

Managing growth in the NSW prison population

24 MAY 2019



NEW SOUTH WALES AUDITOR-GENERAL'S REPORT

PERFORMANCE AUDIT

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GPO Box 12
Sydney NSW 2001

The Legislative Assembly
Parliament House
Sydney NSW 2000

The Legislative Council
Parliament House
Sydney NSW 2000

In accordance with section 38E of the *Public Finance and Audit Act 1983*, I present a report titled **'Managing growth in the NSW prison population'**.

A handwritten signature in black ink, appearing to read 'Ian Goodwin'.

Ian Goodwin
Acting Auditor-General
24 May 2019

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Section one

Managing growth in the
NSW prison population



Executive summary

At the time of this audit, the NSW Department of Justice (DOJ) was responsible for delivering custodial corrections services in New South Wales through its Corrective Services NSW division (Corrective Services NSW). From 1 July 2019, the Department of Family and Community Services and Justice will be responsible for these functions.

Within DOJ, Corrective Services NSW is responsible for administering sentences and legal orders through custodial and community-based management of adult offenders. Its key priorities are:

- providing safe, secure and humane management of prisoners
- reducing reoffending
- improving community safety and confidence in the justice system.

The prison population in New South Wales grew by around 40 per cent between 2012 to 2018, from 9,602 to 13,630 inmates. This rate of growth was higher than experienced prior to 2012. DOJ forecasts growth to continue over the short and longer-term.

DOJ has responded to inmate population growth by doubling-up and tripling-up the number of prison beds in cells, reactivating previously closed prisons, and a \$3.8 billion program of new prison capacity. DOJ has also developed a long-term prison infrastructure strategy that projects long-term needs and recommended investments to meet these needs.

This audit assessed how efficiently and effectively DOJ is responding to growth in the NSW prison population. In this report, we have not analysed the sources of demand or recommended ways that custody may be avoided. These are largely government policy issues.



Conclusion

The DOJ has relied heavily on temporary responses to accommodate growth in the NSW prison population. Sustained reliance on these responses is inefficient and creates risks to safety, and timely access to prisoner support services.

DOJ has experienced significant growth in the prison population since 2012. To meet demand, it has relied on temporary responses that are not designed to be sustained, including doubling-up or tripling-up the number of beds in cells, reopening previously closed facilities and using obsolete facilities. DOJ has also regularly moved inmates between its facilities to accommodate the increasing need for beds in metropolitan Sydney.

Relying on temporary approaches over a long period contributes to prison crowding and has affected DOJ's ability to manage inmates in line with its correctional principles. It has increased risks to staff and prisoner safety, and timely inmate access to prisoner support services and programs. In addition, the cost per prisoner per day increased over the past two years.

DOJ is progressively delivering new capacity to address the growing prison population.

In response to continuing and projected growth in the prison population, the NSW Government announced a one-off \$3.8 billion program to deliver around 6,100 beds by May 2021. Under the program, DOJ developed and delivered two rapid build dormitory style prisons within 18 months. DOJ's capability to deliver the program, including implementation of new beds and new prisons, governance, project management, risk assessment and commissioning has improved over time. Most new capacity will be delivered on existing DOJ sites, mainly in regional New South Wales.

DOJ has developed a strategy to respond to long-term projected growth in the prison population, but it has yet to be funded.

The Corrective Services NSW Infrastructure Strategy (CSIS) sets out challenges, strategic priorities, and planned actions to respond to projected growth over the next 20 years and improve overall system efficiency and effectiveness. But, proposed actions are subject to individual business cases and funding decisions. Three versions of the CSIS have been provided to, and endorsed by, the NSW Government. The key challenge identified in the CSIS is to overcome demand for prison beds in the Sydney metropolitan region. DOJ advised that it is developing a final business case to address metropolitan capacity needs, but this is subject to government approval and funding. DOJ should continue to highlight the urgency of this issue until it is addressed, as it prevents planned actions to improve system efficiency and effectiveness.



1. Key findings

DOJ responded to prison population growth from 2012 to 2015 by doubling-up and tripling-up the number of beds in cells, reopening closed facilities and using obsolete facilities

From 2012 to 2015, DOJ relied heavily on responses to prison population growth that included doubling-up and tripling-up the number of beds in cells, using obsolete facilities and reopening closed facilities. While suited to manage temporary 'surges' in inmate numbers, DOJ's ongoing reliance on these temporary responses is contrary to its correctional principles.

Implementation of temporary beds was not always accompanied by plans to ensure commensurate resourcing of prisoner support services. DOJ also relied on moving inmates to regional locations to accommodate more remand inmates in metropolitan areas.

Insufficient increases to prisoner support services and physical spaces within facilities, alongside temporary responses, contributed to crowding. This increased risks to prisoner and staff safety, prison security and to operational and strategic objectives.

Short-term responses have increased risks to inmate safety and access to prisoner support services

The indicators DOJ uses to measure effectiveness show that from 2012 to 2018, growing prisoner numbers – including growth in some cohorts (e.g. remand, female, higher security) – and subsequent increasing prison utilisation rates have coincided with:

- increases in inmate on inmate, and inmate on staff assaults, excluding serious assaults
- increases to waitlists for key programs
- no change to inmates' time spent out of cells, which remains below the Australian average.

While DOJ acknowledges a link between prison utilisation rates and these indicators, it advises there are multiple and varying factors that also contribute to these indicators.

The prisoner cost per day has increased over the last two financial years

Contrary to the decrease from 2012–13 to 2015–16, DOJ's cost per prisoner per day increased in 2016–17 and 2017–18. This was driven in part by its responses to growth. Some reasons include:

- increased staffing numbers in response to overall growth, and a growing cohort of high security inmates which require more staff supervision than lower security inmates
- increased rates of overtime and casual hours
- increased numbers of planned and unplanned inmate movements, from an increased need to transport remand inmates to and from regional areas to available beds
- implementation of reforms to the justice system to reduce reoffending.

DOJ advised the NSW Government from 2013 on the impact of rising prisoner numbers but did not receive significant funding until 2015–16

From 2013 to 2015, DOJ communicated its need to increase available prison accommodation to the NSW Government and made case by case proposals to increase bed numbers within existing prisons. The NSW Government funded various operational responses that provided minor additional capacity from 2013, including reopening previously closed facilities.

In May 2015, DOJ advised the NSW Government that the prison system was in 'crisis' and it needed to commence a program of prison expansions. In June 2015, the NSW Government announced \$314.6 million over four years to provide significant additional prison beds. In June 2016, the NSW Government announced a \$3.8 billion program over four years to increase prison bed capacity.

Between 2012 to 2016, DOJ prepared two long-term infrastructure strategies for additional capacity in key areas within its prison network. This advice to the government set out proposed areas for investment to meet capacity needs, and to more efficiently and effectively use existing assets, including by increasing metropolitan capacity. Projections accompanying the strategies underestimated the rapid growth of the inmate population.

One-off building program is on track to deliver capacity to meet medium-term needs

In June 2016, the NSW Government announced the \$3.8 billion Prison Bed Capacity Program to provide immediate, medium and long-term capacity in addition to expanding the Parklea Correctional Centre and building a new facility at Grafton (Clarence Correctional Centre). Under the program, DOJ delivered two rapid build dormitory style prisons within 18 months. Most new capacity will be delivered on existing DOJ sites, mainly in regional New South Wales.

DOJ's capability to deliver the Program has improved over time. External reviews have identified a need to capture organisational capability developed under the Program, including applying lessons learned to future projects. DOJ has recently finalised a benefits management framework and should ensure that it continues to apply this framework as projects are completed.

DOJ has recently revised its outdated facility standards to ensure consistency and comparability when designing and delivering new prisons. It should regularly review and update the standards to ensure they continue to align with correctional outcomes.

Despite receiving dedicated funding DOJ continues to rely on temporary beds that increase risks to correctional staff and prisoner safety

Despite receiving dedicated funding to deliver new prison capacity, the combination of projected growth, demand for metropolitan beds exceeding capacity, and limited options to expand existing facilities means that 'temporary high-risk beds' are likely to remain a key response to dealing with shortfalls in overall capacity.

In 2018, DOJ considered around 15 per cent of prison beds to be 'temporary high-risk beds'. These beds increase risks to staff and prisoner safety, prison security and to operational and strategic outcomes.

Delivering additional metropolitan capacity is subject to government approval and funding

The Corrective Services NSW Infrastructure Strategy (CSIS) sets out challenges, strategic priorities, and planned actions to respond to projected growth over the next 20 years. It also calls out a need for extra capacity to be built into the prison system to accommodate population 'surges'. Three versions of the CSIS were provided to, and endorsed by, the NSW Government since 2015.

Actions identified in the CSIS are subject to individual business cases and separate funding decisions. The key challenge identified in the CSIS is meeting current and projected demand for metropolitan capacity. New metropolitan capacity will be delivered under the Prison Bed Capacity Program, and DOJ proposes move to a 'hub and spoke' model to improve prison network efficiency and effectiveness. However, current and planned actions will not meet these needs alone. DOJ projects a shortfall in metropolitan capacity from 2022. DOJ advised it is preparing a final business case to address these needs, but delivery is subject to government approval and funding.

Scenario planning for prison population growth and better information on asset conditions will help DOJ understand its ability to meet future demand

From 2012 to 2016, DOJ's projections underestimated growth in inmate numbers. Multi-tiered forecasting is now used by DOJ to understand the range of responses to meet prison demand in the longer-term. Justice Impact Assessments have also improved DOJ's understanding of the impacts of changes in policy and practice to inmate numbers, allowing it to better plan for long-term needs.

DOJ is working to address its previously identified limitations in asset management, including accurate asset condition knowledge, maintenance backlog and budget. It has recently undertaken an asset management review and is making progress to comply with government policy and international standards for asset management.

In 2018, around 25 per cent of prison beds were being used in obsolete facilities, including some facilities that are operating beyond their expected useful life. DOJ should use its increased knowledge of asset condition and maintenance costs to develop a plan to reduce its reliance on obsolete facilities and assets operating beyond typical asset lifecycles.



2. Recommendations

The Department of Family and Community Services and Justice should, by June 2020:

1. advise the NSW Government on options to meet the urgent need for additional prison bed capacity within the metropolitan Sydney area, to meet its projected shortfall in fit for purpose beds from 2022
2. reassess and advise the NSW Government on whether the prison system has enough fit-for-purpose capacity to manage temporary fluctuations in the inmate population
3. investigate and implement deliberate strategies that reduce the number and costs of inmate movements, for example through greater use of technology to alleviate inmate movements where possible and appropriate
4. continue to use Justice Impact Assessments to advise the NSW Government of the impacts of policy changes on immediate and longer-term demand for prison beds and prisoner support services, including for specific inmate cohorts
5. use findings from the DOJ asset management review to develop a benchmark for maintenance expenditure and include this in budget submissions
6. continue to monitor and report on benefits as set out in the Prison Bed Capacity Program Benefits Realisation Management Plan including after the program ends in 2021.

