and Research (BOCSAR) published two reports in September 2014 on re-offending while on parole.

The first report *Parole Supervision and Re-offending* considered whether the unconditional and unsupervised release of inmates increased the risk, speed or seriousness of further offending and re-imprisonment, compared with conditional and supervised release.

The report was based on 2,019 offenders released from prison under parole supervision, and 2,019 similar offenders released without parole supervision. The research found offenders released from prison on parole are less likely to re-offend, compared to offenders released from prison without supervision. More specifically, the report found 48.6 per cent of unsupervised offenders had re-offended within 12 months of release, compared with 43.6 per cent of supervised offenders. At 36 months, the comparative rates of re-offending were 70.3 per cent and 65.7 per cent respectively.

The second report *Re-offending On Parole* measured the rate of re-offending on parole and identified the predictors of both general and violent offending on parole. The study was based on 9,604 offenders released on parole between 2010 and 2011.

The report found:

- 60.8 per cent of sampled parolees neither re-offended nor were re-imprisoned during their parole period
- 28.4 per cent re-offended
- 10.8 per cent were re-imprisoned on parole without having first re-offended (for example, due to a prior offence).

The report also found 7.1 per cent of the sample committed a violent offence while on parole, and identified a number of factors that correlate with violent re-offending.

Improve community confidence in the justice system

According to the Department, the renewal of infrastructure improves the delivery of and access to justice services, ensuring the efficiency of the courts to a standard expected by the community.

During the year, the Department continued to deliver major capital works, such as new courthouses at Coffs Harbour and Armidale and construction of the Newcastle Justice Precinct. Major renovations and upgrades occurred at Penrith, Manly, Maitland, Wagga Wagga, Wollongong and Hornsby courthouses.

The Department also continued to update and install video conferencing and remote witness and evidence playback technology in various locations. Video conferencing facilities now operate in 411 courts, correctional centres and other justice agency sites.

The Department reformed the old *Victims Compensation Scheme* and replaced it with the *Victims Support Scheme*. This aims to deliver more effective support more quickly to victims of violent crime.

The Department also integrated the State's 23 tribunals into a new overarching tribunal, the NSW Civil and Administrative Tribunal. This aims to provide a simple, quick and effective process for dealing with disputes and applications, such as civil and commercial disputes, human rights and administrative law matters.

NSW Commission of Audit

In mid-2011, the NSW Government established the NSW Commission of Audit (the Commission) to develop a framework for the future of the NSW Public Sector. The objective of the Commission was to identify opportunities to deliver improved services to the people of NSW in a more efficient and cost effective manner and to provide a sustainable budget position going forward.

The Commission issued its final report on government expenditure on 4 May 2012. Benchmarking with other jurisdictions identified significant areas for improvement in the delivery and cost of services. The report included 132 recommendations, grouped in the following six key themes:

- devolution of accountability and authority for decision making
- partnerships and outsourcing with private operators
- workforce flexibility
- transparent and evidence based decisions around programs
- collaboration and coordination across government to improve outcomes
- budget constraint.

The NSW Government published its response to the report in August 2012. Broadly it noted the recommendations were consistent with its reform direction for service delivery and could be easily integrated into the reforms' development and delivery. The nine recommendations relating to the Police and Justice cluster were all supported by the NSW Government.

The NSW Government response to the Commission of Audit report is at [http://www.treasury.nsw.gov.au/data/assets/pdf_file/0003/22584/NSW Govt Response to Final Report.pdf](http://www.treasury.nsw.gov.au/data/assets/pdf_file/0003/22584/NSW_Govt_Response_to_Final_Report.pdf)

Prisoners on Remand

During 2013-14, the proportion of prisoners on remand for 30 days or more decreased to 49.6 per cent from 51.5 per cent, as shown in the table below.

Annual remand receptions	2014	2013	2012	2011
Remand receptions	12,488	11,994	11,655	10,876
On remand 30 days or more	6,188	6,177	5,133	5,200
Percentage on remand 30 days or more	49.6	51.5	44.0	47.8

Source: Department (unaudited).

The direct cost of remand inmates is higher than that of all inmates. In 2012-13, the cost for remand inmates was \$203 (\$227 in 2011-12) per day compared to \$189 (\$216) for all inmates across all prisons, after excluding capital costs. Remand inmates are resource intensive because they require screening, significant monitoring, escorts and security surrounding visits.

Remanded inmates lose opportunities to participate in rehabilitation programs, especially when sentences are backdated. Most intensive custodial programs target only sentenced inmates, which negatively impacts efforts to reduce rates of re-offending.

Last year's Report to Parliament recommended Corrective Services (or another agency within the Justice cluster) record and analyse information on judicial outcomes of charges resulting in an inmate being remanded in custody for more than a year to show if the remand system is working effectively.

The Department advises Corrective Services is unable to provide information on individuals held on remand for more than a year if they are subsequently found not guilty.

Capacity in Correctional Centres

The Department advises that its correctional centres had an average operational capacity of 10,996 beds in 2013-14. Additional beds were added in some correctional centres operating below the operational limit and the mix of inmates in some centres was changed to maximise use of existing accommodation. These changes resulted in the operating capacity of centres exceeding original design capacity by 15.1 per cent.

Prisoners in Custody Compared to Original Design Capacity of Correctional Centres

Year Ended 30 June	2014	2013	2012	2011	2010
Total design capacity, all prisons	9,551	10,154	10,198	9,841	9,460
Total daily average number, all prisons	10,447	9,808	9,752	10,094	10,352
Utilisation rate of prison design capacity, all prisons (%)	109.4	96.6	95.6	102.6	109.4

Source: Department (unaudited).

The daily average number of prisoners in custody in 2013-14 was 95.0 per cent of the average operational capacity of correctional centres.

Fluctuations in the inmate population are not uncommon and Corrective Services is able to adopt both short and longer term strategies to address them. The Department advises it has identified specific actions to address further increases in inmate numbers, including:

- reconfiguring the Kariong Juvenile Correctional Centre to house up to 50 minimum security adult inmates from early 2015
- doubling up of inmates within existing cells, if necessary
- construction of demountable facilities, which meet all applicable standards
- recommissioning previously mothballed facilities.

The doubling up of inmates in cells is normally constrained by the *NSW Public Health Regulation 2012* (the Regulation), which stipulates space requirements for shared accommodation. However, Corrective Services NSW has been given a twelve month exemption from compliance with the Regulation, while remediation initiatives required by NSW Health are implemented and the suitability of the current Regulation is reviewed.

Increase in inmate numbers

BOCSAR in collaboration with Corrective Services NSW Corporate Research Evaluation and Statistics undertook a detailed analysis of the increase in prisoner numbers. They found the number of receptions increased over the second half of 2013 and the first quarter of 2014. This was partly due to an increase in the percentage of defendants refused bail and remanded into custody. This increased from 6.6 per cent to 7.7 per cent between the first and second six months of 2013.

The Department's analysis of the offence profile of prison receptions in 2013 shows significant increases in the number of offenders across most offence categories. The main contributors were:

- aggravated sexual assault (73 more imprisonments)
- serious assault resulting in injury (55 more imprisonments)
- aggravated robbery (53 more imprisonments)
- driving while disqualified or license suspended (51 more imprisonments)
- dealing or trafficking drugs (non-commercial quantity)(51 more imprisonments)
- 205 additional offenders received prison sentences in the second half of 2013 compared with the first half of the year for the remaining categories of offences.

Capacity in Juvenile Justice NSW Centres

In 2013-14, the average daily number of juvenile offenders in custody decreased by 3.1 per cent, while the capacity of juvenile centres decreased by 8.1 per cent, following unit closures.

At 30 June	2014		2013		2012	
	Offenders in custody	Capacity	Offenders in custody	Capacity	Offenders in custody	Capacity
Juvenile Justice NSW Centres total	314	396	324	431	353	501

Source: Department (unaudited).

A unit in Juniperina closed in May 2014 due to low detainee numbers, while some other units were closed for refurbishment, maintenance and upgrade work. The Department advises no further unit closures are planned. However, temporary closures may occur if demand decreases.

Victims' Compensation and Support

For some years Reports to Parliament have recommended the Department pursue initiatives to ensure the backlog of victims' compensation claims is processed in a reasonable timeframe.

The Victims Support Fund, which commenced on 3 June 2013 under the *Victims' Rights and Support Act 2013*, focusses on providing a package of practical and financial support tailored to victims' individual needs when they need it, while still providing lump sum payments for the trauma experienced by victims of crime.

Generally, victims can apply for Victims Support up to two years after the incident or their eighteenth birthday, if they were a child at the time. This increases to ten years for domestic violence, child abuse and adult sexual assault victims. There is no time limit for child victims of sexual assault, who can apply for Victims Support for out-of-pocket expenses, justice-related expenses and a recognition payment at any time.

The Department's actuary forecast the annual cost of the new scheme to be \$64.2 million. The financial statements have included the following actuarially determined provisions for claims over the last four years.

Valuation date	Total provision \$m
30 June 2011(old scheme)	316
30 June 2012 (old scheme)	367
30 June 2013 (new scheme)	150*
30 June 2014 (new scheme)	123

* In the year ended 30 June 2013, \$217 million was written back through the statement of comprehensive income to recognise the reduced liability under the new scheme.

Source: Department (audited).

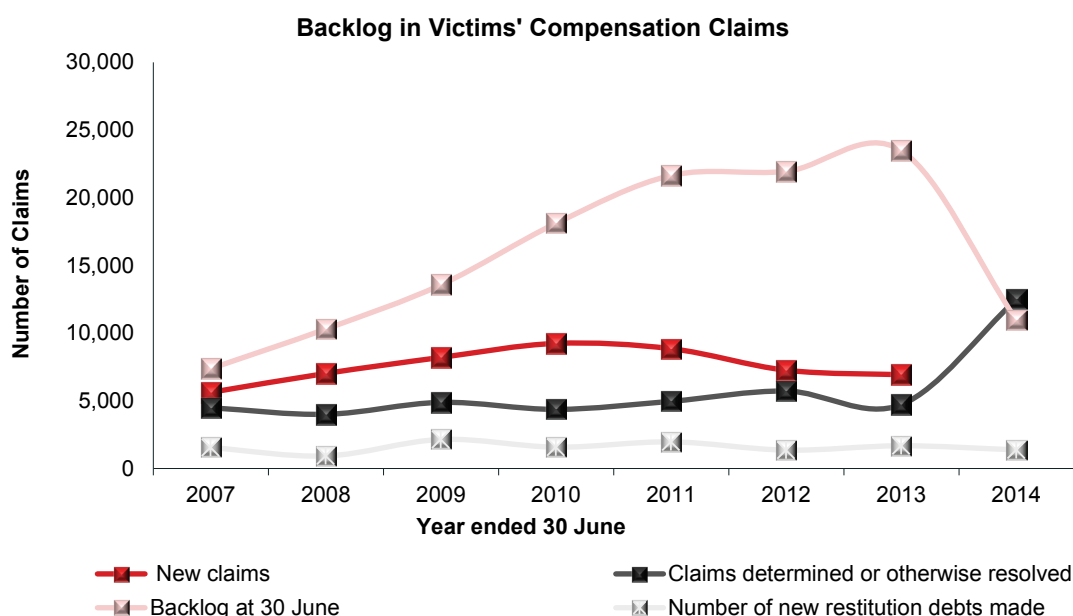
Section 119 of the *Victims Rights and Support Act 2013* requires the Minister to review the Act to determine whether its policy objectives remain valid and its terms are appropriate for securing its objectives.

The legislation also mandates a review of the scheme as soon as possible after three years and after five years from the date scheme commenced. The review outcomes must be tabled in both Houses of Parliament within 12 months of the review being finalised.

Processing Backlog Victims Support Transitional Claims

The Victims Support Scheme replaced the Victims Compensation Fund from 3 June 2013. Under the previous Victims Compensation Fund there was a significant backlog of claims. The transition to the Victims Support Scheme requires all claims lodged under the old scheme, and pending when the new scheme commenced, to be determined under the provisions of the new scheme. The NSW Government has provided the Department with additional funding to ensure all pending claims are finalised by 30 June 2015.

The Department has more than halved the backlog of Victims Support claims since 30 June 2013, with outstanding pending claims falling to 10,958 at 30 June 2014 (23,470 at 30 June 2013). Transitional claims determined and paid or otherwise resolved increased to 12,512 in 2013-14 from 4,734 in 2012-13.



Source: Department (unaudited).

At 30 June 2014, all outstanding transitional claims were more than one year old (71.4 per cent at 30 June 2013) while 5.6 per cent were more than five years old (2.7 per cent in 2012-13). The oldest outstanding claim dates back to April 2003.

At 30 June 2014, all outstanding transitional claims were more than one year old (71.4 per cent at 30 June 2013) while 5.6 per cent were more than five years old (2.7 per cent in 2012-13). The oldest outstanding claim dates back to April 2003.

The additional funding provided by the NSW Government has enabled the Department to speed up the processing of transitional claims. The Department advises the average time taken to process these claims has fallen to approximately six months (32 months at 30 June 2013). Claims cannot be processed until all information is received from relevant parties or before other matters, such as workers' compensation proceedings or clients seeking adjournment, are resolved.