This audit identifies that the NSW Government has been advised on the risk that the NSW prison system will not be able to effectively accommodate the projected inmate population in the medium to long-term. While funding has been provided to address immediate and short-term needs, DOJ has forecast that longer-term growth will exceed the additional capacity that this funding has provided. Specifically, DOJ has projected a shortfall in metropolitan capacity from 2022. The below recommendation is made in this context.

The NSW Government should, by June 2020:

1. settle its strategic objectives for accommodating long-term growth in the prison population in the context of broader criminal justice reforms, and invest in the delivery of these objectives accordingly.



1. Introduction

1.1 Role and function of the NSW Department of Justice and Corrective Services NSW

At the time of this audit, the NSW Department of Justice (DOJ) delivered criminal justice services in New South Wales.

DOJ is the lead government department within the Justice Cluster. The Justice Cluster comprises interdependent government agencies that deliver legal, law enforcement and emergency services. DOJ is responsible for leading the delivery of the Premier's and State priorities to:

- reduce adult reoffending
- reduce domestic violence reoffending.

In April 2019, the NSW Government announced machinery of government changes that resulted in the abolishment of DOJ. From 1 July 2019, criminal justice services in New South Wales will be provided by the Department of Family and Community Services and Justice.

Managing inmates in New South Wales

Corrective Services NSW is the division of DOJ responsible for the correctional system, including administration of sentences and legal orders through custodial and community-based services for adult offenders. It is a downstream agency in the justice cluster and system and has limited ability to influence the number of inmates it must accommodate.

Corrective Services NSW is guided by legislation that informs how and why it operates. The *Crimes (Administration of Sentences) Act 1999* establishes key principles:

- to ensure that those offenders who are required to be held in custody are removed from the general community and placed in a safe, secure and humane environment
- to ensure that other offenders are kept under supervision in a safe, secure and humane manner
- to ensure that the safety of persons having the custody or supervision of offenders is not endangered
- to provide for the rehabilitation of offenders with a view to their reintegration into the general community.

From these principles, Corrective Services NSW must manage offenders in an appropriate custodial environment and provide opportunities for rehabilitation to reduce the risk of reoffending. While in custody, eligible inmates are provided with opportunities for employment and education through Corrective Services Industries.

Health services in prison are delivered by the Justice Health and Forensic Mental Health Network (Justice Health), which is a Statutory Health Corporation of NSW Health. Delivery of health services is not covered within the scope of this performance audit.

Prisons in New South Wales

In 2018, New South Wales had 39 prisons. These prisons vary in size, age, and the types of prisoners they hold. Two prisons are privately operated, and a third privately operated prison will be established when the new correctional centre in Grafton opens in 2020.

The location of corrective services facilities is shown in Exhibit 1.

Exhibit 1: Corrective services facilities in New South Wales



Source: NSW Department of Justice, 2018.

1.2 Growth in the prison population in New South Wales

Overall prison population trends

Since the early 1980s, the number of inmates managed by Corrective Services NSW has risen on average by 3.7 per cent per year (Exhibit 2). Over the same period, the total population in New South Wales grew by around 1.4 per cent per year. In contrast to the long-term trend, the inmate population decreased by around five per cent per year from June 2009 to June 2012.

Since June 2012, the number of inmates in New South Wales has steadily increased by six per cent per year on average. At June 2018, the inmate population was 13,630.

Exhibit 2: Long-term prison population trends in New South Wales



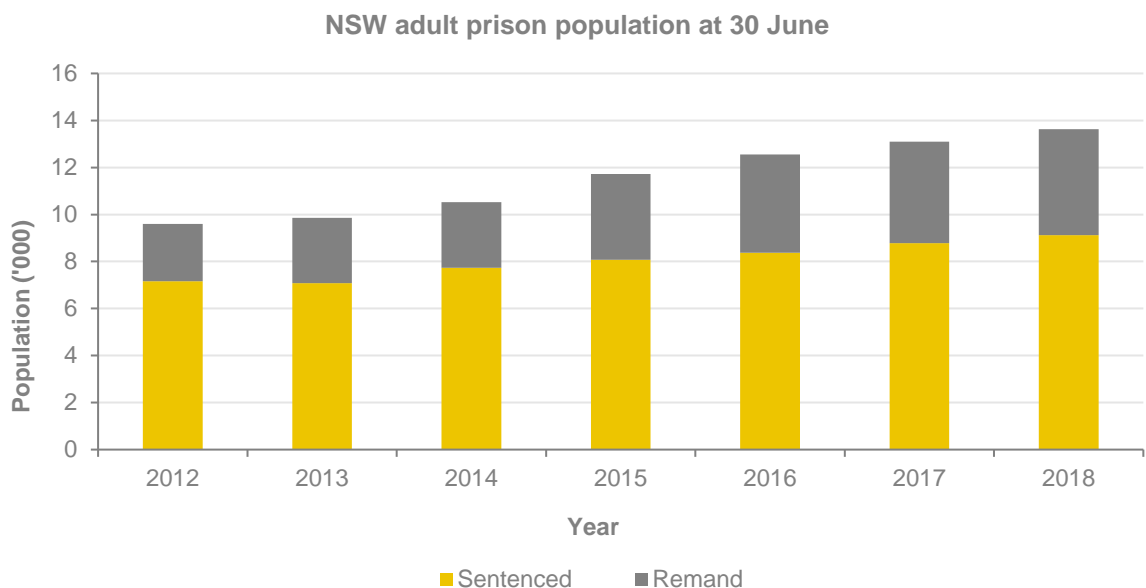
Source: Audit Office 2019, based on NSW Department of Justice data, 2018 (unaudited).

Remand population growing faster than sentenced population

Recent growth in the prison population occurred mostly at the front-end of the correctional system. The number of remand prisoners at 30 June grew from 2,430 in 2012 to 4,502 in 2018. This was a change from around 25 per cent of the total inmate population in 2012 to 33 per cent in 2018 (Exhibit 3).

This increase is attributed to changes in the way courts respond to suspected or convicted offenders and an increase in the number of people charged by police with serious offences. Any growth in the remand population is likely to be followed by an increase in the sentenced population, as a high proportion of remand prisoners will be convicted and given a prison sentence. The total sentenced population also grew from around 7,000 in 2012 to 9,128 at June 2018.

Exhibit 3: NSW prison population, remand and sentenced at 30 June 2012 to 2018



Source: Audit Office 2019, from NSW Bureau of Crime Statistics and Research, 2018 (unaudited).

1.3 Overview of responses to growing prison population

Responses to population fluctuations

Following the period of inmate population decline from 2009 to 2011, DOJ closed five of its prisons. The faster rate of growth in inmate numbers since 2012 has required DOJ to implement immediate and short-term responses to address capacity constraints. Some of these responses include:

- doubling-up or tripling-up the number of beds within existing prison cells
- converting other DOJ assets, such as Juvenile Justice centres to hold adult inmates
- reopening previously closed prisons
- converting existing prisons to different security levels to facilitate growth in inmate cohorts
- designing and delivering rapid build prisons, with dormitory-style accommodation to overcome lead in times for traditional construction and commissioning of prisons.

Prison Bed Capacity Program

In 2016, the NSW Government announced the \$3.8 billion Prison Bed Capacity Program to provide capacity across the prison network. Prison Bed Capacity Program projects are in various stages of design and delivery and include:

- expanding bed numbers at existing prisons through temporary responses (1,820 beds)
- expansions at existing publicly operated prisons (2,278 beds)
- expansions at privately operated prisons (1,130 beds)
- construction of two new facilities, the rapid build dormitory style prisons (800 beds).

In 2016, the NSW Government also committed to a new 1,700 bed prison – Clarence Correctional Centre at Grafton. This is due to be delivered in 2020.

Corrective Services Infrastructure Strategy

DOJ has developed the CSIS to guide longer-term strategy and direction for prison infrastructure in New South Wales. The CSIS is a long-term strategic framework that comprises operational principles, planned actions and investment to meet the projected demand of the adult inmate population over the next 20 years. Three versions of the CSIS have been provided to, and endorsed by, the NSW Government since 2013. The CSIS has yet to be funded. Any proposed investments identified in the strategy are subject to business case development and approval.



2. Responding to prison population growth

2.1 Current prison conditions

The prison system is crowded and operating close to available capacity

In recent years, DOJ has measured and reported on the utilisation of its prisons through two measures, design capacity utilisation and operational capacity utilisation.

Between 2012–13 to 2016–17, DOJ publicly reported against ‘design capacity utilisation’, which is an indicator used in the Productivity Commission’s Report on Government Services ‘corrective services performance indicator framework’ (Appendix three). DOJ data for design capacity utilisation shows that, from 2013–14 to 2016–17, prisons in New South Wales held more inmates than they were designed to hold.

Design capacity utilisation

Design capacity utilisation measures the annual average daily inmate population as a percentage of the amount of beds provided for in a prison’s original design. DOJ advises that design capacity does not account for safe increases to a prisons operating capacity.

Source: Audit Office 2019, from Productivity Commission’s Report on Government Services, 2019.

From 2017–18, DOJ has reported against operational capacity utilisation.

Operational capacity utilisation

Operational capacity utilisation measures the inmate population as a percentage of maximum number of appropriately classified inmates that can be accommodated without compromising service delivery outcomes. DOJ advises that operational capacity accounts for expansions, refurbishments or reconfigurations that have occurred at correctional centres over time.

Source: NSW Department of Justice 2018.

DOJ aims to operate its prison system at a utilisation rate of 90–95 per cent of operational capacity. DOJ data for operational capacity shows that from 2012–13 to 2017–18, prisons in New South Wales have operated at close to or above its target (Exhibit 4).

Exhibit 4: Inmate numbers and operational capacity

	2012–13	2013–14	2014–15	2015–16	2016–17	2017–18
Operational capacity all prisons	11,018	11,403	12,103	13,290	14,106	14,057
Maximum daily population	10,071	11,021	11,878	12,737	13,265	13,772
Utilisation rate, from maximum daily population	91.4%	96.7%	98.1%	95.8%	94.0%	98.0%

Source: Audit Office 2019, from NSW Department of Justice 2018 data (unaudited).

In 2018, the inmate population in New South Wales reached a daily maximum of 13,772 inmates as compared to the operational capacity of 14,057 (Exhibit 4). This equates to a utilisation rate of 98 per cent of operational capacity. Operating above the target utilisation rate of 90–95 per cent reduces DOJ’s ability to separate incompatible inmate cohorts, safely and efficiently move inmates and respond to permanent fluctuations in the prison population.

2.2 Early responses to prison population growth

DOJ responded to short-term prison population growth from 2012 to 2015 by doubling-up and tripling-up beds in prisons, reopening closed facilities and using beds in obsolete facilities

DOJ did not anticipate the rate of, or reasons for, inmate population growth between 2012 and 2015. It reported that it experienced implementation issues as growth initially picked up. Its immediate and short-term responses included doubling-up and tripling-up the number of beds in cells and reopening obsolete facilities that it did not consider fit for purpose.

Beds that doubled or tripled the numbers of beds within cells are considered 'temporary, high-risk short-term beds' (temporary high-risk beds). Implementation of temporary high-risk beds was not accompanied by plans to ensure commensurate resourcing of prisoner support services. DOJ reported that it also experienced difficulties in ensuring appropriate staffing increases to facilitate early responses.

There was no dedicated governance body to oversee immediate and short-term responses and implementation plans were insufficiently detailed. DOJ advised that the quality of its implementation plans was affected by the reactive environment in which it was operating.

Using temporary beds as a long-term solution is contrary to correctional principles

Between 2012 to 2015, 900 of around 1,600 beds implemented by DOJ to address immediate capacity needs were non-compliant with its correctional principles. DOJ attributes the use of non-compliant beds to its need to respond to immediate needs and to deliver beds earlier than usual timeframes for design and delivery of prison bed infrastructure.

Temporary high-risk beds do not cater to the requirements of specific inmate cohorts, have affected operations at some correctional centres, and contribute to prison crowding. These beds should only be used to manage temporary population fluctuations as 'surge capacity'.

Continued reliance on temporary high-risk beds is contrary to Corrective Services NSW correctional principles and design guidelines, which, among other things, state that single bed cell accommodation is 'generally preferred'. DOJ advises that in some instances, there is an ongoing operational requirement for a mix of one out and two out cells in some instances and aims for 30 per cent of its cells to be single bed occupancy.

At May 2018, DOJ was still using nearly 2,000 temporary high-risk beds across the system. It has identified 1,056 beds to be decommissioned as fit for purpose beds are delivered and prison population growth and utilisation rates allow.

DOJ advised the NSW Government from 2013 on the impact of rising prisoner numbers but did not receive significant funding until 2015–16

From 2013 to 2015, DOJ made several submissions to the NSW Government in response to rising prisoner numbers and its operational responses to overcome the gap between beds and demand. DOJ's advice centred on the growing prisoner population, prison crowding and its impact on operations and outcomes, with limited requests for additional funding. The NSW Government funded various operational responses that provided minor additional capacity from 2013, including reopening previously closed facilities.

As the rate of prison population growth was sustained, additional capacity created by these responses was exhausted. In May 2015, DOJ advised the NSW Government that the prison system was in 'crisis' and it needed to commence a program of prison expansions. In June 2015 the NSW Government agreed to fund a program to provide significant additional prison beds, allocating \$314.6 million over four years.

DOJ has repeatedly advised the NSW Government of prison crowding from long-term use of temporary beds

Prison crowding occurs when the total amount of prisoners within a correctional centre exceeds the number it is designed to hold without corresponding growth in supporting infrastructure.

Between 2012 to 2016, DOJ advised the NSW Government that the prison system was experiencing symptoms of crowding due to continued reliance on temporary high-risk beds. The extent of crowding varied between and within correctional centres in New South Wales.

Research and previous reviews in other jurisdictions identify that crowding in prisons increases the risk of:

- inmate on inmate assault rates
- inmate on staff assault rates
- risk of self-harm and suicide when combined with low hours out of cell
- reduced ability to manage inmates safely and securely using empty cells
- reduced ability to place inmates in gaols of classification
- reduced access to rehabilitation without commensurate increases in resourcing.

In 2015, the NSW Inspector of Custodial Services reported on overcrowding in prisons in New South Wales. The Inspector outlined that, at that time, existing prison infrastructure and resources were inadequate to support the prison population. The issues outlined in that report will likely continue as the system continues to rely on temporary responses.

Urgent need to act resulted in the Prison Bed Capacity Program being approved

In early 2016, DOJ developed a strategy to respond to the rapidly growing prison population. This formed the basis of a funding submission to government which outlined capacity needs and proposed actions.

There were some gaps in components of the preliminary business case for the Prison Bed Capacity Program. For example, the level of accuracy for cost estimates did not meet expectations set out in The Treasury Guidelines. DOJ reported that it did not have sufficient time to prepare a comprehensive business case due to the widening gap between demand for accommodation and available beds, which had created significant risk to the functioning of the criminal justice system.

The NSW Government announced the \$3.8 billion Prison Bed Capacity Program in the 2016–17 Budget. The Program allocated \$2.2 billion in capital and \$1.6 billion in recurrent funding over four years to provide immediate, medium and long-term prison capacity.

DOJ prepared business cases to allocate money from the Prison Bed Capacity Program, which were subject to gateway reviews and Health Checks from Infrastructure NSW (INSW).

2.3 Recent responses to prison population growth

Improvements to DOJ's capability to deliver new prison beds

A dedicated division has helped DOJ to improve its processes for implementing beds

DOJ established a new unit within Corrective Services NSW to implement the Prison Bed Capacity Program. The unit, and its integration with Corrective Services NSW, has driven improvements in the implementation, monitoring and governance of prison expansions.

DOJ has improved its processes for adjusting prison bed numbers within existing correctional centres. Adjustments are now formalised through correctional centre management and service level agreements. They are also subject to a risk assessment, including considering the impact of construction on prison operations.

DOJ has improved its processes for commissioning new and expanded prisons. A directorate in the Prison Bed Capacity Program Unit manages project implementation and prepares new prisons for operation. This process improved with the establishment of a Project Control Group and Change Control Committee. Commissioning plans, operational readiness documentation, stakeholder engagement and risk assessments now inform all projects. 'Role and function' statements clarify whether an expansion will be managed by the existing facility or stand-alone.

External reviews have driven improvements in governance, oversight and accountability

DOJ has established an advisory board for the Prison Bed Capacity Program with an independent chair, steering committee and project control groups. These governance bodies meet monthly. Partner agencies either sit on these bodies or are invited to participate from time to time.

As a significant capital investment, the Prison Bed Capacity Program is subject to the Government Infrastructure Investor Assurance Framework coordinated by INSW. Current projects under construction are benefiting from the findings and recommendations in INSW gateway reviews and program health checks. DOJ has responded to recommendations from these reviews by:

- improving change management and benefits realisation management
- using lessons learned to improve processes
- retaining organisational capability established during the program.

Ongoing benefits management needs continued focus as projects are completed

In 2018, DOJ developed a program-level benefits management plan in response to INSW recommendations. This plan brings together management of benefits identified in separate business cases for projects under the Prison Bed Capacity Program into one place.

The plan outlines expected savings, planned benefits and a framework for accountability and reporting as benefits are realised. Since February 2019, benefits have been reported to the Prison Bed Capacity Program Advisory Board and included in DOJ quarterly internal reporting. DOJ should continue to monitor this plan after the program ends in 2021 to ensure benefits are realised, given the scale of investment in the correctional system.

DOJ implemented a range of responses under the Prison Bed Capacity Program

Over 1,500 beds delivered under the Program are not considered fit for purpose for longer-term use

Temporary beds are a significant component of capacity provided by the Prison Bed Capacity Program. These beds were added to respond to demand and meet DOJ's urgent need for beds, given its expected timeframes for design and delivery, typically 36 to 48 months. Once complete, temporary beds will comprise over 15 per cent of the beds delivered under the Program and around 7.5 per cent of the total prison bed capacity in New South Wales.

At September 2018, over 1,500 of these beds did not meet internally defined criteria for being fit for purpose. DOJ considers prison beds to be fit for purpose when they:

- comply with Corrective Services NSW Facility Standards, and in future Corrective Services Functional Specifications
- are located in prisons with sufficient infrastructure to enable adequate provision of prisoner support services to inmates, including offender programs, education and employment
- can be upgraded or repurposed to serve business needs
- positively account for the health and safety of inmates, staff and visitors.

Temporary beds added under the Prison Bed Capacity Program have benefited from phased delivery, better understanding of flow-on costs for additional staffing and prisoner support services, and comprehensive risk assessments and commissioning plans.

DOJ advises that plans to remove temporary beds from active use and to review ageing beds depend on future inmate population growth, effective operational capacity and utilisation rate.

Medium-term projects are on track to deliver fit for purpose capacity through traditional construction

Over the next few years, DOJ projects that medium-term responses of prison expansions will deliver over 3,400 fit for purpose prison beds to the correctional system (Exhibit 5).

Exhibit 5: Example of beds added under the Prison Bed Capacity Program



Source: NSW Department of Justice, 2019.

Prison expansions feature modular cell construction and physical spaces for prisoner support services are informed by benchmarking and correctional services infrastructure principles. Functional design briefs for each prison expansion make clear the contribution of these new centres to government priorities. DOJ is also delivering surge beds within new correctional centres, to better equip itself to respond to future fluctuations in the prison population. Most new capacity will be delivered on existing DOJ sites, mainly in regional New South Wales.

New prison infrastructure being delivered under the Prison Bed Capacity Program has benefited from DOJ's improved capability to deliver projects since the program's inception. A good example of implementation comes from the design and delivery of the rapid build prisons, a significant contributor of capacity under the Prison Bed Capacity Program.

New rapid build prison design allowed faster timeframes for design and delivery

In 2017–18, DOJ commissioned two rapid build dormitory style prisons (rapid build prisons) in Cessnock (Hunter Correctional Centre) and Wellington (Macquarie Correctional Centre). Each rapid build prison provides 400 maximum security beds.

Rapid build prisons were designed to overcome traditional timeframes to deliver new prisons, which can typically take between 36 to 48 months. From design to commissioning, the rapid build prisons were delivered in less than 18 months. The speed of construction was enabled by:

- dormitory style accommodation rather than traditional cells
- preconstructed accommodation pods
- building on existing prison grounds.

DOJ increased the initially projected useful life of rapid build prisons from 5–7 years to 20–30 years based on its assessment of the strength and quality of construction materials.

External gateway reviews and health checks of rapid build prisons noted the comprehensive risk assessments, planning documents, stakeholder management and operational readiness testing. The design was also piloted with inmates prior to full commissioning.

Early indicators of rapid build prisons' performance are positive, but they are early in their operational life

The rapid build prison model aims to increase the length of purposeful hours out of cell through a 'structured day' of employment and programs. Early external reviews of the rapid build prisons show that this is being achieved.

Rapid build prisons are early in their operational life. They provide higher hours of education, programs, industries and activities compared to other secure correctional centres in New South Wales. This comes with a higher operational cost. A longitudinal study is being undertaken to inform whether value for money outcomes are being provided over time.

More evaluation is required to fully understand the effectiveness of the rapid build prisons, including any unintended consequences. Risks to ongoing performance include:

- inability to meet service needs, including inability to secure longer-term funding for a full structured day which is required for safety, risk management and to achieve benefits
- insufficient provision of education or industry programs to maintain a structured day.



3. Performance of the prison system

The Productivity Commission's Report on Government Services outlines the performance indicator framework for corrective services in Australia (Appendix three). We have used measures from this framework to assess the efficiency and effectiveness of DOJ's responses to prison bed capacity needs.

In this section, we analyse system-wide indicators as DOJ has not consistently published or reported data for individual correctional centres over the period of review.