Victims Support Scheme (VSS)

Recommendation

The Department should ensure information in the VSS Reporting and Quality Assurance Framework is sufficient to monitor and measure the performance and success of the VSS, including the age of claim applications.

The Department's \$123 million claims provision at 30 June 2014 comprises \$74.4 million for claims lodged under the old Victims Compensation Fund and \$48.6 million for claims lodged under the new VSS.

The Department advises that 10,538 victims of crime applied for various types of support under the VSS in the period 3 June 2013 to 30 June 2014. The following applications were made, determined or approved in this period:

- 5,970 applications for recognition payments (1,558 determined)
- 3,059 applications for financial assistance (1,237 determined)
- 7,406 applications for counselling (7,283 approved).

Under the new VSS, claims for financial support may be made under an application for support until the earlier of:

- the expiration of five years after the application is made
- the total maximum amount of financial support the victim is eligible to receive under the *Victims' Rights and Support Act 2013*, has been paid.

The Department advises that no performance information is yet available from the recently implemented VSS Reporting and Quality Assurance Framework.

Refer to the Governance section of this report for further details on the Framework.

Recovery of Monies from Offenders

Victims of violent crime are entitled to compensation for injuries, even if the offender is unknown or not convicted. Where offenders are convicted, restitution orders can be raised against them to recover the compensation paid to victims.

Since 1989, \$1.7 billion has been paid to victims of crime and only \$66.2 million was recovered from the convicted offenders.

Levies are collected from people convicted of crimes and paid into the scheme, including convictions that do not carry a jail term. The following table shows compensation paid to victims and recoveries from offenders over the last five years.

Year ended 30 June	2014	2013	2012	2011	2010
Compensation paid to victims (\$m)	65.8	62.8	63.0	63.2	60.3
Restitution recovered from convicted offenders (\$m)	4.7	4.1	4.1	4.1	4
Restitution recovered from convicted offenders (%)	7.1	6.5	6.5	6.5	6.6
Number of new restitution debts raised	1,388	1,690	1,367	1,977	1,586
Value of new debts raised (\$m)	15.4	22.2	17.7	25	19.5
Restitution debts written-off (\$m)	43.1*	69.5*	—	28.2*	1.4

* The increase in debt write-offs in 2010-11, 2012-13 and 2013-14 was due to Section 17 of the *Limitation Act 1969*, which limits enforcement of judgement debts to 12 years after the judgement becomes enforceable.

Source: Department (unaudited).

The table above shows restitution recovered from convicted offenders marginally increased in 2014, but remains low. Of \$251 million in restitution debts at 30 June 2014 (\$283 million at 30 June 2013), only \$21.7 million (\$20.7 million) is likely to be recovered.

On 31 August 2012, the Attorney General approved a pilot project to refer 1,000 restitution debts totalling \$10.0 million to the Office of State Revenue (under a formal Service Level Agreement) for enforcement for a period of one year. The pilot is designed to ascertain the viability of recovering the debts. The pilot started on 1 December 2013 after amendments to the *Fines Act 1996*. Performance will be evaluated after a full 12 month period, and if successful, all restitution debts will be transferred to the Office of State Revenue for enforcement.

Collecting restitution debts is complex because convicted offenders may have multiple debts and may be co-offenders. Continuing enhancements to the Victims Services CARES workflow database system, and its interface with the Department's financial system, are improving the financial information needed to determine a debtor's compliance.

The Force

Allocation of Police Officers

There were 245 fewer full-time equivalent (FTE) police officers than authorised positions in various regions at 30 June 2014.

	Authorised FTE Strength	Actual FTE	Difference between authorised and actual FTE
NSW Police Officers at 30 June 2014	16,356	16,111	(245)

FTE: Full-time Equivalent

Source: NSW Police Force (unaudited).

Police officers on modified duties are still available for operational work or other core policing functions, with tasks modified to meet individual circumstances. The Force advises that police numbers fluctuate by several hundred throughout the year as a result of natural attrition and attestations from the NSW Police Academy.

The Force advises it continues to monitor the number of available police officers on a weekly basis and builds this information into its assessment of the number of officers it should recruit. The Force is currently operating at 98.5 per cent of its authorised strength.

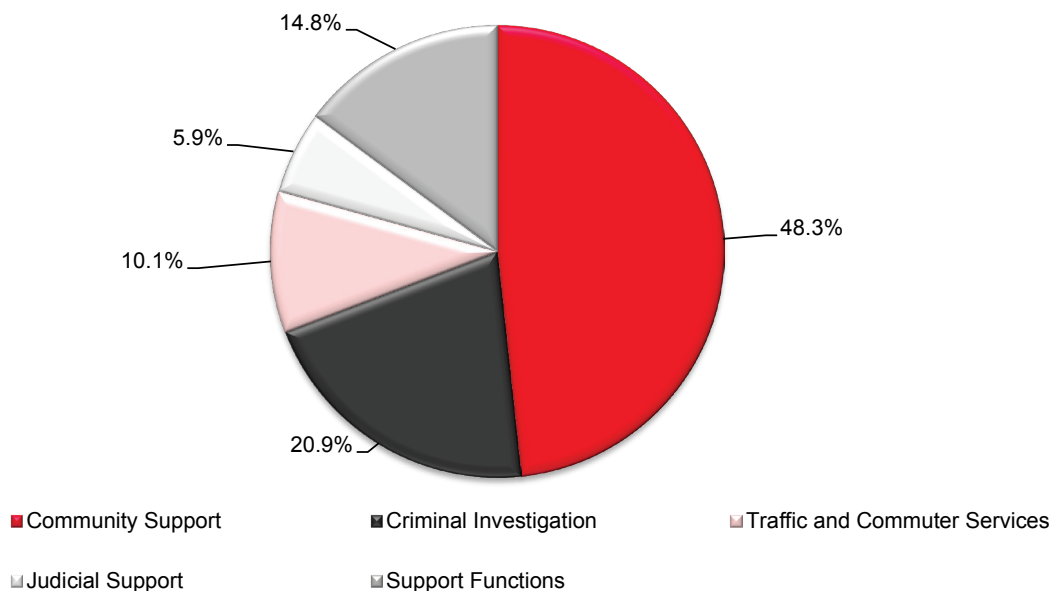
Difference between authorised and actual FTE	Authorised FTE Strength	Actual FTE	Difference FTE
Central Metropolitan	2,345	2,236	(109)
North West Metropolitan	2,138	2,037	(101)
Northern	1,943	1,978	35
South West Metropolitan	2,113	2,010	(103)
Southern	1,423	1,412	(11)
Western	1,133	1,135	2
Police Transport Command	481	429	(52)
Traffic and Highway Patrol Command	1,345	1,228	(117)
Corporate Services	463	533	70
Specialist Operations	1,691	1,715	24
Other	1,281	1,398	117
NSW Police Officers at 30 June 2014	16,356	16,111	(245)

FTE: Full-time equivalent

Source: NSW Police Force (unaudited).

Most police rostered hours were deployed in providing community support and criminal investigations. Community support services include responding to incidents, emergencies and public events and reducing incentives and opportunities to commit crime.

Allocation of Police Officers Hours by Service Type



1 The service groups represent the Force budget programs.

2 Support functions include administrative functions such as education and training, finance, human resources, information technology.

Source: NSW Police Force (unaudited).

Crime Investigations

Police effectiveness in crime investigations is measured by the proportion of investigations finalised within 30 days of the offence becoming known. Analysis of the Force's performance in this area is shown below.

Crime	% of investigations finalised in 30 days				% of investigations finalised in 30 days involving proceedings against offenders			
	NSW	National average	NSW ranking*	NSW ranking	NSW	National average	NSW ranking*	NSW ranking
	2013	2013	2013	2012	2013	2013	2013	2012
Homicide **	60.8	67.4	7/7	8/8	100.0	95.9	1/8	6/8
Robbery	29.2	35.2	7/8	5/8	81.4	84.8	6/8	8/8
Unlawful entry with intent	7.4	10.4	7/8	7/8	66.0	81.4	8/8	8/8
Motor vehicle theft	7.7	16.4	7/8	7/8	80.6	75.2	5/8	5/8
Other theft	12.1	16.0	6/8	6/8	72.2	77.9	5/8	5/8

* Information was not available in 2013 for all States/Territories for all categories. The rankings range from one to eight (highest to lowest).

** NSW ranking in 2013 for homicide investigations finalised in 30 days involving proceedings against offenders was equal first with four other States/Territories.

Source: Australian Bureau of Statistics (unaudited).

Overall clearance rates in New South Wales remain below national averages.

Crime Rejection

The Force records the status of incidents as either accepted or rejected. A rejected incident diverts the Force's resources from addressing genuine crimes. An incident is rejected when there is evidence it did not occur. The Force advises its local area commands actively monitor rejection rates for most categories of crime. The Force's Performance Improvement and Planning Command performs regular reviews where rejection rates exceed five per cent across the local area commands.

The following table shows crime categories where rejection rates are equal to or greater than five per cent for the year.

Year ended 30 June	2014			2013		
	Crimes rejected	Total crimes reported	Percentage rejected (%)	Crimes rejected	Total crimes reported	Percentage rejected (%)
Robbery	346	4,148	8.3	325	4,642	7.0
Stolen vehicle	1,238	17,228	7.2	1,159	19,033	6.1
Fraud	1,928	53,981	3.6	2,775	51,983	5.3
Steal from person	564	7,340	7.7	448	8,362	5.4

Source: NSW Police Force (unaudited).

Despite a fall in total crimes reported for robbery, stolen vehicles and 'steal from person', the percentage of crimes rejected in these categories increased. Rejected incidents for stolen vehicles were mostly due to owners forgetting where their cars were parked or not realising a relative had the car. Most rejected incidents for robbery resulted from improbable or false reports of stolen money, usually where victims attempted to recover ill-spent losses, such as gambling.

Urgent Response Calls

Urgent response calls are events where there is an imminent threat to life or property. These can include Triple Zero (000) calls, calls to police stations, or radio calls from police in the field. The Force received 116,685 urgent response calls during 2013-14 (120,783 in 2012-13), a decrease of 3.4 per cent.

The Force's benchmark is to attend to 80 per cent of urgent response calls within a target time of 12 minutes. Performance in 2013-14 was on target, an improvement on the prior year.

Urgent response calls Year ended 30 June	2014	2013	2012	2011	2010
Number of urgent response calls	116,685	120,783	119,254	113,749	120,082
Target time (min)	12	12	12	12	10
Calls attended to within target time (%)	80.0	78.1	78.0	80.0	74.0

Source: NSW Police Force (unaudited).

NSW Police Force Corporate Plan 2012-2016

The Force has established over 50 target measures and indicators of success in its Corporate Plan to help achieve the State's NSW 2021 outcomes. Progress against some key indicators is shown below.

The Force is still identifying appropriate measurement methodology and data collection approaches for some areas. It is not in a position to evaluate performance against organised crime, asset management, and strategic governance indicators.

Domestic violence

The rate of repeat domestic violence assaults has increased since 2011-12 and remains unfavourable to target by 1.7 percentage points. This may be partly due to greater public awareness and reporting of incidents, but may also reflect a real increase in domestic assaults. The results are impacted by the percentage of repeat domestic violence victims and domestic violence within aboriginal communities. The Force has strategies to help victims break the cycle of domestic violence. These include the NSW Government campaign 'It Stops Here' launched in February 2014, which aims to improve access for victims to support services and ensure central referral points are used.

Indicators of success Year ended 30 June	Target (%) 2016*	Actual (%) 2014	Actual (%) 2013	Actual (%) 2012
Repeat domestic violence assault victims	≤ 13.6	15.3	15.2	14.6
Legal actions for domestic violence assaults	≥ 60.0	61.4	60.6	60.3

* Targets sourced from NSW Police Force Corporate Plan 2012-2016 (unaudited).

Source: NSW Police Force (unaudited).

Alcohol-related assault

Incidents of alcohol-related assaults have decreased by over 16.2 per cent since 2011-12, and this result is well within target. The Force attributes this to legislative changes in 2013 restricting the sale of alcohol, and various police operations targeting alcohol-related violence.

Indicator of success Year ended 30 June	Target 2016*	Actual 2014	Actual 2013	Actual 2012
Incidents of assault – alcohol and non-domestic violence (per 100,000 population)	≤ 220.8	172.1	190.7	205.3

* Targets sourced from NSW Police Force Corporate Plan 2012-2016 (unaudited)

Source: NSW Police Force (unaudited).

Personal and property crime

There has been a general decreasing trend of over 13 per cent in personal and property crimes since 2012, and results are well within target. These incidents include robbery, assault, break and enter, stolen motor vehicles, and malicious property damage.

Road fatalities

Fatal crashes numbered 326 in 2013-14. The Force came close to meeting the road fatalities target of ≤ 4.3 per 100,000 population in 2013-14.

Indicator of success Year ended 30 June	Target 2016*	Actual 2014	Actual 2013	Actual 2012
Road fatalities (per 100,000 population)	≤ 4.3	4.4	4.3	4.8

* Targets sourced from NSW Police Force Corporate Plan 2012-2016 (unaudited).

Source: NSW Police Force (unaudited).

Emergency management and counter terrorism preparedness

The Force is actively involved in testing emergency plans across the State. It has been involved in multi-agency emergency management exercises including Hawkesbury Nepean flood exercises, Ministry of Police and Emergency Services (MPES) Recovery Exercise, counter terrorism exercises, and a range of local and regional level emergency and rescue exercises.