3.1 Indicators of effectiveness

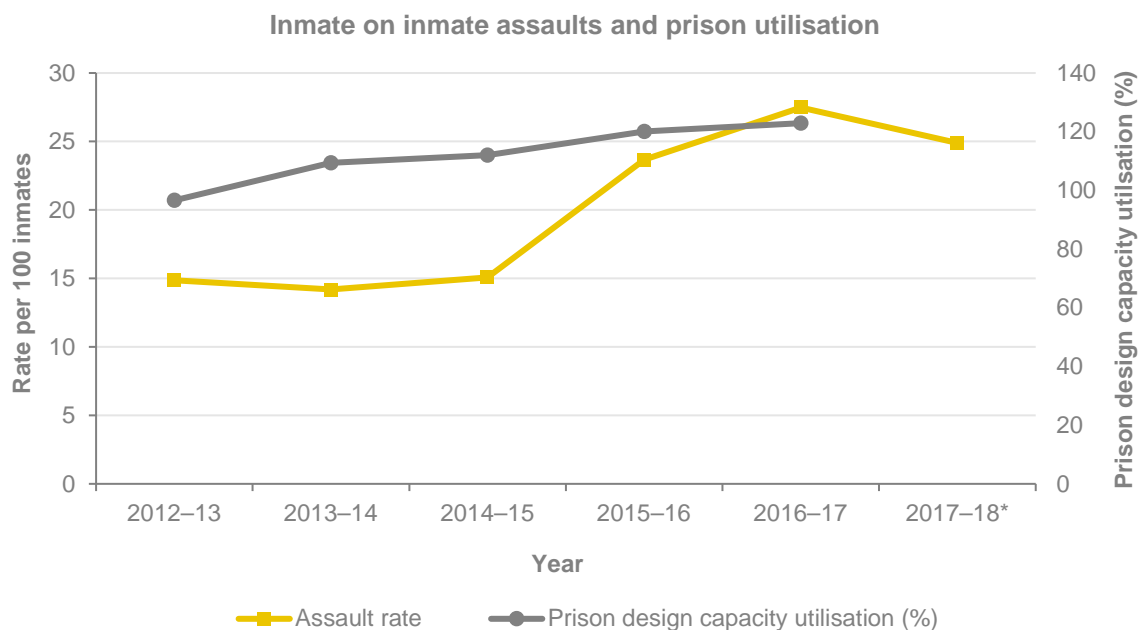
From 2012 to 2018, increasing numbers of prisoners have coincided with increased prison assaults, increased demand for prisoner support services and no change to time prisoners spend out of their cells. These factors increase risks to staff and prisoner safety, prison security and DOJ's ability to meet its operational and strategic priorities.

Assaults on inmates and staff

Increasing utilisation rates have coincided with rising rates of inmate on inmate assaults and inmate on staff assaults, excluding serious assaults

From 2012 to 2018, DOJ data shows that the growing rate of inmate on inmate assaults, excluding serious assaults, coincided with the growth in the inmate population and increasing prison utilisation rates (Exhibit 6). The assault rate has increased from 15 to 25 per 100 inmates.

Exhibit 6: Inmate on inmate assaults and prison design capacity utilisation



* Data for 2017-18 unavailable: DOJ no longer reports prison design capacity utilisation.
Source: Audit Office 2019, from Department of Justice data 2018 (unaudited).

While DOJ acknowledges a link between prison utilisation rates and the rate of assault, it advises that there are additional multiple and varying factors that contribute to the rate of assaults.

Similarly, DOJ data shows that the rate of inmate on staff assaults has increased, nearly tripling between 2012 and 2018 from 0.58 to 1.53 per 100 inmates. The rate of serious inmate on staff assaults has remained low. DOJ's advice to government states that this remains at risk of occurring while the prison system continues to rely on temporary beds that contribute to crowding.

Access to services, programs, education and employment for inmates

Corrective Services NSW provides opportunities for inmates to engage in programs and services designed to address their offending. The Audit Office previously examined the effectiveness of therapeutic programs provided by Corrective Services NSW, using data up to 2015–16. The report is available on our [website](#). In this section, we consider how continued growth in the prison population and subsequent conditions of crowding has affected inmates access to services, programs, education and employment.

Responses to prison population growth have made maintaining inmates' access to programs challenging in some locations

DOJ has advised the government that capacity constraints, coupled with ageing and unsuitable facilities, have resulted in long waitlists for programs, closure of some programs to provide remand beds, and limited inmates' ability to participate in or complete programs while in custody.

Inmates may be unable to participate in programs for many reasons. These include placement and association issues for protection inmates, prisoner mental health, prison locations, and staffing challenges in remote and regional areas. All these reasons are made more difficult by growth in the prison population, and DOJ's increased use of regional correctional centres to overcome a lack of metropolitan capacity. For example, DOJ advises that it has experienced significant challenges to increase staffing for offender services and programs in rural and remote locations.

DOJ staff at centres we visited cited examples where inmates were unable to participate in a program because of:

- insufficient numbers of eligible participants due to an increased need to move inmates between prisons with available capacity
- increased need to accommodate remand inmates in correctional centres where there is a focus on programs, education and employment, particularly at female facilities
- occurrence of lock-downs, which can affect program delivery
- competition for suitable spaces to run programs and other delivery needs
- increased focus on assessing and screening inmates on reception to custody
- increased demand for fundamental support services, e.g. referrals and crisis interventions.

In response to growing demand for programs and support services, DOJ has allocated resources to address the needs of both remand and sentenced inmates. New programs have been introduced that are available for inmates serving shorter sentences (e.g. High Intensity Program Units) and some inmates continue to participate in programs as they return to the community.

There is rising demand for services that directly support inmates and facilitate a positive prison operating environment

Growth in the inmate population has increased demand for support services. DOJ data shows that the number of fundamental support services delivered by Corrective Services NSW has greatly increased since its inception in 2012, from 24,195 in 2013 to 133,679 sessions in 2018. Staff outlined that providing fundamental support services to inmates helps to relieve centre tensions and contributes to positive operational outcomes.

DOJ has changed its focus for education in prisons, which means it is difficult to assess longer-term trends in inmate access

From 2012–13 to 2015–16, DOJ data shows that rising prison utilisation rates coincided with a decline in the percentage of eligible prisoners in education and training from 36 per cent in 2012–13 to 32 per cent in 2015–16.

In May 2016 DOJ implemented reforms to its model of inmate education and training, with a greater focus on fundamental skills and competencies. This means that data on participation in education and training from 2016–17 onwards is not directly comparable with earlier data.

Early indicators from DOJ data show that, since 2015–16, there has been:

- increased numbers of inmates undertaking core skills assessments
- increased numbers of inmates completing literacy and numeracy programs
- increased numbers of inmates participating in vocational training.

DOJ increased the level of inmate employment across growth period

DOJ data shows that access to employment for eligible inmates in custody increased from around 70 per cent in 2012 to nearly 90 per cent in 2018. New industries are considered when building new facilities or expanding existing correctional centres.

At some correctional centres we visited, we observed that the increasing proportion of inmates on remand was affecting the way their prison industries operate. Remand inmates are not required to participate in industry employment. So, when a correctional centre has an increased focus on delivering industries, an increase in remand inmates reduces the number of eligible inmates that centre may use to ensure it meets its industry commitments.

Time out of cells has not materially changed between 2012 and 2018

DOJ data shows that the average time spent by inmates out of their cells did not materially change over the past six years (Exhibit 7). In 2017–18 inmates in New South Wales spent 8.4 hours per day out of their cell, compared to the Australian average of 9.9 hours per day.

Exhibit 7: Time out of cells, all prisons (average hours per day)

	2012–13	2013–14	2014–15	2015–16	2016–17	2017–18
New South Wales	7.8	8.2	8.0	7.8	8.0	8.4
Australia	10	10.1	10.1	9.9	10.1	9.9

Source: Audit Office 2019, from NSW Department of Justice 2018 and Productivity Commission 2019 (unaudited).

Time out of cells is an indicator of Corrective Services NSW objective to provide safe, secure and humane custody. Time out of cells can be affected by a correctional centre's operating routine and any variations to that routine, the security level of a facility, and any instances of locking inmates in their cells (lock-downs).

DOJ is implementing reforms to the way it runs its prisons to improve performance and consistency in performance reporting (benchmarking). Under the benchmarking reforms DOJ aims to, among other things, increase the amount of time inmates spend out of cells engaging in purposeful activity. The effect of these reforms has yet to be demonstrated.

Staffing related lock-downs increase risks to providing inmates access to services, programs, education and employment

If a correctional centre is short on staff, it may lock inmates in their cells to maintain safety and security. DOJ monitors instances of lock-downs primarily through its performance indicator on time out of cells, which does not accurately account for staffing related lock-downs, by prison.

In correctional centres we visited, staff reported lock-downs due to staff shortages during periods of crowding. When a lock-down occurs, inmates may experience reduced access to programs, services, education and employment. DOJ has operational practices to ensure priority access to services where inmates' health is at risk, for example where psychological treatment is required.

DOJ advises it has recently undertaken a new process to monitor the impact of lock-downs on its delivery of services, and this is recorded in its information management system. Under benchmarking, correctional centres must deliver a minimum number of hours of purposeful activity per day and ensure inmates' case plan needs are met. Performance against these outcomes is reported internally. DOJ acknowledges that prolonged periods of lock-down are undesirable.

Each correctional centre in New South Wales has local operating procedures that align with the Corrective Services NSW Custodial Operations Policy and Procedures. Under benchmarking, frontline divisions that manage prison security, deliver programs and services and oversee industries operate under management support agreements. These agreements aim to minimise disruptions in the event of a staffing or non-security related lock-down.

3.2 Indicators of efficiency

DOJ data shows that since 2012–13, the cost per prisoner per day in New South Wales has consistently been below the Australian average. In 2017–18, the cost per prisoner per day in New South Wales was \$181.85 compared to the Australian average of \$223.38. But this must be considered alongside the performance outcomes listed below:

- prison utilisation rates increased between 2012–13 and 2016–17 to undesirable levels
- time out of cells is below the Australian average and has not materially changed.

Cost per prisoner per day has increased following immediate and short-term responses

DOJ reports that if a prison system has sufficient capacity, increases to the inmate population will in part drive lower costs per prisoner per day. From 2012–13 to 2015–16, DOJ data shows that increases in the prison population correlated with a reducing cost per prisoner per day (Exhibit 8). Following that period, the cost per prisoner per day increased from 2015–16 to 2017–18.

Exhibit 8: Cost per prisoner per day

	2012–13	2013–14	2014–15	2015–16	2016–17	2017–18
New South Wales	\$191.56	\$185.80	\$182.62	\$166.94	\$172.80	\$181.85

Note: DOJ advises that the measurement basis for this indicator changed in 2015–16 (exclusion of prisoner health costs), however the new counting rule was retrospectively applied to the total cost per inmate per day. The indicator from after 2015–16 is directly comparable to previous years.

Source: Audit Office 2019, from NSW Department of Justice 2018 and Productivity Commission 2019 (unaudited).

DOJ attributes the rise from 2015–16 to 2017–18 to:

- commissioning small and complex brownfield sites, which limited economies of scale
- commissioning the rapid build dormitory prisons, which requires a higher staffing complement to manage secure inmates
- increases in staffing numbers to manage temporary responses
- increases in the secure inmate cohort, requiring higher staffing numbers
- implementation of reforms to the justice system to reduce reoffending.