Workplace safety

The Force has experienced a significant decrease in average workplace injury leave hours lost per officer. The reduction is mainly due to changes in workforce injury management practices, following the implementation of the new Police death and disability scheme. The Force advises the increase in the average cost of workplace injury claims is due to increases in common law damages for workers' compensation claims.

Indicators of Success Year ended 30 June	Target 2016*	Actual 2014	Actual 2013	Actual 2012
Average workplace injury leave hours lost per officer (hours)	≤ 83	44	54	90
Average cost of workplace injury claims (\$)	$\leq 13,000$	22,415	20,317	17,155

* Targets sourced from NSW Police Force Corporate Plan 2012-2016 (unaudited).

Source: NSW Police Force (unaudited).

Workforce diversity

The Force has a target of 20 per cent of its staff coming from culturally, linguistically and religiously diverse backgrounds. Actual performance in 2014 was less than half the target rate. To help achieve the target, a draft Cultural and Linguistically Diverse Workforce Strategic Plan is being finalised, in consultation with the Force's Corporate Sponsor for Cultural Diversity, to provide specific strategies to improve recruitment, retention and development opportunities for culturally and linguistically diverse employees.

Indicators of Success Year ended 30 June	Target (%) 2016*	Actual (%) 2014	Actual (%) 2013	Actual (%) 2012
Staff from culturally, linguistically and religiously diverse backgrounds	≥ 20.0	8.4	8.3	7.5

* Targets sourced from NSW Police Force Corporate Plan 2012-2016 (unaudited).

Source: NSW Police Force (unaudited).

NSW Trustee and Guardian

Recommendation

The NSW Trustee and Guardian should identify meaningful and measurable performance indicators and targets for the cost and quality of the services provided to the community.

Meaningful performance indicators and targets are important to drive efficiencies and effectiveness in an organisation's operations, and enables management and those charged with governance to be held to account.

The NSW Trustee and Guardian uses and reports a limited number of indicators, which measure its activities rather than its performance. It advises that benchmarking against similar entities in other states is not possible as each state has different ways of charging clients and operates under different legislation, service standards and types. While this may be the case, the NSW Trustee and Guardian should identify meaningful and measurable performance indicators and targets for the cost and quality of services provided to the community. These should include measures such as the cost per trust managed, the time taken to identify and secure client assets, and customer satisfaction and complaints.

Client Satisfaction

The Trustee and Guardian uses the following indicators to measure and improve its performance:

Year ended 30 June	Actual				
	2014	2013	2012	2011	2010
Customer satisfaction index - Trustee Services	96	94	95	94	84
Customer satisfaction index - Financial Management	63	62	60	66	na
Complaints received – number	296	349	386	377	287

na Not available.

Source: NSW Trustee and Guardian (unaudited).

NSW Trustee and Guardian advise it does not have targets for customer satisfaction and complaints. It uses the previous year result as the benchmark. NSW Trustee and Guardian should establish customer satisfaction and complaints targets and assess performance against these targets.

The Trustee Services customer satisfaction index (CSI) increased to 96 in 2013-14, while the CSI for Financial Management clients increased to 63.

The Trustee and Guardian advises the difference in satisfaction ratings between Trustee Services and Financial Management clients is mainly due to the latter being required, by an order of a court or tribunal, to use the Trustee and Guardian, whereas Trustee Services clients voluntarily choose the Trustee and Guardian.

Complaints made to the NSW Trustee and Guardian decreased by 15.2 per cent in 2013-14. Over half the complaints related to delays in responses, decisions and the provision of information. A significant proportion of complaints (199) came from the Financial Management area.

Trustee Services Performance

The NSW Trustee and Guardian provided the following information on its new business performance during 2013-14:

Year ended 30 June	Volume (no.)			Value (\$m)		
	Target	Actual		Target	Actual	
	2014	2014	2013	2014	2014	2013
Estate administration	1,674	1,626	1,691	505	603	563
Trust duties	900	1,612	1,050	45	62	54
Power of attorney services	50	75	55	14	34	19
Will making	10,000	9,643	9,562	na	na	na

na Not available.

Source: NSW Trustee and Guardian (unaudited).

In 2013-14, the number of new matters increased for all business categories except estate administration, which was below target, decreasing by 3.8 per cent.

The value of estate administration was 19.4 per cent above target. Power of attorney services was 142.9 per cent above target, while the value of trust duties was 37.8 per cent above target. NSW Trustee and Guardian attributes this to intensive advertising and marketing activities in 2012-13 and 2013-14, including campaigns to promote pre-planning instruments, community outreach programs and Seniors' Week.

The Trustee Common Fund holds funds from client matters arising from the Trustee and Guardian's role as executor, trustee or attorney.

Client assets managed by the trustee are shown below.

Year ended 30 June	2014 \$'000	2013 \$'000
Common Fund investments	1,139,953	1,135,113
Real property	345,961	384,466
Other assets	291,995*	406,076
Total net assets directly managed	1,777,909	1,925,655

* Includes \$138 million (\$121 million in 2012-13) of Trustee client investments held in the Financial Management Common Fund.

Source: NSW Trustee and Guardian (unaudited).

Financial Management Performance

Funds Managed

NSW Trustee and Guardian provides financial management services to people with impaired decision-making abilities, who are unable to manage their own affairs. The *NSW Trustee and Guardian Act 2009* prescribes how the funds must be managed. All moneys must be kept in a trust fund (Common Fund) and invested.

NSW Trustee and Guardian also manages other property (client assets external to the Common Fund) such as real estate, shares and term deposits, as shown below.

Year ended 30 June	2014 \$'000	2013 \$'000
Common Fund investments	1,444,415*	1,294,383*
Real property	996,347	800,807
Other assets	555,512	504,675
Total net assets directly managed	2,996,274	2,599,865

* Includes \$138 million (\$121 million in 2012-13) of Trustee client investments.

Source: NSW Trustee and Guardian (unaudited).

Number of Clients

NSW Trustee and Guardian manages the financial affairs of protected persons or authorises and directs the activities of private managers. Private financial managers can be appointed by the Supreme Court or Guardianship Tribunal. There were 14,368 (13,920) protected persons at 30 June 2014, an increase of 3.2 per cent compared to the previous year. The number of directly managed clients increased by 2.9 per cent and the number of privately managed clients increased by 4.5 per cent.

Part Two

Section Two

Appendices



Appendix One - Performance Against Budget

		Department of Police and Justice		Legal Aid Commission of NSW (Consolidated)		Office of the Director of Public Prosecutions		Judicial Commission of NSW				
		2014 Actual	2014 Budget	2014 Actual	2014 Budget	2014 Actual	2014 Budget	2014 Actual	2014 Budget			
		\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m			
Abridged Statement of Comprehensive Income - Year Ended 30 June												
Employee expenses	🟢	1,383	1,358	🟡	97	94	🟡	90	93	🟢	4	4
All other expenses and losses	🟢	4,293	4,307	🟡	147	153	🔴	25	22	🟢	2	2
Total expenses	🟢	5,676	5,665	🟢	244	247	🟢	115	115	🟢	6	6
Government contributions	🟢	5,349	5,449	🟢	238	239	🟢	116	115	🟢	5	5
Other revenue	🟢	325	322	🔴	9	7		1	-	🟢	1	1
Total revenue	🟢	5,674	5,771	🟢	247	246	🟢	117	115	🟢	6	6
Surplus/(Deficit)	🔴	(2)	106	🔴	3	(1)		2	-		-	-
Total other comprehensive income/(expense)*		108	-		3	-		-	-		-	-
Total comprehensive income/(expense)	🟢	106	106	🔴	6	(1)		2	-		-	-
Abridged Statement of Financial Position - at 30 June												
Current assets	🟡	205	214	🔴	90	83	🔴	10	7	🟢	2	2
Non-current assets	🟢	4,001	3,994	🔴	17	15	🔴	14	12		-	-
Total assets	🟢	4,206	4,208	🔴	107	98	🔴	24	19	🟢	2	2
Current liabilities	🟡	421	432	🔴	69	81	🔴	16	14	🟢	1	1
Non-current liabilities	🔴	221	207	🟢	5	5	🔴	3	2		-	-
Total liabilities	🟢	642	639	🔴	74	86	🔴	19	16	🟢	1	1
Net assets	🟢	3,564	3,569	🔴	33	12	🔴	5	3	🟢	1	1
Extract from Statement of Cash Flows - Year Ended 30 June												
Purchases of Property, Plant and Equipment	🔴	133	177	🟢	4	4	🔴	2	3		-	-

* Includes transactions taken directly to equity, such as asset revaluation movements and actuarial movements on defined benefit superannuation plans.

Source: Agencies' financial statements (audited).

	Legal Profession Admission Board		Crown Solicitor's Office		Information and Privacy Commission NSW		NSW Trustee and Guardian	
	2014 Actual	2014 Budget	2014 Actual	2014 Budget**	2014 Actual	2014 Budget	2014 Actual	2014 Budget
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Abridged Statement of Comprehensive Income - Year Ended 30 June								
Employee expenses	1	na	14	-	3	4	62	63
All other expenses and losses	1	na	13	-	2	2	21	24
Total expenses	2	na	27	-	5	6	83	87
Government contributions	-	na	-	-	5	5	14	13
Other revenue	2	na	28	-	-	-	74	73
Total revenue	2	na	28	-	5	5	88	86
Surplus/(Deficit)	-	na	1	-	-	(1)	5	(1)
Total other comprehensive income/(expense)*	-	na	(4)	-	-	-	2	-
Total comprehensive income/(expense)	-	na	(3)	-	-	(1)	7	(1)
Abridged Statement of Financial Position - at 30 June								
Current assets	3	na	43	-	2	1	54	57
Non-current assets	3	na	6	-	1	1	83	66
Total assets	6	na	49	-	3	2	137	123
Current liabilities	1	na	17	-	1	1	30	29
Non-current liabilities	1	na	17	-	-	-	70	77
Total liabilities	2	na	34	-	1	1	100	106
Net assets	4	na	15	-	2	1	37	17
Extract from Statement of Cash Flows - Year Ended 30 June								
Purchases of Property, Plant and Equipment	-	-	-	-	-	-	5	4

* Includes transactions taken directly to equity, such as asset revaluation movements and actuarial movements on defined benefit superannuation plans

** Crown Solicitor's Office was created on 24 February 2014 as a result of the *Government Sector Employment Act 2013* and the Administrative Arrangements Order 2014.

Note: The original 2013-14 budget remained in the Department of Police and Justice.

Source: Agencies' financial statements (audited).

	NSW Crime Commission (Consolidated)		NSW Police Force		Total Law and Order Cluster**	
	2014 Actual	2014 Budget	2014 Actual	2014 Budget	2014 Actual	2014 Budget
	\$m	\$m	\$m	\$m	\$m	\$m
Abridged Statement of Comprehensive Income - Year Ended 30 June						
Employee expenses	17	17	2,820	2,766	4,491	4,399
All other expenses and losses	6	7	621	627	5,131	5,144
Total expenses	23	24	3,441	3,393	9,622	9,543
Government contributions	26	26	3,330	3,305	9,083	9,157
Other revenue	-	-	81	68	521	471
Total revenue	26	26	3,411	3,373	9,604	9,628
Surplus/(Deficit)	3	2	(30)	(20)	(18)	85
Total other comprehensive income/(expense)*	-	-	13	-	122	-
Total comprehensive income/(expense)	3	2	(17)	(20)	104	85
Abridged Statement of Financial Position - at 30 June						
Current assets	4	3	202	151	615	518
Non-current assets	6	6	1,697	1,659	5,828	5,753
Total assets	10	9	1,899	1,810	6,443	6,271
Current liabilities	3	3	514	490	1,073	1,051
Non-current liabilities	-	-	212	217	529	508
Total liabilities	3	3	726	707	1,602	1,559
Net assets	7	6	1,173	1,103	4,841	4,712
Extract from Statement of Cash Flows - Year Ended 30 June						
Purchases of Property, Plant and Equipment	4	4	136	146	284	338




* Includes transactions taken directly to equity, such as asset revaluation movements and actuarial movements on defined benefit superannuation plans

** Inter-entity transactions and balances between entities in the cluster have not been eliminated.

Source: Agencies' financial statements (audited).

Performance Against Budget

Actual v Budget Indicator

-  Variance below 2 per cent of budget
-  Variance between 2 and 5 per cent of budget
-  Variance greater than 5 per cent of budget

Appendix Two - Summary of Financial Information

	Total Assets		Total Liabilities		Total Revenue		Total Expense		Surplus/(Deficit)	
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Principal Department										
Department of Police and Justice	4,206	4,113	642	638	5,674	5,735	5,676	5,531	(2)	204
Other Agencies										
Legal Aid Commission of NSW	107	102	74	76	247	246	244	240	3	6
Office of the Director of Public Prosecutions	24	18	19	16	117	107	115	109	2	(2)
Judicial Commission of NSW	2	2	1	1	6	6	6	6	--	--
Legal Profession Admission Board	6	6	2	4	2	2	2	2	--	--
Crown Solicitor's Office	49	na	34	na	28	na	27	na	1	na
Information and Privacy Commission NSW	3	2	1	1	5	6	5	5	--	1
NSW Trustee and Guardian	137	126	100	95	88	82	83	55	5	27
NSW Crime Commission	10	7	3	3	26	20	23	20	3	--
NSW Police Force	1,899	1,899	726	709	3,411	3,270	3,441	3,139	(30)	131

Source: Agencies' financial statements (audited).

Appendix Three - Cluster Information

Agency	Website
Principal Department	
Department of Police and Justice*	http://www.justice.nsw.gov.au/
Other Agencies	
Legal Aid Commission of NSW	http://www.legalaid.nsw.gov.au/
Office of the Director of Public Prosecutions	http://www.odpp.nsw.gov.au/
Judicial Commission of NSW	http://www.judcom.nsw.gov.au/
Legal Profession Admission Board	http://www.lpab.justice.nsw.gov.au/lpab/legalprofession_index.html
Crown Solicitor's Office	http://www.cso.nsw.gov.au/cso/cso_index.html
Information and Privacy Commission NSW	http://www.ipc.nsw.gov.au/
NSW Trustee and Guardian	http://www.tag.nsw.gov.au/
NSW Crime Commission	http://www.crimecommission.nsw.gov.au/
NSW Police Force	http://www.police.nsw.gov.au/

Part Two

Section One

Emergency Services



Executive Summary

Introduction

This report sets out the results of the financial statement audits of the NSW Government emergency services agencies for the year ended 30 June 2014.

Unqualified audit opinions were issued on all financial statements for the year ended 30 June 2014, with the exception of NSW State Emergency Service (SES) which was qualified on the basis of insufficient information to form an opinion regarding the completeness of recording of donation revenue.

The report also provides Parliament and other users of the financial statements with an analysis of the NSW Government emergency services agencies results and key observations in the following areas:

- Financial and Performance Reporting
- Financial Controls
- Governance
- Service Delivery.

The commentary covers the following key emergency services agencies:

Fire and Rescue NSW
Urban fire and rescue services in cities and towns



Ministry for Police and Emergency Services
Policy development, ministerial support, operational coordination, crisis management, grants administration



NSW Rural Fire Service
Rural and bush fires within rural fire districts



NSW State Emergency Service
Flood and storm operations and general rescue efforts (rural and metropolitan areas)



Snapshot of the Emergency Services Agencies

A snapshot of the emergency service agencies for the year ended 30 June 2014 is shown below.

Employee related expenses \$651.3 million

All other expenses \$544.5 million

Total expenses \$1.2 billion

Net Result \$30.3 million

Assets \$988 million

Liabilities \$359 million

Capital investment \$71 million

Financial and Performance Reporting

Financial and performance reporting is an important aspect of good governance. Government requires accurate and timely financial and performance information from agencies to enable effective decision making and to allow effective, efficient and economical delivery of services.

Analysis of the financial and performance reporting of the NSW Government emergency services agencies in 2013-14 indicates:

- the quality of financial reporting has improved with total annual reported misstatements falling from 57 to 19 over the past three years. Half of all misstatements valued above \$500,000 reported in 2014 relate to liabilities
- the entities were broadly successful in performing early close procedures, submitted the financial statements earlier and authorised the financial statements for issue within the statutory timeframe
- there is scope for agencies to improve the financial reporting process around recording liabilities and to strengthen balance sheet budget estimations
- there was a 45.9 per cent increase in Fire and Rescue NSW's total death and disability liability from \$91.9 million in 2012-13 to \$134 million in 2013-14. The increase in the liability was mainly due to higher incurred but not reported (IBNR) total and permanent incapacity claims. The fund secretary has confirmed the scheme is operating within original design parameters.

Financial Controls

Appropriate financial controls help ensure the efficient and effective use of resources and the implementation and administration of entity policies. They are essential for quality and timely decision making to achieve desired outcomes.

Five significant control deficiencies were identified at NSW State Emergency Service (SES). These mainly centred around poor segregation of duties and other internal control weaknesses over business processes. No high risk internal control deficiencies were identified across the other agencies.

Governance

Governance refers to the framework of rules, relationships, systems and processes within, and by which, authority is exercised and controlled. It includes the systems the entities, and those charged with governance, use and are held to account by others.

The emergency services agencies do not have a portfolio wide overarching risk assessment and treatment plan.

Governance at the individual agencies has matured since the introduction of TPP09-05 'Internal Audit and Risk Management Policy for the NSW Public Sector' in August 2009. However, the governance arrangements of the SES need much improvement.

The SES did not have appropriate governance arrangements in place to ensure it is operating efficiently and effectively, nor did have policies and procedures to identify and mitigate business risks. Without arrangements in place, every aspect of its business is significantly exposed to financial and other operational risks.

During 2013-14, the Independent Commission Against Corruption (ICAC) concluded its investigations concerning the SES Commissioner (Operation Dewar). In its report on the investigation, made public on 28 May 2014, the Commission makes corrupt conduct findings against the Commissioner.

Emergency services agencies made 24 referrals to the ICAC during 2013-14.

Service Delivery

The achievement of Government outcomes can be improved through the effective commissioning of the right mix of services, whether from the public, private or not for profit sectors:

- Emergency services agencies attended 173,467 incidents in 2013-14, an eight per cent decrease from 2012-13. The reason for the decrease was a 23 per cent decrease in storm, floods and other natural disasters and a 7.8 per cent decrease in other calls and incidents.
- Fifteen bushfire natural disaster declarations were made, and the Premier declared a State of Emergency from 20 to 30 October 2013. Natural disasters expenses incurred in the portfolio increased by 31.3 per cent or \$34.9 million compared to 2012-13. Over the year, 31.6 per cent of all local government areas in the State were impacted by declared natural disasters.
- Fire and Rescue NSW's response times for structural fires have been stable over the past five years. The SES did not track the response times for major types of incidents in 2013-14 due to limited functionality of its recording tools. Over the past five years NSW Rural Fire Service has contained an average of 73.9 per cent of bush fires within ten hectares or less.
- The volume of hazard reduction activities carried out by NSW Rural Fire Service fell from 281,483 hectares in 2012-13 to 157,222 hectares in 2013-14. The decrease in activity was due to wet and unfavourable weather conditions.
- The emergency services agencies' total volunteers increased by 1.8 per cent to 89,504 at 30 June 2014.

Recommendations

The cluster lead agency for the emergency services agencies should:

1. prepare an overarching risk assessment and treatment plan.

The NSW State Emergency Service should:

2. rectify significant financial control deficiencies as a matter of urgency
3. implement all ICAC and Public Service Commission findings so that proper governance can be re-established as a matter of urgency
4. fill all acting senior executive positions with permanent officers as a priority.

Emergency Services Agencies should:

5. strengthen balance sheet budgeting estimation
6. reinforce efforts to meet the NSW Government's employee annual leave targets.

Financial and Performance Reporting

Financial and performance reporting is an important dimension of good governance. It is only when people have access to accurate and timely information about what the Government is doing can they hold it to account. Confidence in public sector decision making and transparency is enhanced when financial and performance reporting is accurate, timely and clear. Government requires accurate and timely financial and performance information from agencies to enable effective decision making and financial management.

Quality and Timeliness of Financial Reporting

Unqualified audit opinions were issued for all entities within the emergency services agencies with the exception of the NSW State Emergency Service.

The NSW State Emergency Service's audit opinion was modified as follows:

As is common for entities that have donations and fundraising as sources of revenue, it is impracticable to maintain an effective system of internal control over donation and fundraising revenues it receives until its initial entry in the financial records. Accordingly, as the evidence available to me regarding revenue from these sources was limited, my audit procedures with respect to donation and fundraising revenues were restricted to the amounts recorded in the financial records. I am therefore unable to express an opinion on whether all donation and fundraising revenues received by the Service during the year ended 30 June 2014 were recorded in its financial records. My 30 June 2013 report was similarly qualified.

Agency	Audit result		Reported misstatements for the year ended 30 June				
	Modified opinion	Number of significant matters	2014	2013	2012	2011	2010
Fire and Rescue NSW	No	--	7	2	12	14	12
NSW State and Emergency Service	Yes	3	11	7	14	15	8
NSW Rural Fire Service	No	--	1	4	11	22	6
Bush Fire Coordinating Committee	No	--	--	--	1	*	*
Ministry for Police and Emergency Services	No	--	--	1	18	14	*
State Rescue Board	No	--	--	--	1	*	*
Total			19	14	57	65	26

* This agency did not produce separate financial statements for the above years.

** Reported misstatements' above refer to reported monetary misstatements.

Source: Independent Audit Opinions and Statutory Audit Reports of the above agencies.

There were no significant deficiencies in the quality of financial reporting of emergency services agencies as all material misstatements were corrected.

The quality of financial reporting in the agencies has improved over the last three years. The table above shows that total reported misstatements declined between 2011-12 and 2012-13. In 2013-14, while the total number of errors increased by five, the number of errors above \$500,000 fell from seven to five.

Year ended 30 June	2014	2013
Less than \$0.5 million	14	7
\$0.5--\$1 million	3	3
\$1--\$5 million	2	4
> \$5 million	--	--
Total monetary misstatements	19	14

During the year, Treasury issued TC 14/02 'Mandatory early close procedures for 2014' aimed at, amongst other things, continuing improvement in the quality and timeliness of agencies' annual financial statements. The emergency services agencies were broadly successful in performing the procedures. They met the target reporting timetables set out in the early close circular and submitted the financial statements for audit by the stipulated dates. The early close procedures contributed to achieving the reduced timetable and completion of the audits within agreed earlier deadlines.

Agency	Early close procedures		Financial statements		Audit	
	Received by statutory date	Days late	Received by statutory date	Days late	Completed by statutory date	Days late
Fire and Rescue NSW	Yes	--	Yes	--	Yes	--
NSW State and Emergency Service	Yes	--	Yes	--	Yes	--
NSW Rural Fire Service	Yes	--	Yes	--	Yes	--
Bush Fire Coordinating Committee	*	*	Yes	--	Yes	--
Ministry for Police and Emergency Services	Yes	--	Yes	--	Yes	--
State Rescue Board	*	*	Yes	--	Yes	--

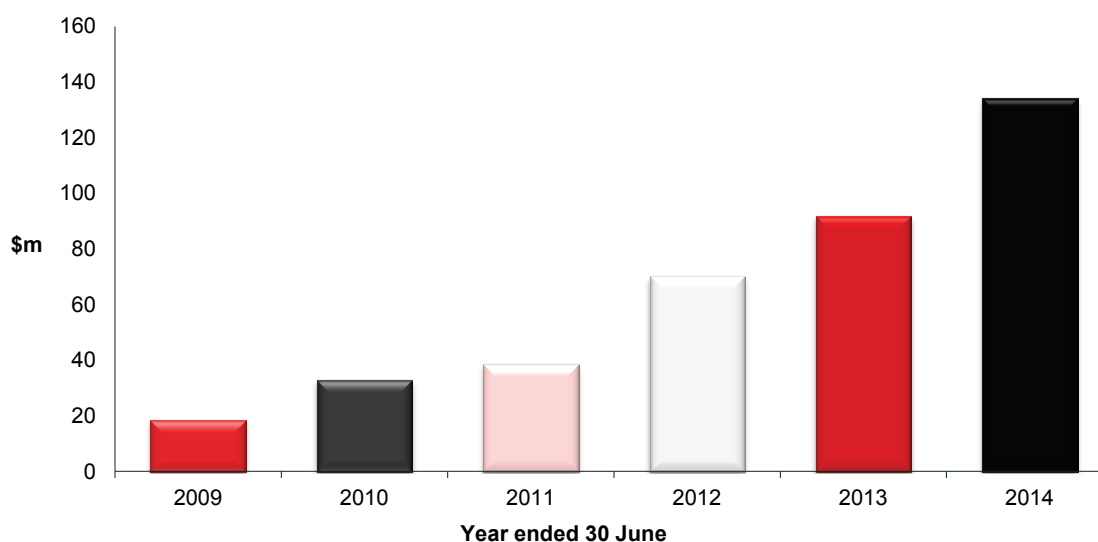
* This agency did not participate in Early Close Procedures as it was not required to by Treasury Circular TC14/02 'Mandatory early close procedures for 2014'.

Key Issues from Financial Audits

Update on Fire and Rescue NSW Death and Disability Scheme

The Fire and Rescue NSW Death and Disability Scheme came into effect in 2003, to fund death, total and permanent incapacity and partial and permanent incapacity insurance benefits for permanent and retained firefighters. All partial and permanent incapacity payments are made by Fire and Rescue NSW while death and total permanent incapacity payments are paid by the Crown Employees (NSW Fire Brigades Firefighting Staff Death and Disability) Superannuation Fund (Crown Fire Fund).

Fire and Rescue NSW Death and Disability Liability



Source: Fire and Rescue NSW Financial Statements (audited).

The death and disability liability increased by 45.9 per cent from \$91.9 million in 2012-13 to \$134 million in 2013-14. The increase was mainly due to higher incurred but not reported (IBNR) total and permanent incapacity claims, \$36.7 million. Fire and Rescue NSW reported the increase in claims was due to greater awareness of the death and disability scheme and a lack of suitable positions for firefighters who are unable to return to their roles. The fund secretary has confirmed the scheme is operating within original design parameters.