Contributors to system efficiency in context of prison population growth

Staffing is a significant contributor to overall cost increases

Staffing levels are a significant cost driver for prisons. DOJ advised that staffing comprises around 80 per cent of recurrent operating costs for prison budgets. Efficient and effective prisons rely on having an appropriate staffing component to:

- appropriately and safely manage inmates and inmate movements within the prison
- facilitate prison programs, oversee education and employment.

The growing inmate population and increasing prison utilisation rates have coincided with rising staff numbers and staffing-related costs. DOJ data shows that, for frontline staff, hours worked as overtime and by casual employees have increased above the overall growth in staffing numbers:

- total custodial corrections rostered staff increased by around 30 per cent from 2014 (3,467 rostered employees) to 2018 (4,573 rostered employees)
- hours worked as casuals have increased by 40 per cent from 2014 (235,928 hours) to 2018 (331,469 hours)
- hours worked as overtime have increased by 140 per cent from 2014 (342,811 hours) to 2018 (826,729 hours).

Sustained reliance on overtime reduces DOJ's ability to respond to prison population fluctuations within existing staffing levels. Additionally, hours worked as casual and overtime are more expensive than hours worked by rostered employees due to penalty rates and casual loading.

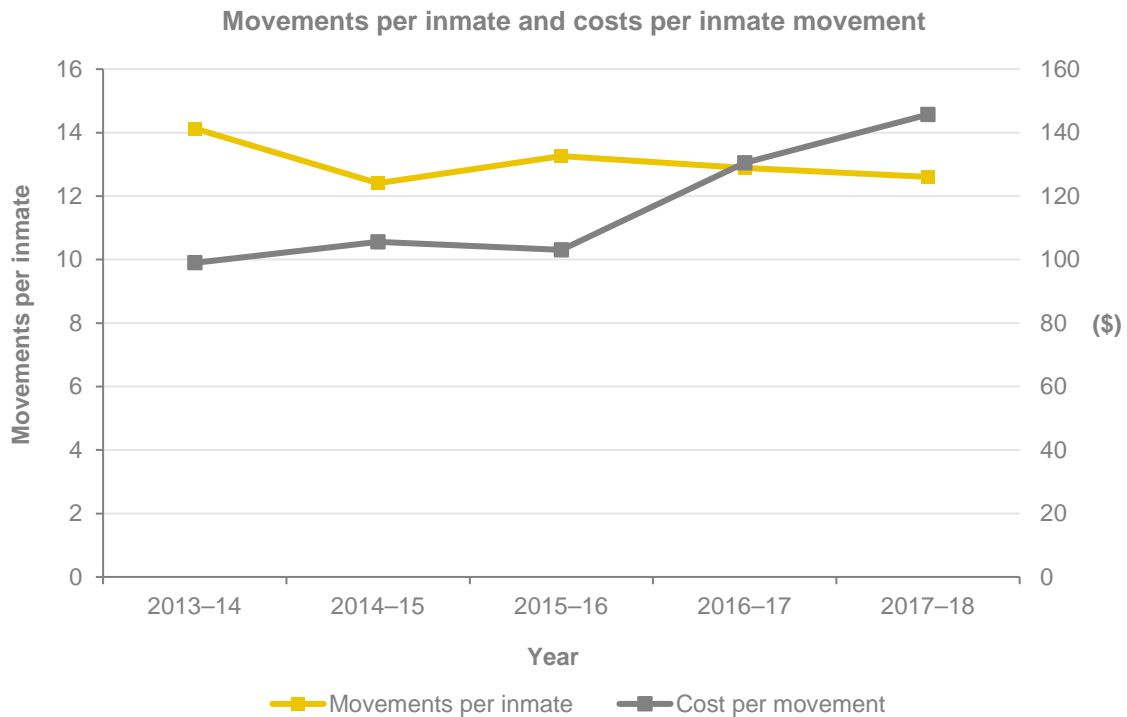
DOJ advised that its benchmarking reforms have affected the use of casual workers and overtime, with some roles left vacant to provide redeployment opportunities to staff affected by the reforms. Under benchmarking, staffing levels in each correctional centre will be formalised, including for prisoner support services staff. These reforms are expected to be implemented at each correctional centre by the end of 2019.

Prison population growth has coincided with increases in inmate movements and costs

DOJ regularly transports hundreds of inmates between correctional centres, court cell complexes and hospitals across New South Wales. Between 2013–14 and 2017–18, DOJ data shows that the annual number of inmate movements increased from around 150,000 to over 170,000. Over that time, costs of moving inmates across New South Wales also increased from \$14.7 million to over \$25.0 million, according to DOJ financial information.

While the number of movements per inmate has decreased from 14 in 2013–14 to 12 in 2017–18, the cost per movement has increased from 2013–14 (\$99 per movement) to 2017–18 (nearly \$150 per movement) (Exhibit 9).

Exhibit 9: Inmate movements and costs per movement (2013–14 to 2017–18)



Source: Audit Office, 2019 from NSW Department of Justice 2018 (unaudited).

DOJ is reducing the need for prisoner transport by using digital services to connect inmates to services, courts and family. From 2012–13 to 2017–18, DOJ data shows:

- digital services use for court appearance increased from 33,856 to 63,192
- digital services use for legal and professional visits increased from 18,821 to 42,800.

DOJ should continue to focus on digital services in responding to growth as it reduces the burden on inmate movements. DOJ advises that it is planning for increased use of digital services within correctional centres to enable inmates to maintain links to their families and communities.

Remand bed placements and medical transports are costly and increasing

Remand inmates are required to be close to the courts for attendance. Due to conditions of prison crowding, there has been a shortage of remand beds in the metropolitan area.

To enable increased metropolitan capacity for remand inmates, DOJ has increasingly relied on:

- transporting remand inmates to regional areas while they await their court dates
- transporting sentenced inmates to regional areas on remand bed placements so their beds can be used by remand inmates.

While this process helps DOJ manage metropolitan capacity for remand inmates, it is expensive. DOJ data shows that annual remand bed placement movements increased from 6,952 in 2013 to 10,875 in 2017. At 30 October 2018, DOJ completed 9,481 remand bed placement movements.

In recent years, the rate of unfunded medical transports increased, including medical escorts and hospital watches, where a custodial corrections officer may be stationed to observe and ensure security. DOJ advises that medical escorts and hospital watches are a costly, unfunded activity that result in using casuals, overtime and lock-downs. According to DOJ data, medical escort numbers are increasing at a higher rate than the inmate population and distribution of escorts across correctional centres reduces the ability to streamline and standardise service delivery.



4. Planning for longer-term demand

4.1 Understanding future demands for prison accommodation

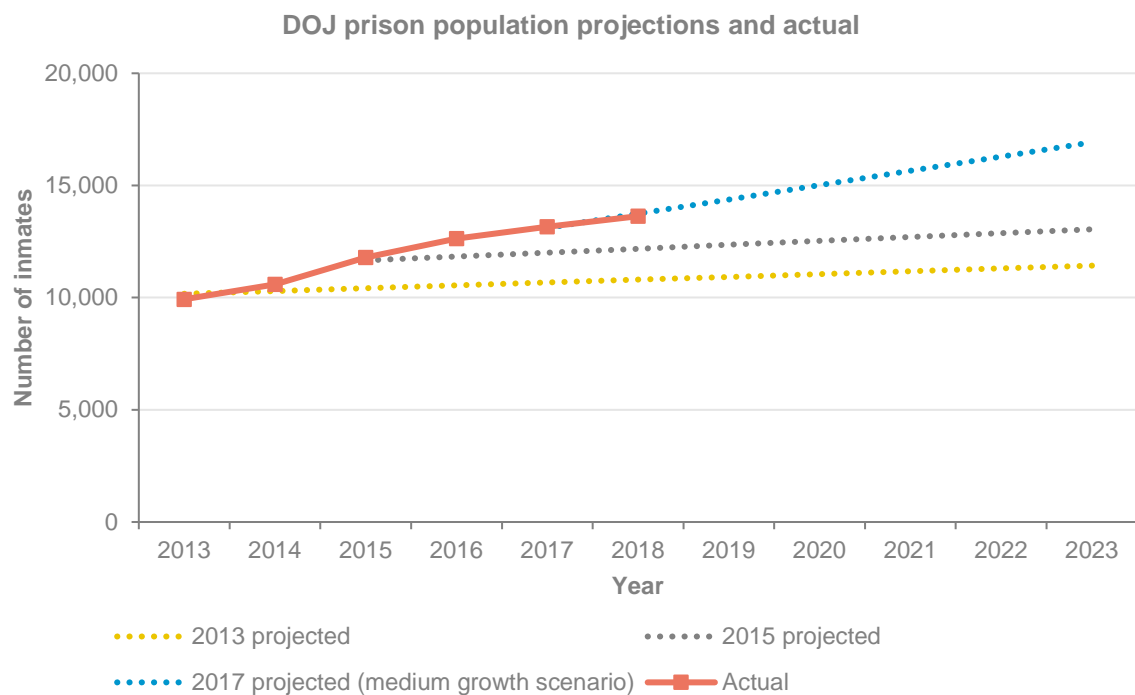
To effectively plan for long-term prison accommodation needs, DOJ must reliably forecast long-term growth and understand whether its current prison infrastructure will be able to meet those forecasts and any surges within that predicted demand. We acknowledge that many sources of demand are influenced by government policy and are largely outside of DOJ's control.

Forecasting changes in the prison population

Past projections significantly underestimated the growth in prisoner numbers

Multiple forecasting models were used to inform responses to increases to the prison population between 2012 and 2018. These included published and internal models from the NSW Bureau of Crime Statistics and Research (BOCSAR), independent advisors and DOJ policy and strategy advisors. Previous models have underestimated the growth in prisoner numbers over short timeframes (Exhibit 10).

Exhibit 10: Prison population predictions and actual 2013 to 2023



Source: Audit Office 2019, from NSW Department of Justice data 2013–2018 (unaudited).

DOJ's projections made in 2013 and 2015 did not reliably predict overall growth and surges in the prison population experienced up to 2018. DOJ advises that since 2013, it has undertaken work to improve forecasting. DOJ should continue to explore options to improve the accuracy of its projections.

Multi-tiered forecasting helps identify responses required

To account for the variation in longer-term projections, DOJ now projects population growth using low, medium and high-growth scenarios. This allows DOJ to tailor responses to meet demand under each scenario in its long-term infrastructure plans.

DOJ projects growth to continue under all three scenarios. DOJ's projections show that if the rate of growth experienced between 2012 and 2018 continues, the inmate population could rise to over 30,000 by 2038.

DOJ has improved its reporting of short and medium-term bed supply and demand

Since 2016, DOJ has improved its reporting of short and medium-term bed supply and demand through a dedicated internal report to relevant governance bodies and stakeholders. Regular reporting has helped to inform future responses. The report outlines:

- current inmate numbers and required operational capacity
- current prison bed numbers, by status – e.g. high risk, obsolete, fit for purpose
- short-term growth projections for inmates
- timing of beds to be commissioned by the Prison Bed Capacity Program and other projects.

Justice Impact Assessments have improved DOJ's analysis of how policy changes impact prison demand

In planning for prison bed requirements, DOJ analyses the impact of changes to policy settings. Early in our period of review, DOJ did not clearly communicate to government and relevant stakeholders the potential impacts of policy changes to the prison population. For example, advice provided to government on changes to the *Bail Act 2013* in 2013 and 2014 did not detail the scale of expected changes to the prison population. This has improved with the implementation of Justice Impact Assessments (Exhibit 11).

Exhibit 11: Justice Impact Assessments

DOJ's Strategy and Policy Division is responsible for developing 'Justice Impact Assessments'. These assessments detail expected impacts on the prison population resulting from changes in demand, policy and practice. DOJ uses Justice Impact Assessments to demonstrate to stakeholders including The Treasury and other NSW Government Departments expected changes in prison bed numbers and any costs which are anticipated to accompany changes in policy. DOJ staff advised that Justice Impact Assessments have improved following early implementation issues.

Source: Audit Office 2019.

DOJ should continue to use Justice Impact Assessments to better understand the downstream impact of new policy proposals. Better understanding the policy impacts on demand for prison accommodation will enable DOJ to provide sound advice to government on the amount of funding it requires to operate its services or options to manage projected inmate population growth.

Understanding how current correctional assets will meet future demands

Changing prison demographics will require accessible infrastructure and appropriate support services

DOJ uses information from its Corrections Research Evaluation and Statistics (CRES) division to understand current and future demand for services, programs, education and employment within its prisons. For example, CRES projects an increase in aged and frail inmates over time. This will require dedicated planning to ensure prison cells are accessible, needs-based beds are provided, and there are enough suitable employment opportunities for older inmates.

DOJ is developing longer-term projections and analysis of demographic trends in the inmate population to improve its understanding and has identified this need as a priority in its long-term infrastructure planning strategy.

Recently developed Infrastructure Standards and Principles will guide future design

Recently constructed or expanded prisons relied on outdated facility standards that did not accurately reflect DOJ's correctional priorities. Consequently, frontline prisoner support service delivery divisions have had to compete for available space, which was often limited by expansions focussing on the provision of new beds.

To overcome this, DOJ recently developed 'Corrective Services Functional Specifications and Example Room Data Sheets' and correctional centre functional design briefs. These documents:

- aim to ensure consistency in future infrastructure delivery, thus increasing DOJ's ability to plan appropriate resourcing and analyse performance between prisons
- outline physical requirements and best practice examples of custodial and prisoner support service delivery environments
- demonstrate links to overarching government and criminal justice system priorities.

DOJ should regularly review and update the functional specifications to ensure they continue to align with its desired correctional outcomes.

Benchmarking reforms have helped make workforce needs clearer

Increases in the prison population require corresponding increases in services, programs, education and employment. DOJ's assumptions that underpin estimates of flow-on costs have improved over time and are now informed by benchmarking reforms. When inmate numbers are increased or decreased, DOJ now has a clearer understanding of required changes to staffing levels depending on the prison security classification and its role and function. This process is done in consultation with prison staff unions.

12 correctional centres are operating beyond their expected useful life

A DOJ internal assessment in 2013 deemed 11 correctional centres as 'obsolete'. DOJ's definition of obsolete facilities defines those as 'increasingly unable to contribute efficiently and effectively to ongoing service delivery requirements'. This may relate to ageing beds, or remote facilities that present inherent difficulties with recruitment of properly trained specialist staff.

In New South Wales, eight correctional centres have been operating for over 100 years, with a further four for over 50 years. Most DOJ buildings have a useful life of 40 to 50 years. At 2018, 12 correctional centres were operating beyond their expected useful life.

Ageing correctional facilities create the following challenges:

- whether refurbishment is realistic and cost-effective, or they can be repurposed to support modern correctional principles and objectives
- inconsistent designs, cell sizes between different prisons, for example whether bathroom facilities are included in comparisons between prisons
- aged supporting infrastructure, such as outdoor showers, that increase risk of assault.

Ageing beds have varying maintenance needs, which affects overall prison system efficiency. DOJ has advised government that increased demand for ageing beds has limited its ability to undertake preventative and routine maintenance. This normally requires some cells to be taken off-line and becomes harder to achieve when all beds are needed.

The average annual maintenance cost per inmate is approximately 133 per cent higher for facilities with a high risk of obsolescence. DOJ estimates crowding across the prison system costs over \$5.0 million per year in corrective maintenance costs. Despite these costs, DOJ's first priority is to remove temporary high-risk beds as fit-for-purpose capacity comes online. Consequently, ageing beds will continue to be used and the associated costs of additional maintenance will continue to be incurred.

DOJ has recently undertaken a review of its assets to better understand its maintenance needs

Our reports to the NSW Parliament for the Justice Cluster have identified limitations in cluster-wide asset management practices, backlog maintenance and maintenance budgets. For example, different divisions of the cluster had separate asset registers and operated under multiple maintenance contracts.

DOJ is making progress to comply with government policy and international standards for asset management. In 2018, it undertook a review of its assets to compile an asset condition register. This is now being used to inform plans for maintenance expenditure across DOJ, including by location to support forecast growth requirements.

DOJ advised it has a budget of around \$60.0 million each year for maintenance across its portfolio of assets of over \$5.0 billion. The constrained budget has contributed to a backlog of works requiring greater levels of capital investment to continue operations.

4.2 Planning for and advising government on prison demand

DOJ has developed a 20-year infrastructure strategy

DOJ's strategy aims to improve the system in anticipation of increased growth but has yet to be funded by government

The Prison Bed Capacity Program and other prison capital works are guided by the Corrective Services Infrastructure Strategy (CSIS). CSIS is a long-term strategic framework that comprises operational principles, planned actions and investment to meet the predicted demand of the adult inmate population in New South Wales over the next 20 years. Since 2013, DOJ has periodically updated the CSIS to respond to growing demand for prison accommodation, revised population projections and changing government priorities.

The 2018 CSIS outlines ongoing pressures faced by Corrective Services NSW, including:

- crowding of the prison system
- increasing and sustained use of temporary high-risk and obsolete beds
- short-term fluctuations in the inmate population, including rapid rates of increase
- responding to and managing long-term growth in demand
- ensuring custodial facilities are fit for purpose and close to community support services
- configuration and deployment of resources to create operational efficiencies.

Three versions of the CSIS have been provided to, and endorsed by, the NSW Government but have not been allocated funding. Earlier versions of the CSIS predicted costs for actions within the strategy but recent versions have not. DOJ advised that any decision to be made under the CSIS is subject to a business case to government. Business cases to date have aligned with correctional services principles as outlined in the CSIS.

The CSIS has consistently identified a need for the prison system to have enough capacity to overcome population 'surges', including built in capacity within new builds. This is appropriate, as a system that is run over capacity risks flow-on effects to the rest of the criminal justice system. Future updates to the strategy should continue to identify these risks until the need is addressed.

The feasibility of delivering on CSIS objectives has been limited by:

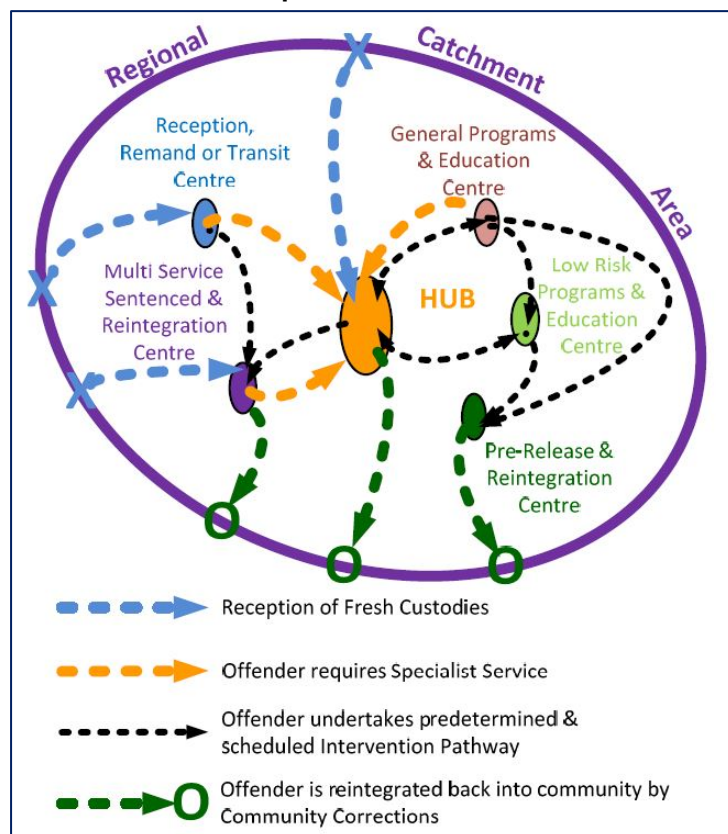
- unreliable forecasted inmate numbers and rates of growth
- a lack of long-term funding commitments
- a shortage of locations for new correctional infrastructure within metropolitan Sydney
- an operational context which dictates a need for keeping capacity that is not fit for purpose online to operate as surge capacity, despite intentions to decommission it.

DOJ proposes a move to hub and spoke to improve prison system efficiency across New South Wales

The location of prisons across the correctional system is not aligned to demand. Instead, prisons are dispersed due to how the system evolved over time. There are many small to medium-sized facilities spread out over a large geographical area that operate largely in isolation from one another.

Since 2015, DOJ's long-term plans have advised government to move to a 'hub and spoke' model of service provision (Exhibit 12).

Exhibit 12: Hub and spoke model



Source: NSW Department of Justice 2018.

DOJ anticipates this will reduce transport costs, improve access to inmates for legal practitioners and increase the number of remand beds available within metropolitan Sydney.

The hub and spoke model has not progressed past planning, and faces challenges from a gap between capacity and demand in key areas

The lack of existing capacity to respond to inmate population growth in key geographical areas has limited DOJ's ability to achieve the objectives of the hub and spoke model in the short term, for example:

- the key northern hub of Clarence Correctional Centre is under construction
- there is insufficient metropolitan capacity to support a metropolitan hub.

Inmate numbers in the southern region of New South Wales are low in comparison to other areas across the state and population growth is projected to be low over the next 20 years. This limits the feasibility of establishing a hub in the southern region.

DOJ has identified hub and spoke as a priority since 2015. However, DOJ has only recently progressed a system-wide role and function review of its correctional centres to support this. The quality of research and analysis undertaken by DOJ to support the rationale and development of the hub and spoke model was not comprehensive.

Once DOJ completes its role and function reviews, it should conduct further analysis to ensure the proposed hub and spoke model remains appropriate and will support improvements to prison system efficiency and effectiveness. DOJ advises that it expects to implement the hub and spoke model over the coming decades.

Considering infrastructure options for metropolitan Sydney

At 2018, DOJ data showed that over 60 per cent of all persons in custody originated from Metropolitan Sydney. However, the metropolitan region only has around 45 per cent of prison beds. The NSW Department of Planning and Environment projects that over the next 20 years, more than 80 per cent of New South Wales population growth will occur in the metropolitan region.