Performance against Budget

An analysis of the 2013-14 statement of comprehensive income and financial position, as summarised in Appendix Two, shows the following performance against budgeted results for the emergency services group.

Combined 2014 Statement of Comprehensive Income

In aggregate, 2013-14 actual employee expenses performed well compared to budget with less than a two per cent variance. This was largely due to the agencies' efforts to manage expenses within the Government's labour expense cap.

All other expenses for the group were \$77.9 million above budget, largely attributed to expenses incurred in responding to natural disasters, \$146 million, offset by favourable variances in other operating expenses, and grants and subsidies.

Grants and contributions revenue was ten per cent or \$99.3 million above budget. This was largely attributed to additional contributions of \$121 million the agencies received from the NSW Government to reimburse natural disaster expenses. This was offset by \$18.9 million less in grants and contributions revenue received by the Ministry for Police and Emergency Services.

Other revenue was \$36.8 million or 70 per cent higher than budget. This partially relates to Fire and Rescue NSW receiving a \$5.1 million reimbursement for natural disasters expenses; a \$7.0 million insurance hindsight adjustment; and increases in retained taxes, fees and fines. The group also made unbudgeted recoveries of \$6.0 million from other agencies hiring aircraft from the NSW Rural Fire Service during declared bush fire disaster incidents.

Other comprehensive income was largely un-budgeted. This balance mainly reflected the increased Death and Disability Scheme provision in Fire and Rescue NSW of \$40.5 million and a \$1.2 million re-measurement of the net defined benefit superannuation liability in the NSW Rural Fire Service.

Combined 2014 Statement of Financial Position

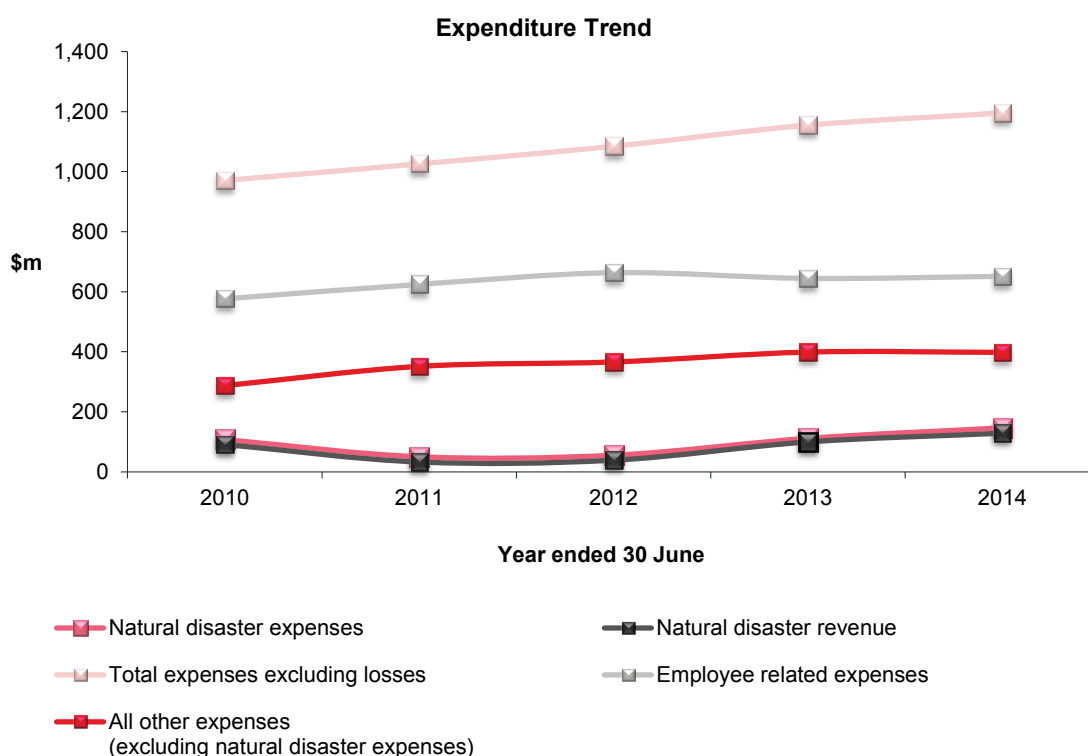
Recommendation

Balance sheet estimation for budgeting purposes should be strengthened across the agencies.

The only balance sheet item that performed close to budget was non-current assets. Budget performance for other balance sheet items was poor, reflecting poor prediction models to establish budget estimates. It also reflects volatilities estimating actuarially assessed liabilities. This is demonstrated by the following variances to budget:

- net assets of the group were \$73.5 million or 13.0 per cent higher than budget, primarily due to a favourable variances in current assets offset by unfavourable variances in total liabilities
- current assets exceeded budget by ninety-one per cent or \$145 million due to favourable cash and receivables variances of \$128 million and \$16.6 million respectively
- total liabilities of the group were \$99.5 million higher than budget. Other than an unbudgeted increase in payables of \$26.5 million, the increase is mainly attributed to a \$42.1 million increase in provisions for the Death and Disability Scheme, and an increase in employee related provisions of \$28.0 million.

Expenses Trend



Source: Audited financial statements of Fire and Rescue NSW, NSW Rural Fire Service, NSW State Emergency Service, and Ministry for Police and Emergency Services.

Over the last five years to 30 June 2014, total expenses (excluding gains and losses from disposals) in the group increased \$225 million. This was in part due to the expansion of the group with the establishment of the Ministry for Police and Emergency Services, effective April 2011.

Since 2011-12, total expenses (excluding gains and losses from disposals) in the key emergency agencies had increased by \$111 million by 30 June 2014. This represents, on average, a five per cent increase in total expenses each year. The table below shows the composition and average rate of increase per annum by expense category.

Total increase in expense (excluding losses) between 2011-12 to 2013-14, compared to 2011-12 levels	Cumulative increase / (decrease) \$'000	Contribution to total increase (%)	Average rate of increase/(decrease) (%)
Employee related expenses	(12,090)	(10.9)	(0.9)
Other operating expense	31,126	28.0	9.8
Natural disaster expenses	91,222	82.1	66.5
Grants and subsidies	(8,814)	(7.9)	(2.8)
Depreciation and amortisation	9,685	8.7	9.4
Total expenses excluding losses	111,129	100.0	5.0

Source: Audited financial statements of Fire and Rescue NSW, NSW Rural Fire Service, NSW State Emergency Service, and Ministry for Police and Emergency Services.

Employee related expenses decreased at an average annual rate of 0.9 per cent, \$12.1 million over the period.

Other operating expense increased by \$31.1 million dollars over the period, an average annual rate of 9.8 per cent.

Natural disaster expenditure increased at an average annual rate of 66.5 per cent between 2011-12 and 2013-14. By nature, natural disaster expenses are more volatile than other expenses within these agencies.

Grants and subsidies expense (after natural disasters expense) decreased at an average annual rate of 2.8 per cent since 2011-12.

Depreciation and amortisation expense increased at an average rate of 9.4 per cent over the term. The increase was mainly attributed to a 5.5 per cent increase in non-current assets between 2011-12 and 2013-14.

Impact of Events on Financial Information

The impact of natural disasters on the financial information of the agencies is discussed in the 'Service Delivery' section of this volume.

Financial Controls

Appropriate financial controls help ensure the efficient and effective use of resources and the implementation and administration of entity policies. They are essential for quality and timely decision making, effective financial management and other desired outcomes.

Internal Controls

Internal controls are processes that help entities achieve their objectives, including operational effectiveness and efficiency, reliable financial reporting, and compliance with laws, regulations and policies. Internal control weaknesses identified through the audit process are reported to management and those charged with agency governance through management letters.

Management Letter Recommendations

Management letters include recommendations to address identified weaknesses and highlight issues identified in previous audits, which have not been satisfactorily actioned by management (repeat issues).

The management letters sent to the four key emergency services agencies for the year ended 30 June 2014 and 2013 are analysed below.

Apart from NSW State Emergency Service, the other emergency services agencies internal control weaknesses did not significantly impact the quality or timeliness of financial reporting.

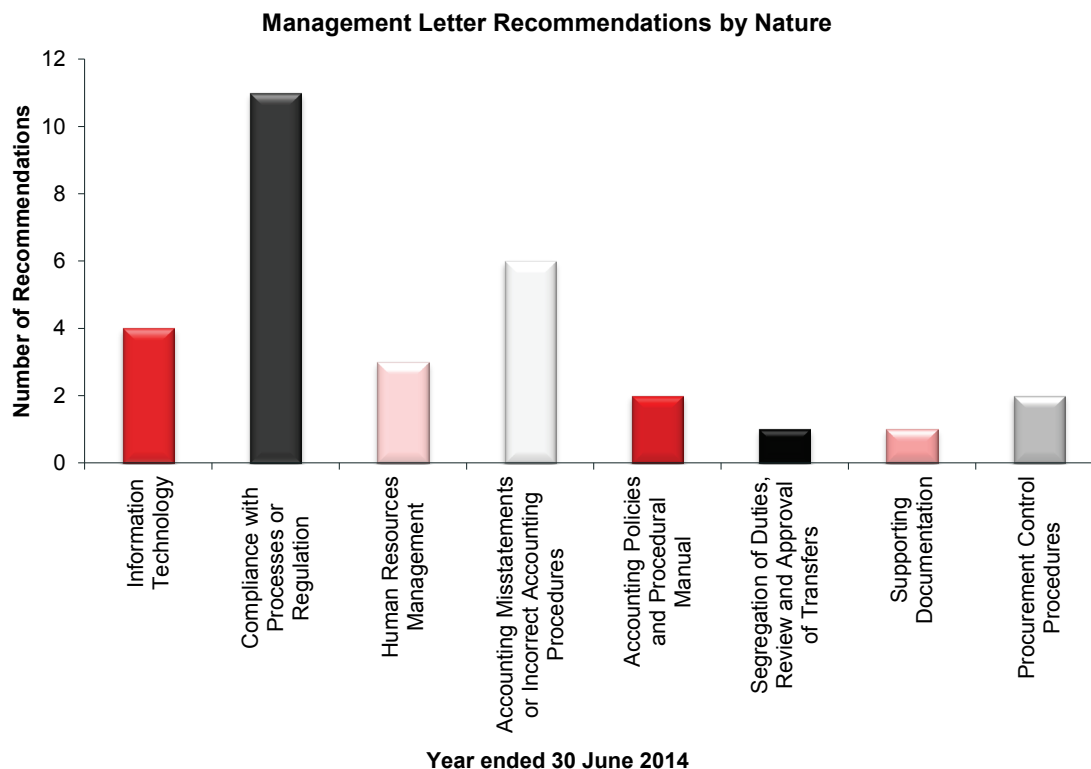
The NSW State Emergency Service had significant internal control deficiencies, which are discussed later in the report.

Year ended 30 June			2014			2013		
Risk Assessment	New	Repeat	Total	New	Repeat	Total	New	Repeat
Extreme	-	5	5	9	1	10		
Moderate	10	8	18	20	2	22		
Low	5	2	7	16	2	18		
Total	15	15	30	45	5	50		

Source: Audit findings and recommendations issued to Fire and Rescue NSW, NSW Rural Fire Service, NSW State Emergency Service, Ministry for Police and Emergency Services.

Internal control weaknesses relating to operational matters comprise most of the 2014 audit recommendations to management.

Of the 30 recommendations, half were repeat findings (mainly relating to the NSW State Emergency Service), and almost two thirds related to operational matters. The nature of the recommendations is illustrated in the graph below.



Note: Allocation of the recommendations to categories is on best fit. A recommendation might cross over more than one category, but is only counted once.

Compliance with Processes or Regulations – 11 Recommendations

These issues include non-compliance with:

- delegations under the *Public Finance and Audit Act 1983*
- policies and procedures, for example lack of review process
- legislative requirements or Treasurer's Directions.

Accounting Misstatements or Incorrect Accounting Procedures – Six Recommendations

These issues include:

- poor understanding of accounting concepts and payroll system
- failure to assess the value of inventories in accordance with accounting standards
- transactions incorrectly classified.

Information Technology – Four Recommendations

These issues include:

- no network penetration testing
- lack of review of window administrator passwords.

Human Resource Management – Three Recommendations

A common issue across all agencies was effective management of excess annual leave balances.

Agencies vary in size and complexity and the risk rating assigned to a recommendation depends on the importance of the issue to the agency. An issue may be categorised as high/extreme risk in one agency, but low risk in another.

The risk assessment matrix used to rate issues in management letters is aligned to that in 'Treasury Policy Paper TPP12-03 'Risk Management Toolkit for the NSW Public Sector'. The risk rating considers consequence and likelihood. The more frequent the event/transaction combined with a high consequence, the higher the risk.

Issues identified during the 2013-14 audits with a risk rating of extreme are concentrated in the NSW State Emergency Service. The graph below shows audit recommendations by risk rating and agency.

Year ended 30 June		2014			
Risk Assessment	Fire and Rescue NSW	NSW Rural Fire Service	NSW State Emergency Service	Ministry for Police and Emergency Services	Total
Extreme	--	--	5	--	5
Moderate	4	7	7	--	18
Low	2	--	5	--	7
Total	6	7	17	--	30

Source: Audit findings and recommendations issued to Fire and Rescue NSW, NSW Rural Fire Service, NSW State Emergency Service, Ministry for Police and Emergency Services for the year ended 30 June 2014.

Extreme risk issues identified at the SES

Internal Controls over Business Processes

As reported in prior years, a substantial number of control deficiencies were identified in the control environment especially in relation to donation revenue, payroll and segregation of duties. These deficiencies represent a breach of Section 11 of the *Public Finance and Audit Act, 1983*. They resulted in a higher level of audit testing to gain sufficient assurance about the disclosures in the financial statements.

Insufficient information to form an opinion as to the completeness of recording donation revenue

Insufficient information was available to enable the audit to conclude whether all donation and fundraising revenue received by the Service during 2013-14 was recorded in its financial records. NSW State Emergency Service should maintain a donations register to record all fundraising activities undertaken. Management should continue implementing processes to adequately control and monitor fundraising activities.

Segregation of Duties

As reported last year, officers within NSW State Emergency Service approved purchases above their delegation limits. Instances were identified where the same officer performed both the section 12 and 13 approvals for purchases. This breaches the *Public Finance and Audit Act 1983* and increases the risk of inappropriate or unauthorised payments.

Repeat Recommendation

NSW State Emergency Service should rectify significant financial control deficiencies as a matter of urgency.

Human Resources

Excessive Annual Leave

Emergency services agencies need to continue efforts to reduce employees' annual leave balances to meet the whole-of-government objective of reducing these leave entitlements to 30 days per employee by 30 June 2015. The table below shows 26.4 per cent of emergency services agencies employees' annual leave balances exceeded the whole-of-government target of 35 days at 30 June 2014.

Excess annual leave as at 30 June 2014	Fire and Rescue NSW*	NSW Rural Fire Service	NSW State Emergency Service	Ministry for Police and Emergency Services	Total
Number of employees with annual leave balance above 35 days	2,025	219	10	10	2,264
Employee headcount as at 30 June	7,267	858	363	84	8,572
Percentage of workforce with annual leave above 35 days	27.87%	25.5%	2.8%	11.9%	26.4%

* Employee headcount of Fire and Rescue NSW include 1,609 retained part-time firefighters which are generally estimated at 0.15 FTE.

Source: Fire and Rescue NSW, NSW State and Emergency Service, Ministry for Police and Emergency Services (unaudited). NSW Rural Fire Service (audited).

There are several implications from excessive leave balances, including:

- possible work health and safety implications
- disruptions to service delivery if key employees are absent for lengthy periods to reduce leave balances
- employee fraud may remain undetected
- the associated financial liability generally increases over time as salaries increase.

Recommendation

Emergency services agencies should reinforce efforts to meet the NSW Government's employee annual leave targets.

Overtime

The table below shows overtime costs incurred by the emergency services agencies.

	Fire and Rescue NSW		NSW Rural Fire Service		NSW State Emergency Service		Ministry for Police and Emergency Services		Total	
Year ended 30 June	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
Total overtime costs (\$'000)	16,636	16,279	5,500	4,339	584	1,459	8	6	22,727	22,082
Total salaries and wages (including recreation leave) \$'000	371,984	376,175	77,546	77,953	26,958	25,010	8,864	8,931	485,352	488,069
Overtime costs as percentage of total salaries and wages (including recreation leave)	4.5%	4.3%	7.1%	5.6%	2.2%	5.8%	0.1%	0.1%	4.7%	4.5%

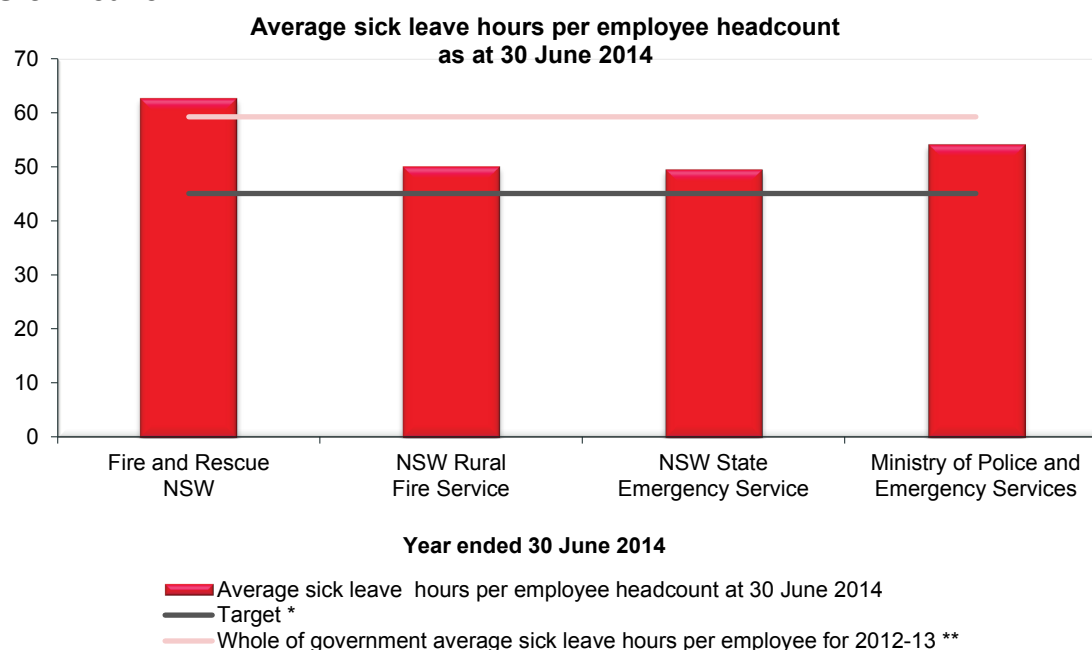
Source: Audited Financial Statements.

Note: Overtime costs include those incurred in natural disaster events, some of which may be recoverable from the State and Australian Governments. Overtime above excludes overtime costs incurred by other agencies within the State as part of disaster response services, and reimbursed from the NSW Rural Fire Service. The values of these were \$10,015,080 and \$2,661,578 for 2013-14 and 2012-13 respectively.

Total overtime costs incurred by the agencies increased by 2.9 per cent to \$22.7 million in 2013-14 (\$22.1 million in 2012-13). The increase was mainly attributed to NSW Rural Fire Service (\$1.1 million), and offset by slight reductions in NSW State Emergency Service. Fire and Rescue NSW has achieved efficiencies in managing overtime down from \$25.0 million in 2011-12 to \$16.6 million in 2013-14. This included \$4.0 million associated with NSW bush fires in October 2013 and assistance to the Victorian government.

Although the natural disasters expense in 2013-14 increased by 31.3 per cent (\$34.9 million) compared to 2012-13, overtime costs of the emergency services agencies did not increase proportionately. This is partially due to award conditions in some of the agencies having overtime built into the base conditions and remuneration of relevant employees.

Sick Leave



* The target of 45.06 hours was referred to in the Memorandum of Understanding signed in settlement of the Crown Employees (Public Sector Salaries – 2008) Award, and the Treasury Circular TC14/13 Managing Sick Leave Policy.

** Average sick leave hours taken per FTE (non-casual) in NSW Government in 2013. Source: Public Service Commission Interactive, Workforce Profile.

Source: Fire and Rescue NSW, NSW Rural Fire Service, NSW State Emergency Service, Ministry for Police and Emergency Services (unaudited).

Average sick leave hours per employee headcount for most emergency services agencies for 2013-14 were below the average taken across the public sector in 2012-13, except for Fire and Rescue NSW. None of the emergency services agencies met the government target of 45.06 sick leave hours per employee in 2013-14.

Governance

Governance refers to 'the framework of rules, relationships, systems and processes within, and by which, authority is exercised and controlled in agencies'. It includes the systems that public sector agencies and those charged with governance use to hold others to account.

Risk Management at the Emergency Services Portfolio Level

Recommendation

The lead agency for the emergency services agencies should prepare an overarching risk assessment and treatment plan.

Governance at the Agencies

The introduction of TPP 09-05 'Internal Audit and Risk Management Policy for the NSW Public Sector' served as the catalyst for governance improvement across the agencies. Fire and Rescue NSW and NSW Rural Fire Service have the most mature governance frameworks. The Ministry is similarly advanced, but was only established in 2011 and is still maturing as an organisation.

Governance arrangements at NSW State Emergency Service (SES)

Since September 2012, the SES has not had appropriate governance arrangements in place to ensure it is operating efficiently and effectively, nor did it have policies and procedures in place to identify and mitigate business risks. Without these arrangements in place, every aspect of its business is significantly exposed to financial and other operational risks.

The SES's governance framework is poor. The fundamental issue has been the extremely poor relationships at the executive level. The SES also had a period of expansion, which was not supported by necessary improvements to essential procurement, human resources and financial management policies and controls.

The Service has not had a permanent Chief Financial Officer since September 2012. In May 2013, the Service removed a Deputy Commissioner, and the Commissioner and another Deputy were stood down during an investigation by the Independent Commission Against Corruption (ICAC) and review by the Public Service Commission.

Recommendation

All findings from the ICAC and Public Service Commission be implemented so that proper governance can be re-established as a matter of urgency.

The impact of removing the Chief Executive, two Senior Executives and the Chief Finance Officer would be devastating on any organisation and seriously affect morale across the organisation.

Acting officers appointed to the executive team have begun addressing control and governance deficiencies, including rectifying inventory issues which led to removing the modified audit opinion on the 2012-13 financial statements. Without permanently appointed executive officers empowered to effect significant change in the organisation, the Service's governance deficiencies will not be appropriately resolved.

Recommendation

All Acting Senior Executive Positions in the NSW State Emergency Service should be filled by permanent officers as a matter of priority.

Fraud Control

The emergency services agencies made 24 referrals to the ICAC under section 11 of *Independent Commission Against Corruption Act 1988* during 2013-14.

	Fire and Rescue New South Wales	New South Wales Rural Fire Service*	New South Wales State Emergency Service	Ministry for Police and Emergency Services	Total
For the year ended 30 June 2014					
Number of referrals made to ICAC under section 11 of the <i>Independent Commission Against Corruption Act 1988</i> .	4	18	2	–	24

* New South Wales Rural Fire Service includes 73,746 volunteers.

Source: Fire and Rescue NSW, NSW Rural Fire Service, NSW State Emergency Service, Ministry for Police and Emergency Services (unaudited).

Service Delivery

The achievement of Government outcomes can be improved through the effective commissioning of the right mix of services, whether from the public, private or not-for-profit sectors. Commissioning involves the process by which agencies assess their needs, determine priorities, design and source appropriate services, and monitor and evaluate performance.

Performance Information

NSW 2021, the NSW Government's ten year plan, released in September 2011, focusses on five key strategies. The emergency services group contributes to strategy four.

Strategy Four – Strengthen Local Environment and Communities: this strategy is aimed at returning decision making powers to local communities, including more control over planning issues, tackling graffiti, quality of the built and natural environment, preparation for floods and fire and other emergencies, volunteering and recreational and cultural activities.

NSW 2021 Performance

NSW 2021 includes the following performance goal for the emergency services group: Ensure NSW is ready to deal with major emergencies and natural disasters (Goal 28).

Arrangements to Respond to and Recover from Natural Disasters

To achieve Goal 28, the Ministry for Police and Emergency Services need to ensure New South Wales has appropriate arrangements to respond to and recover from natural disasters.

The Ministry has performed a State Natural Disaster Risk Assessment and reviewed disaster resilience arrangements and relevant support programs. It has produced the State Emergency Management Plan (EMPLAN), sub-plans (which include plans for a human influenza pandemic, counter terrorism and other disasters) and supporting plans, which include a NSW recovery plan. To successfully progress achievement of the goal, agencies responsible for each plan need to continue reviewing or testing these plans every two years, until 2021.

The group is waiting for coastal zone management plans to be created and certified by the Minister by 2015. These plans need to address longstanding risks to coastal communities from coastal erosion and increased flooding in low lying areas of coastal rivers, lakes and estuaries.

The table below shows the targets and measures for Goal 28, and progress against each.

Targets and measures	2012-13			
	Units	Baseline	Actual	2013-14 Est Actual
Target 28.1 Ensure NSW has appropriate arrangements in place to respond to and recover from natural disasters				
Measure 28.1.0.1: Completion of the State Natural Disaster Risk Assessment	N/A	N/A	Completed	
Measure 28.1.0.2: Completion of a review into disaster resilience arrangements and relevant support programs	N/A	N/A	Completed	
Measure 28.1.0.3: The State Disaster Plan, State Recovery Plan and each hazard specific sub-plan is reviewed or exercised every two years by responsible agencies	N/A	Review / exercise of plan	State Disaster Plan (DISplan) reviewed Dec 2012	Review / Exercise Plans by 31 December
Measure 28.1.0.4: All identified coastal erosion hot spots to have coastal zone management plans in place and certified by the Minister by 2015	no.	na	na	na

N/A Not applicable.

No. Number.

Source: NSW 2021 Performance Report 2014-15 (unaudited).

Preparing and Defending against Fires

To equip the State for its defence against suburban and bushland fires, Fire and Rescue NSW and the NSW Rural Fire Service has to engage the community, increase its preparedness for fire-related disasters and conduct fire-disaster prevention activities. These agencies plan to achieve these outcomes in a number of ways, as shown in the table below.