More metropolitan capacity is needed to overcome imbalance

Since 2012, demand for prison beds has been most acute in the metropolitan region. In 2017, 33 per cent of the available capacity (4,690 beds) in metropolitan Sydney was not considered fit for purpose.

A lack of sufficient bed capacity in metropolitan area affects the specialist programs that are offered exclusively within that region, including for violent and sex offenders. DOJ advised government in 2018 that due to a shortfall in metropolitan beds:

- more than 350 eligible offenders for violent programs were on waiting lists
- more than 500 eligible inmates were on extended waitlists for programs to address sexual reoffending.

In addition to other short-term responses, DOJ is on track to deliver around 1,200 fit for purpose beds within the Sydney metropolitan area under the Prison Bed Capacity Program by 2021. DOJ recently advised government that it projects a shortfall in metropolitan beds from 2022.

Plans to deliver significant metropolitan capacity are subject to government approval and funding

DOJ prepared a strategic business case to government on the requirement for additional long-term prison bed capacity in Greater Sydney, as recommended in the NSW State Infrastructure Strategy. In 2018, the NSW Government ruled out a potential location for a new correctional facility in outer Sydney following detailed site investigations and community consultation.

DOJ is currently considering a range of options for metropolitan capacity to determine what will best meet its strategic objectives following the completion of the Prison Bed Capacity Program. This includes the review of existing facilities and engaging with the relevant agencies to advocate for suitable locations for development of a long-term metropolitan based correctional precinct. DOJ advised that it is developing a final business case to submit to government.

Delays to deciding on new metropolitan capacity create a risk that DOJ will not be able to deliver within the preferred timeframe. If this is the case, the system will continue to be unbalanced and DOJ will continue to rely on high-risk and obsolete beds to meet metropolitan needs.

4.3 Considering broader NSW Criminal Justice System strategies

Planned changes to corrective services delivery and operations

Changes to the wider criminal justice system impact the number of inmates received into custody and the amount of time they remain in correctional facilities. Over recent years, DOJ has implemented strategic and operational reforms to the criminal justice system to build capacity, reduce demand, realise better outcomes and increase operating efficiency.

Infrastructure strategies need to be more responsive to broader criminal justice system reforms

The CSIS is intended to align, support and enhance the current reform agenda improving correctional outcomes for New South Wales in line with the Premier's priorities and broader government objectives. However, the CSIS does not explicitly demonstrate how it supports wider NSW Criminal Justice System strategies and reforms. As an infrastructure strategy, the CSIS focuses on the infrastructure and prison system configuration needed to improve efficiency and effectiveness. As such, there is a gap in infrastructure planning and system wide strategy and reforms and considering policy levers in responding to demand.

DOJ is currently preparing a Justice Cluster Infrastructure Strategy (JCIS) to help prioritise infrastructure investment across the criminal justice system over the next 20 years. Once finalised, the intention is to integrate the CSIS into the JCIS. Key priorities for the strategy include modernising and transforming DOJ assets, including using digital services better and regional planning with a focus on metropolitan capacity needs.

Despite being well placed to consider the impact of policy and reforms across the NSW Justice Cluster, DOJ advises that the JCIS does not consider policy or reforms. Consequently, the gap between long-term infrastructure planning and policy levers within DOJ remains. Future updates to DOJ's infrastructure strategies should identify and accommodate the impact of reforms and their impact on prison population numbers and projections, including for possible population surges.

Section two

Appendices



Appendix one – Response from agency



Office of the Secretary
Justice Precinct Offices
Locked Bag 5111
PARRAMATTA NSW 2124
Tel 02 8688 7777
www.justice.nsw.gov.au

D19/0366349

15 May 2019

Ms Margaret Crawford
Auditor General
Audit Office of NSW
GPO Box 12
SYDNEY NSW 2001

Dear Ms Crawford

Thank you for the opportunity to respond to the performance audit report into *Managing growth in the NSW prison population*.

Please find attached our response to the report. We have accepted the six recommendations provided for the Department of Family and Community Services and Justice. It has been noted as part of the performance audit that a number of actions are already underway to address the issues identified.

An agreed action plan has been developed for implementation and is incorporated within the attached response.

Our agency response outlines important facts, realities and challenges within the dynamic business environment in which Justice operates. This includes the unprecedented growth in the inmate population over a relatively short period of time; the timeframe required to plan, build and commission new prison infrastructure; and the concurrent implementation of strategic and operational reform initiatives.

My Department will continue to assess projected demand and assess impacts of potential policy changes to ensure the most effective and efficient response to manage fluctuations in the prison population, and advise the Government on appropriate options.

Should you have any queries or would like further clarification in relation to the response, please do not hesitate to contact Michael Airton [REDACTED]

Yours sincerely,

Michael Coutts-Trotter
Secretary

Encl

New South Wales Auditor-General's Report - Performance Audit

Managing growth in the NSW prison population

MANAGEMENT AGREED ACTION PLAN

Rec. No.	The Department of Family and Community Services and Justice should, by June 2020:		
1	Advise the NSW Government on options to meet the urgent need for additional prison bed capacity within the metropolitan Sydney area, to meet its projected shortfall in fit for purpose beds from 2022		
Agency Response	<p>Accepted.</p> <p>The Department is currently constructing an additional 500 beds at Parklea Correctional Centre, 440 beds at the MRRC and 248 beds at the Dillwynia Correctional Centre, as well as refurbishing 320 beds at the Outer Metro Multi-Purpose Correctional Centre in South Windsor, which will directly contribute to the reduction in reliance on beds outside the greater Sydney metropolitan area. In addition, CSNSW continues to develop options for the creation of additional bed capacity within the greater Sydney metropolitan area. These include the review of existing facilities and engaging with relevant agencies to advocate for suitable locations for development of new metropolitan Justice operations.</p> <p>The Department will continue to monitor forecast demand for metropolitan correctional services.</p>		
AGREED ACTIONS		Person responsible	Date to be actioned by
1.1	Continue to review options for possible consideration by the NSW Government for the creation of additional bed capacity (either in new locations or otherwise) within the great Sydney metropolitan area, including reviewing existing operations.	Executive Director, Infrastructure CSNSW Assistant Commissioner, Custodial Corrections CSNSW	June 2020
1.2	Continue to monitor demand for correctional services in the metropolitan region.	Executive Director, Infrastructure CSNSW	June 2020

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Managing growth in the NSW prison population

MANAGEMENT AGREED ACTION PLAN

Rec. No.	The Department of Family and Community Services and Justice should, by June 2020:		
2	Reassess and advise the NSW Government on whether the prison system has enough fit-for-purpose capacity to manage temporary fluctuations in the inmate population		
Agency Response	<p>Accepted.</p> <p>CSNSW is undertaking an ongoing body of work to confirm the prison system has the ongoing capacity to manage temporary fluctuations. Early stages of this work include a state wide bed audit, and ongoing assessment of the role and function of each correctional centre within the broader system network. Work is currently progressing on aligning the bed system into a hub and spoke model and assessing specialised needs such as protection beds, mental health beds and other operational and health related factors such as aged and frail. As new infrastructure is realised from the Prison Bed Capacity Program, demand for correctional services will be assessed and bed stock may be decommissioned into suitable for future surge bed category or obsolete bed stock.</p> <p>As part of Departmental strategy, all new infrastructure includes in-built surge capacity. The alignment of these strategies will ensure CSNSW will have significant capacity to flexibly manage fluctuations in demand for services.</p>		
AGREED ACTIONS		Person responsible	Date to be actioned by
2.1	Continue to monitor and review existing bed stock in all centres to provide ongoing advice to Government about the amount of fit for purpose capacity and strategies to maximise its use.	General Manager, Strategic Population Management CSNSW	Ongoing

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New South Wales Auditor-General's Report - Performance Audit

Managing growth in the NSW prison population

MANAGEMENT AGREED ACTION PLAN

Rec. No.	The Department of Family and Community Services and Justice should, by June 2020:		
3	Investigate and implement deliberate strategies that reduce the number and costs of inmate movements, for example through greater use of technology to alleviate inmate movements where possible and appropriate		
Agency Response	<p>Accepted.</p> <p>There are a number of strategies that are being implemented across the system to attempt to reduce inmate movements. The first and most important is the increase in Audio Visual Link (AVL) suites that are being built into all new and existing infrastructure to reduce the cost of inmate movements by supporting inmate and legal counsel contact, court appearances and Telehealth. Since the introduction of video conferencing in 2001 which supports this ongoing business need, many business areas have adopted practices to include the benefits from this technology. DoJ currently uses technology (AVL) to facilitate inmate's court matters, legal and professional interviews. The use of AVL has also been expanded to support inmate's attendance at funerals as well as overseas interstate and local family visits. All Correctional Centres with video conferencing facilities now participate in applying this technology to these areas of business and policies are updated accordingly. Currently, video conferencing facilities are used for approximately 68% of court matters and approximately 73% of all legal interviews. This is supported by policy and procedures included in the Custodial Operations Policy and Procedures. CSNSW continues to work with other parts of the Justice Cluster to identify opportunities to expand AVL and related technology.</p> <p>Expansion of AVL and other technologies is contingent on available funds.</p> <p>The implementation of a Medical Escort Unit (MEU) which will be co-located with the Justice Health & Forensic Mental Health Network (JHFMHN) patient flow planners will provide for the first time system transparency in relation to specialist medical appointments in hospitals and admission of inmates to public hospitals to drive a reduction in inmate movements.</p>		
	AGREED ACTIONS	Person responsible	Date to be actioned by
3.1	Expand the use and scope of AVL use in correctional centres, subject to available funding	Assistant Commissioner, Corrections Strategy & Policy CSNSW	Ongoing

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New South Wales Auditor-General's Report - Performance Audit

Managing growth in the NSW prison population

MANAGEMENT AGREED ACTION PLAN

Rec. No.	The Department of Family and Community Services and Justice should, by June 2020:		
4	Continue to use Justice Impact Assessments to advise the NSW Government of the impacts of policy changes on immediate and longer-term demand for prison beds and prisoner support services, including for specific inmate cohorts		
Agency Response	<p>Accepted.</p> <p>A Justice Impact Assessment can be used to assess the criminal justice system impacts of any major policy proposal or policy decision. Justice Impact Assessments are completed for all new proposals likely to have a material impact on the criminal justice system and are a valuable tool for advising Government of potential downstream prison demand changes as a result of particular policy decisions.</p> <p>It is noted that ongoing refinement of the Justice Impact Assessment model will be required to deliver advice on specific inmate cohorts, currently limited by availability of data. The modelling also requires ongoing maintenance and updating.</p>		
	AGREED ACTIONS	Person responsible	Date to be actioned by
4.1	Conduct Justice Impact Assessments for policy proposals likely to have a material impact on the criminal justice system	Executive Director, Performance and Analysis Justice Strategy & Policy	Ongoing
4.2	Continue to refine, improve update and maintain the Justice Impact Assessment model within the limitations of available data	Executive Director, Performance and Analysis Justice Strategy & Policy	Ongoing

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New South Wales Auditor-General's Report - Performance Audit