Targets and measures	2012-13			
	Units	Baseline	Actual	Est Actual
Target 28.2 Defend against suburban and bushland fires - Increase community resilience to the impact of fires through prevention and preparedness activities				
28.2.1 Increase the number of households that are 'fire safe' through expansion of awareness programs				
Measure 28.2.1.1: Fire and Rescue NSW to annually deliver 250 targeted community safety programs per permanent fire station	no.	256	257	250
28.2.2 Enhance volunteer training programs with a particular focus on cadet training schemes				
Measure 28.2.2.1: NSW Rural Fire Service to train an additional 4000 secondary school children through the School Cadets Programmes by 2016	no.	814	2,481	3,281
28.2.3 Increase the number of identified Neighbourhood Safer Places				
Measure 28.2.3.1: Create 200 more Neighbourhood Safer Places (Places of Last Resort) in bush fire prone areas	no.	740	900	920
28.2.4 Increase the number of properties protected by hazard reduction works across all bush fire prone land tenures by 20,000 per annum by 2016				
Measure 28.2.4.1: Number of properties protected by hazard reduction works reported to RFS on a rolling five years average commencing 1 July 2011, as per the NSW Rural Fire Service Bush Fire Risk Information Management System	no.	128,593	150,400	140,793
28.2.5 Increase the annual average level of treated by hazard reduction activities by 45% by 2016				
Measure 28.2.5.1: Area of bush fire prone land treated by hazard reduction works reported to RFS on a rolling five years average commencing 1 July 2011 as per the NSW Rural Fire Service Bush Fire Risk Information Management System	ha.	128,894	167,075	161,762
Measure 28.2.5.2: Number of hazard reduction activities undertaken in National Parks and Reserves on 5-year rolling average	no.	461	1,004	1,009

Ha. Hectare

No. Number

Source: NSW 2021 Performance Report 2014-15 (unaudited).

On all measures Fire and Rescue NSW and the NSW Rural Fire Service are tracking well to meet the targets for 2012-13 and 2013-14.

Given the magnitude and destructive impact of recent bushfires, preventing bushfires through hazard reduction activities is particularly important for the State.

Hazard Reduction

The NSW Rural Fire Service is the lead agency for coordinated bush fire-fighting. It is also responsible for fires and related emergency incidents within Rural Fire Districts.

The Service carries out and/or coordinates hazard reduction activities to minimise the threat of damage to life, property, infrastructure and environmental, economic, cultural, agricultural and community assets by reducing or removing bush fire fuel. Hazard reduction does not completely prevent bush fires, but helps the Service and other fire-fighting agencies with containment strategies and property protection. Burning is the most common form of hazard reduction in New South Wales.

The Service monitors the level of hazard reduction activities through two measures: the annual average area treated by hazard reduction (in hectares), and the number of properties protected by hazard reduction works across all bush fire prone land. The results of these activities are shown below.

Hazard Reduction Works

Year ended 30 June	Five year average	2014	2013	2012	2011	2010
Total hectares of hazard reduction works completed	173,853	157,222	281,483	138,211	117,634	174,706
Number of properties protected by hazard reduction works across all bush fire prone land tenures	151,679	124,414	146,292	165,945	167,533	154,211

Source: NSW Rural Fire Service published figures (unaudited).

The area subjected to hazard reduction activity reduced from 281,483 hectares in 2012-13 to 157,222 hectares in 2013-14. The decrease correlates with wet weather conditions. Historically, approximately half the hazard reduction occurs between March and May. In 2013-14, March and April were very wet with 35 per cent more wet days than the ten year average. May was also wetter than usual. This reduced the area treated by 27 per cent.

Planning Flood Emergency Management

The management of flood emergencies involves local councils, the Department of Planning and Environment (Office of Environment and Heritage), and the NSW State Emergency Service.

Local councils have lead responsibility for managing flood prone areas and the Department of Planning and Environment plays a key role in helping the councils manage flood threats faced by residents. The NSW State Emergency Service gives direction to the councils through its Floodplain Development Manual and standard floodplain risk management documents.

Councils undertake projects to understand flood risks, assess how best to manage these risks and how to implement projects to reduce flood threats to communities.

The following measures in NSW 2021 are relevant to the NSW State Emergency Service.

Targets and measures			2012-13	2013-14
	Units	Baseline	Actual	Est Actual
28.3 Increase the number of Floodplain Risk Management Plans available to support emergency management planning				
Measure 28.3.0.1: The number of Floodplain Risk Management Plans available to the State Emergency Service	no.	152	282	n.a.
Measure 28.3.0.2: The percentage of Floodplain Risk Management Plans that conform to the NSW State Emergency Service Requirements from the Flood Risk Management Process Guidelines	%	30	18	20
Measure 28.3.0.4: Increase the number of Floodplain Risk Management Plans adopted by local government to 166 by 2021	no.	118	125	133

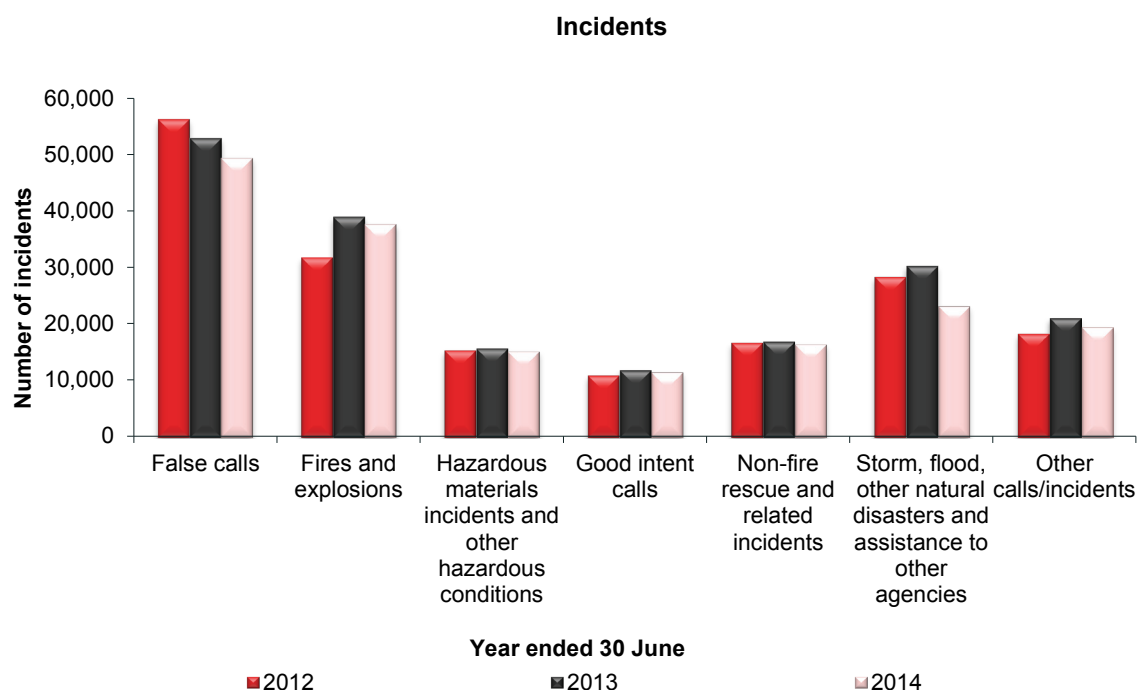
No. Number.

Source: NSW 2021 Performance Report 2014-15 (unaudited).

On average 7.5 Flood Risk Management Plans have been adopted by local governments since 2011 (baseline year). This is higher than the average of 4.5 plans needed to meet the goal of local governments adopting 166 plans by 2021.

Incidents

In aggregate, emergency services agencies responded to the following incidents.



Source: Fire and Rescue NSW, NSW Rural Fire Service and NSW State Emergency Service (unaudited).

The number of incidents measures community demand for emergency services. Total demand for these services decreased by eight per cent, 173,467 incidents in 2013-14 compared to 188,458 in 2012-13. This was largely attributable to a 23 per cent decrease in requests for storm, flood, other natural disasters, assistance to other agencies and a reduction in other calls/incidents, 7.8 per cent. Demand for all other incident types also fell marginally.

Response Times

Fire and Rescue NSW

Response time is the interval between a call being received by the Fire and Rescue NSW dispatch centre and the arrival of a firefighting vehicle at the scene. It comprises time for call processing, turnout and travel of permanent and retained (on call) firefighters. Response times within the fiftieth and ninetieth percentiles mean 50 per cent and 90 per cent of the first responding fire engines arrive at the scene within this time. Response times reflect the efforts of fire services to minimise the impact of fires on the community.

The table below shows that response times for the first fire engines to arrive at the scene of an incident have remained virtually unchanged over the last five years. Fire and Rescue NSW seeks each year to maintain and improve these times where possible.

Percentage of first responding fire engines arriving at the scene of an incident		Response time in minutes and seconds				
Year ended 30 June	Five year average	2014	2013	2012	2011	2010
50%	7:38	7:30	7:30	7:46	7:43	7:45
90%	12:00	12:12	12:10	11:55	11:51	11:52

Source: Fire and Rescue NSW (unaudited), five year calculated average (unaudited).

NSW State Emergency Service

NSW State Emergency Service did not track response times for major types of incidents in 2013-14. The Service only tracked the response times for road crash rescues. Other major types of incidents such as community first responder incidents and vertical rescue incidents were not captured in 2013-14. The Service has implemented a new functionality called BEACON to enable it to capture response times for all major incident types in 2014-15.

NSW Rural Fire Service

The size and distribution of bush fires in any one year varies according to the coincidence of extreme bush fire weather conditions and ignitions, and to the capacity of response agencies to quickly detect and safely contain such ignitions.

The proportion of bush fires contained to small size fires, by preventing them from becoming potentially damaging fires, indicates the effectiveness of the detection and suppression capabilities of agencies.

The percentage of bush fire incidents contained to ten hectares or less is shown in the table below.

Year ended 30 June	Five year average	2014	2013	2012	2011	2010
Percentage of bush fires contained to ten hectares or less	73.9%	88.1%	83.3%	74.1%	66.1%	58.1%

Source: NSW Rural Fire Service five year calculated averages (unaudited).

NSW Rural Fire Service has been exceeding its target of 70 per cent since 2011-12.

Staffing and Volunteering

Emergency services agencies use a range of people to achieve their objectives, as shown below.

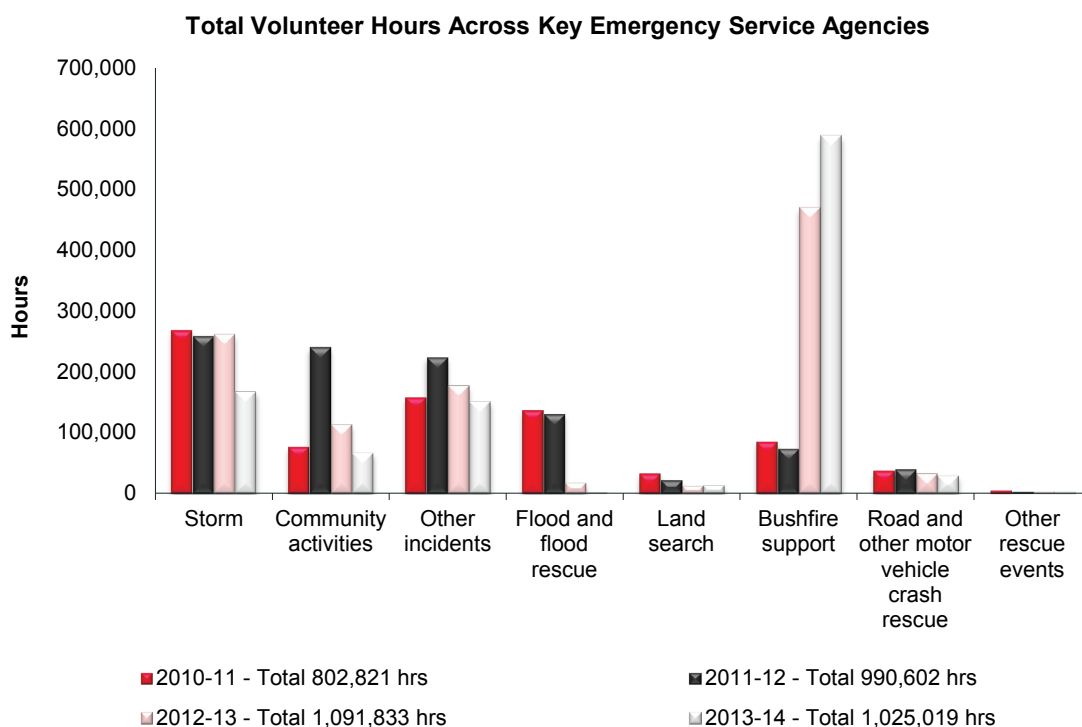
Year ended 30 June	Full-time			Retained (part-time)			Volunteers			Total		
	2014	2013	2012	2014	2013	2012	2014	2013	2012	2014	2013	2012
Fire and Rescue NSW	3,432	3,869	3,918	3,380	3,368	3,323	7,015	7,200	7,000	13,827	14,437	14,241
NSW Rural Fire Service	822	846	908	-	-	-	73,746	71,976	70,246	74,568	72,822	71,154
State Emergency Service	287	251	246	-	-	-	8,743	8,767	8,362	9,030	9,018	8,608
Total	4,541	4,966	5,072	3,380	3,368	3,323	89,504	87,943	85,608	97,425	96,277	94,003

Source: Fire and Rescue NSW, NSW Rural Fire Service and NSW State Emergency Service, (unaudited).

Over the last three years, total full time employees have declined while total volunteers have increased across the emergency services agencies. The data above shows the importance of volunteers as a key resource to these agencies.

NSW State Emergency Service should continue to develop its volunteer workforce plan, as similarly noted in my Performance Audit Report to Parliament which was published in April 2014. Failing to have an effective plan for volunteers increases the risk of the agency not having appropriate resources in place to achieve its objectives.

The three key emergency service agencies' total volunteer head count increased by 1,561 or 1.8 per cent to 89,504 at 30 June 2014 (2.7 per cent to 87,943 at 30 June 2013).



Source: Fire and Rescue NSW, NSW Rural Fire Service and NSW State Emergency Service (unaudited).

Volunteer hours indicate volunteers' engagement with emergency services agencies. Total volunteer hours fell by 6.1 per cent to one million hours in 2013-14. Decreases occurred in most categories, except for a significant increase in the bushfire support category. Total volunteer hours in the community activities category have declined substantially since 2011-12 because Fire and Rescue NSW stopped recording this data after 2011-12.

Average hours volunteered by each volunteer on formal incidents fell by just under one hour (7.2 per cent) across the three emergency services agencies in 2013-14, as shown in the table below.

Year ended 30 June	2014	2013	2012	2011
Average hours per volunteer	11.5	12.4	11.6	9.1

Source: Volunteer hours divided by total volunteer headcount; supplied by Fire and Rescue NSW (2010-11 and 2011-12), NSW Rural Fire Service and NSW Emergency Service, (unaudited).

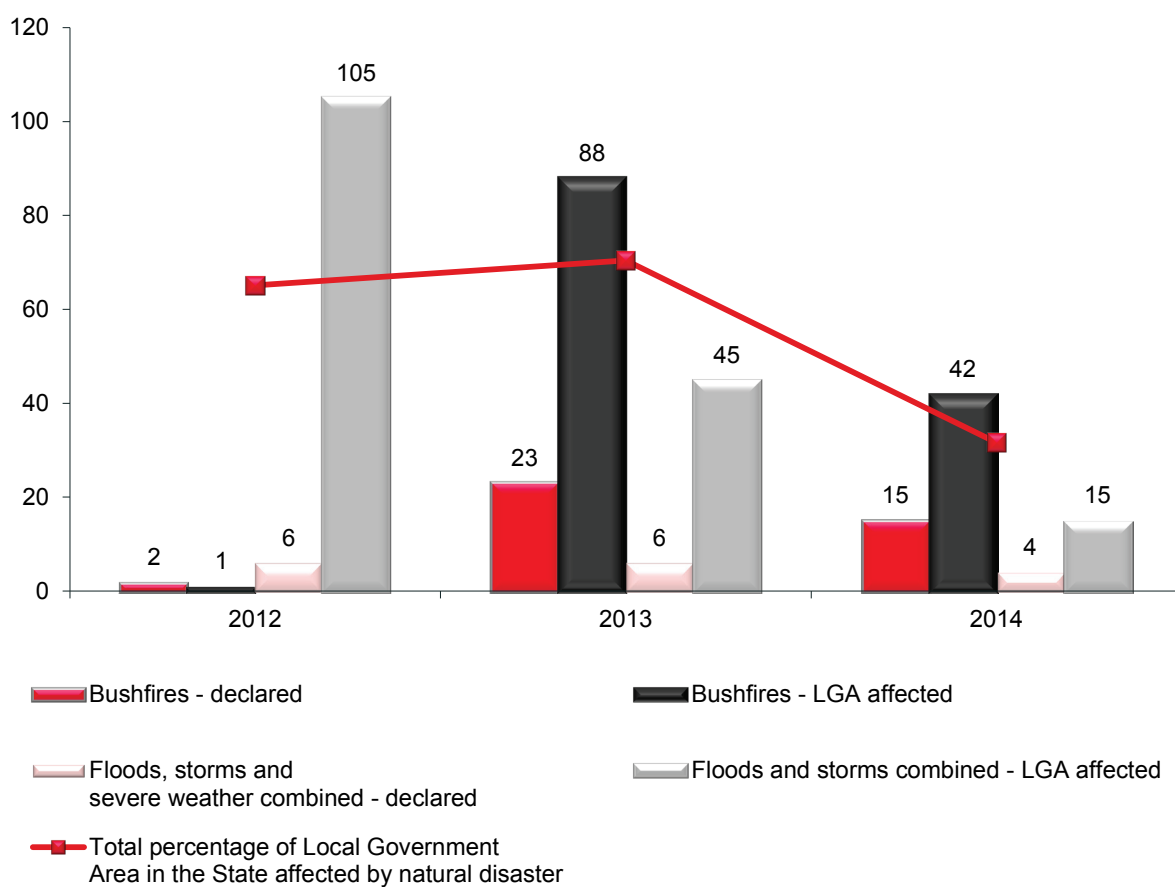
Natural Disasters

The table below shows natural disasters declared for the last three years and the number of local government areas (LGA) affected by each disaster type.

Year ended 30 June	No. of declarations			No. of local government areas (LGA) affected for each event type		
	2012	2013	2014	2012	2013	2014
Bushfires	2	23	15	1	88	42
Floods and storms	2	4	--	3	40	--
Floods	3	--	--	94	--	--
Storms	1	1	2	8	3	7
Dust storm	--	--	--	--	--	--
Severe weather	--	1	2	--	2	8

Source: Ministry for Police and Emergency Services website (unaudited). Note: If an LGA was affected twice during the year by a disaster, the LGA is only counted once in the disaster category.

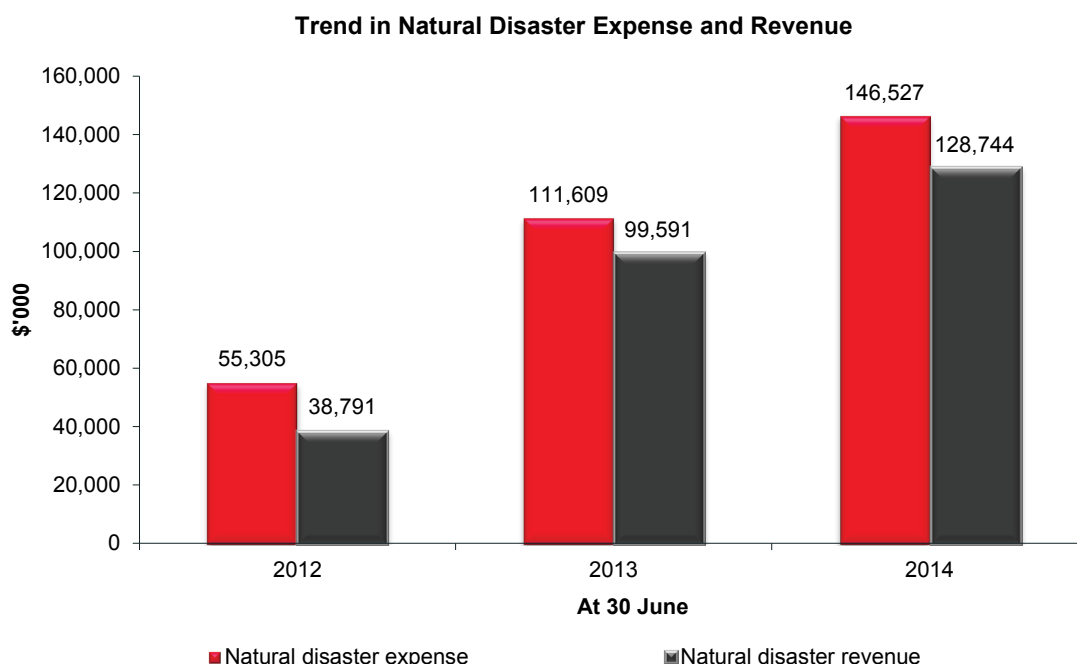
Natural Disasters Declared and Local Government Areas Affected



Source: Ministry for Police and Emergency Services website (unaudited). Note: If an LGA was affected twice during the year by bushfires, the LGA is only counted once in the bushfire category. For the purpose of counting 'total percentage of local government area in the state affected by natural disaster', if an LGA was affected by a bushfire and a flood during the year, it is counted only once overall.

A total of 48 LGAs (31.6 per cent of LGAs in New South Wales) were affected by natural disasters in 2013-14. An analysis of natural disaster declarations and LGAs affected over the last three years suggests flood related disasters tend to affect many LGAs. This is because river systems flow through many LGAs and it is intrinsically difficult to contain the spread of floods. Bushfire related disasters tend to occur in rural areas, and historically have been contained to some degree by emergency services agencies' fire containment strategies.

Nineteen declared disasters occurred in 2013-14. Most related to bushfires and affected 42 LGAs. Bushfire events were fewer in 2013-14 than in 2012-13, but were more severe in nature. This contributed to a significant increase in natural disaster expenses, as shown in the table below.



Source: Financial statements of Fire and Rescue NSW, NSW Rural Fire Service, NSW State Emergency Service, and Ministry for Police and Emergency Services (audited).

Natural disasters are declared when damage to public assets and associated recovery costs exceed \$240,000. Declaration of natural disasters allows emergency service agencies to recover associated costs from the Crown Entity. The Crown Entity is able to recover some of these costs from the Australian Government if they meet the criteria in the Natural Disaster Relief and Recovery Arrangements Determination.

Over the last six years, emergency service agencies have spent \$516 million on natural disaster events and recouped \$415 million from the New South Wales and Australian Governments.

Part Two

Section Two

Appendices



Appendix One - Summary Financial Information

	Total assets		Total liabilities		Total revenue		Total expense		Net result		Total comprehensive income / (expense)	
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Fire and Rescue NSW	819	798	262	219	675	640	657	644	18	(5)	(22)	32
NSW Rural Fire Service	103	87	80	77	422	371	412	376	11	(6)	12	3
NSW State Emergency Service	50	43	14	13	91	96	84	88	6	8	6	8
Ministry for Police and Emergency Services	16	21	3	3	37	54	42	47	(5)	7	(5)	7
Total	988	949	359	312	1,225	1,161	1,195	1,155	30	4	(9)	50






Source: Financial statements (audited).

Appendix Two - Performance Against Budget




	Fire and Rescue NSW		NSW Rural Fire Service		NSW State Emergency Service		Ministry for Police and Emergency Services		Total	
	2014 actual	2014 budget	2014 actual	2014 budget	2014 actual	2014 budget	2014 actual	2014 budget	2014 actual	2014 budget
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Abridged statement of comprehensive income - year ended 30 June										
Employee expenses	512	515	95	93	33	34	11	11	651	653
All other expenses	145	132	317	238	51	51	31	45	544	466
Total expenses	657	647	412	331	84	85	42	56	1,195	1,119
Grants and contributions	604	607	408	286	88	88	35	54	1,135	1,035
Other revenue	71	44	14	8	3	1	2	1	90	54
Total revenue	675	651	422	294	91	89	37	55	1,225	1,089
Gains/(loss) on disposal	--	--	1	--	(1)	--	--	--	--	--
Other gains/(losses)	--	--	--	--	--	--	--	--	--	--
Net result	18	4	11	(37)	6	4	(5)	(1)	30	(30)
Total other comprehensive income/(expense)*	(40)	--	1	--	--	--	--	--	(39)	--
Total comprehensive income/(expense)	(22)	4	12	(37)	6	4	(5)	(1)	(9)	(30)
Abridged statement of financial position - at 30 June										
Current assets	190	116	74	9	28	21	15	16	307	162
Non-current assets	629	610	29	21	22	21	1	1	681	653
Total assets	819	726	103	30	50	42	16	17	988	815
Current liabilities	165	133	60	44	14	11	3	2	242	190
Non-current liabilities	97	46	20	24	--	--	--	--	117	70
Total liabilities	262	179	80	68	14	11	3	2	359	260
Net assets	557	547	23	(38)	36	31	13	15	629	555

* Includes transactions taken directly to equity, such as asset revaluation movements and actuarial movements on defined benefit superannuation plans.

Source: Financial statements (audited).

	Fire and Rescue NSW		NSW Rural Fire Service		NSW State Emergency Service		Ministry for Police and Emergency Services		Total	
	2014 actual	2014 budget	2014 actual	2014 budget	2014 actual	2014 budget	2014 actual	2014 budget	2014 actual	2014 budget
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Abridged statement of cash flows - year ended 30 June										
Purchases of property, plant and equipment	 48	53	 16	12	 7	10	 --	1	 71	76

Actual v Budget Indicator

-  Variance below 2 per cent of budget
-  Variance between 2 and 5 per cent of budget
-  Variance greater than 5 per cent of budget

Appendix Three – Emergency Services Agencies Information

Agency	Website
Fire and Rescue NSW	http://www.fire.nsw.gov.au/
NSW State and Emergency Service	http://www.ses.nsw.gov.au/
NSW Rural Fire Service	http://www.rfs.nsw.gov.au/
Ministry for Police and Emergency Services	http://www.emergency.nsw.gov.au
Bush Fire Coordinating Committee	*
State Rescue Board	*

* This entity has no website.

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