Managing growth in the NSW prison population

MANAGEMENT AGREED ACTION PLAN

Rec. No.	The Department of Family and Community Services and Justice should, by June 2020:		
5	Use findings from the DOJ asset management review to develop a benchmark for maintenance expenditure and include this in budget submissions		
Agency Response	<p>Accepted.</p> <p>The Baseline asset condition assessment has been completed. The Capacity and compliance assessments will be completed by 30 June 2019. The Asset Condition and Compliance data gathered to date is being used to inform the budget planning process and is resulting in significantly improved quality of budgeting. This data has been incorporated in the now re-baselined maintenance and minor works budgets for Justice. The data is also now being incorporated into the various capital planning activities and is being incorporated in Service Planning and capital bids. Treasury have been presented with the Maintenance re-baseline and this is forming the basis for all budgeting going forward.</p>		
AGREED ACTIONS		Person responsible	Date to be actioned by
5.1	This action is complete.	n/a	n/a

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New South Wales Auditor-General's Report - Performance Audit

Managing growth in the NSW prison population

MANAGEMENT AGREED ACTION PLAN

Rec. No.	The Department of Family and Community Services and Justice should, by June 2020:		
6	Continue to monitor and report on benefits as set out in the Prison Bed Capacity Program Benefits Realisation Management Plan including after the program ends in 2021		
Agency Response	<p>Accepted.</p> <p>The Prison Bed Capacity Program (PBCP) has commenced benefits realisation progress reporting.</p> <p>Ownership of the achievement of benefits sits with a number of key areas across the Department and will continue to be monitored after the completion of the Prison Bed Capacity Program in 2021.</p>		
AGREED ACTIONS		Person responsible	Date to be actioned by
6.1	Continue benefits realisation progress reporting in accordance with the Benefits Realisation Management Plan.	Director, Governance & Assurance Prison Bed Capacity Program CSNSW	Ongoing
6.2	Transition the Benefits Realisation Management Plan and reporting framework from PBCP to BAU.	Director, Commissioning & Strategy Prison Bed Capacity Program CSNSW	June 2021

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New South Wales Auditor-General's Report - Performance Audit

Managing growth in the NSW prison population

MANAGEMENT AGREED ACTION PLAN

Rec. No.	The NSW Government should, by June 2020:		
1	Settle its strategic objectives for accommodating long-term growth in the prison population in the context of broader criminal justice reforms, and invest in the delivery of these objectives accordingly.		
Agency Response	NOT APPLICABLE. FOR REFERENCE ONLY.		
AGREED ACTIONS		Person responsible	Date to be actioned by
1.1			
1.2			
1.3			

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Appendix two – Managing women in custody

Overview

In 2018, women inmates made up around eight per cent of the total adult inmate population in New South Wales. Over our period of review, they were one of the fastest growing and most complex cohorts within the correctional system.

From June 2012 to June 2018, the number of women in prison increased by around 50 per cent from 697 to 1,067 inmates. Over this time:

- the number of women on remand more than doubled from 201 inmates to 404 inmates
- the number of sentenced women inmates increased by around 35 per cent from 495 inmates to 663 inmates
- the number of Aboriginal women inmates increased by 75 per cent from 210 inmates to 369 inmates.

At 2018, DOJ had five dedicated correctional centres for women inmates and seven locations across New South Wales where women can be held in separate units within male custodial facilities (Exhibit 13).

Exhibit 13: Profile of women's prisons

Centre	Prison bed capacity	Function
Silverwater Women's Correctional Centre	325	Sentenced and remand
	273 (operational)	
Dillwynia Correctional Centre	248 (planned)	Sentenced and remand
Emu Plains Correctional Centre	193	Sentenced and remand
Mary Wade Correctional Centre	94	Sentenced and remand
Berrima Correctional Centre	75	Sentenced and remand
Male facilities with female units on site		
Wellington Correctional Centre	82	Sentenced, remand and transit
Mid North Coast	54	Sentenced and remand
Broken Hill	12	Sentenced and remand
Grafton	20	Sentenced, remand and transit
Cessnock	68	Sentenced, remand and transit
Junee	10	Transit unit
Bathurst	10	Acute crisis management unit
Grafton	(300 planned)	Not yet operational

Source: Audit Office 2019, from NSW Department of Justice 2017–18, The Treasury 2017.

Managing women in custody

Compared to men, women in custody are more likely to demonstrate higher levels of previous victimisation, experience poorer mental health and serious mental illness, substance misuse, experience unemployment and low educational attainment, be Aboriginal and be a parent.

Women generally face shorter sentences, have greater needs for services and require significant and complex interventions. They also face challenges in accessing their children while in custody.

Characteristics of women's prisons

DOJ faces a significant deficit in fit-for-purpose facilities for women inmates, as well as a lack of surge capacity to deal with fluctuations in the number of inmates. Current capacity issues present a challenge to DOJ as it works to ensure a suitable approach to managing women inmates including:

- strategic population management, including managing inmates who require limited association, protection, or segregation is difficult due to the limited numbers of facilities
- doubling-up and tripling-up the number of beds in cells increases tension between female inmates, and other responses such as conversion or repurposing may not be suited to women-specific needs
- some women prisons' role and function are affected by the increasing proportion of inmates on remand occupying beds more suited to inmates who are eligible for programs, education, and employment, which may be the focus of a prison
- having small numbers of women located across New South Wales accommodated in larger male facilities can affect the level of suitable services available to those women, for example, small numbers make program groups difficult to achieve
- reduced opportunities to accommodate women inmates in the region from which they came, reducing ties to their families and children, support networks and increasing difficulties for reintegration upon completing their sentence.

DOJ advises that it is addressing these issues through the CSIS.

Two dedicated prisons for women under the Prison Bed Capacity Program

Two dedicated prisons for women have been commissioned in response to the growth in the inmate population. Mary Wade Correctional Centre is a women's correctional centre that was recently converted from a Juvenile Justice facility in late 2017 (Exhibit 15).

Exhibit 14: Mary Wade Correctional Centre



Source: NSW Department of Justice, 2019.

Another centre, Berrima Correctional Centre, was converted from a male facility in mid-2018 to cater for a rapid increase in the women prison population at the beginning of 2018.

Longer-term planning for women prisons

The NSW Government recently approved a business case to, among other things, expand Dillwynia Correctional Centre. The expansion aims to:

- address the demand for fit for purpose female beds in the metropolitan area and growing cohort of female inmates
- address the higher proportion of inmates on remand which is affecting the role and function of female correctional centres.

Future women inmates may spend their entire sentence at Dillwynia, enabling a step-down process through maximum to minimum security.

The new correctional centre at Grafton is expected to provide 300 women-specific maximum-security beds in Northern New South Wales, and the CSIS 2018 outlines a planned action to convert parts of the South Coast Correctional Centre to accommodate women.

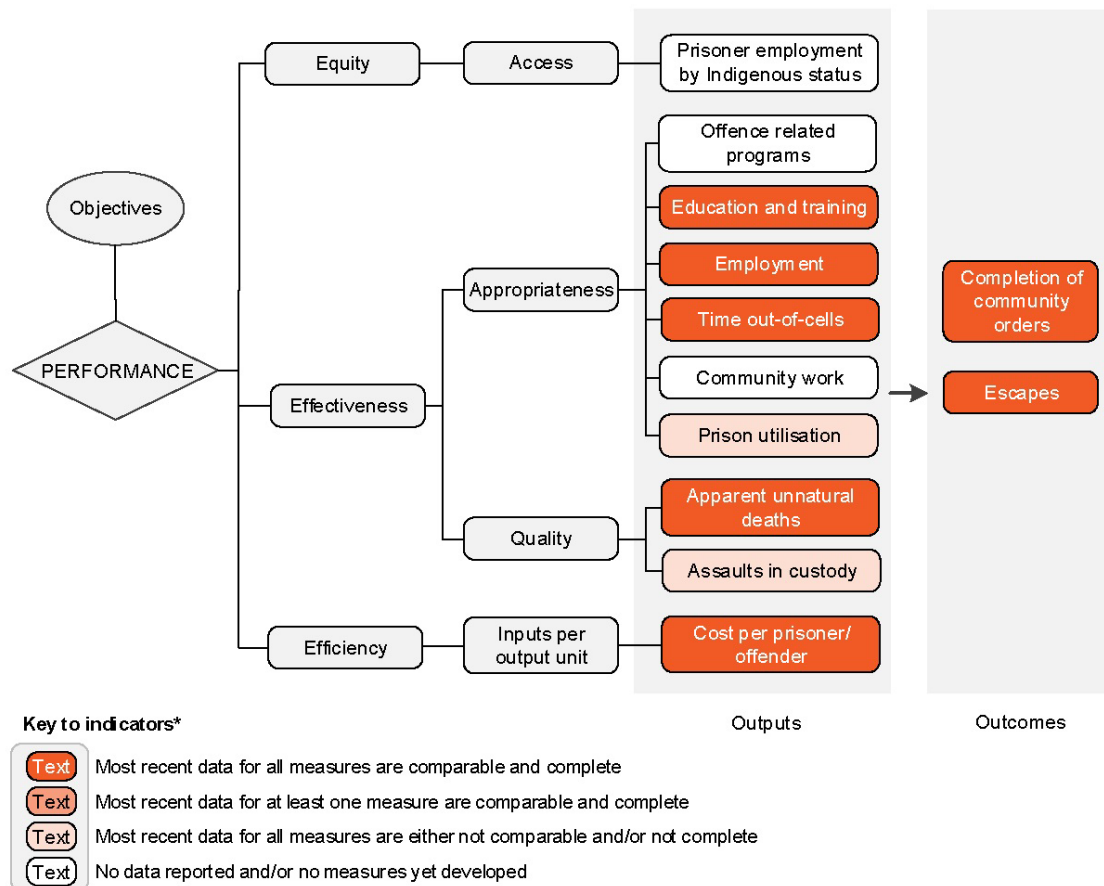


Appendix three – Corrective services performance indicator framework

DOJ reports against common corrective services outcomes through the Productivity Commission's Report on Government Services (Exhibit 15).

Exhibit 15: Performance indicator framework

Figure 8.5 Corrective services performance indicator framework



Source: Productivity Commission, Report on Government Services, 2019.



Appendix four – About the audit

Audit objective

This audit assessed how efficiently and effectively the Department of Justice (NSW) (DOJ) is responding to growth in the NSW prison population.

Audit criteria

We addressed the audit objective with the following criteria:

1. Are DOJ's immediate and short-term responses to prison population fluctuations efficient and effective?
 - a) Immediate and short-term responses are supported by evidence, consultation, risk assessments and implementations plans.
 - b) Immediate and short-term responses to meet prison demand needs are efficient.
 - c) Immediate and short-term response to meet prison demand needs are effective.
 - d) Governance arrangements support effective implementation, monitoring and review of immediate and short-term responses.
2. Are DOJ's planned responses to medium and longer-term demand for prison accommodation likely to improve efficiency and effectiveness?
 - a) DOJ understands the future demands for prison accommodation and the ability of its existing asset base to meet those demands.
 - b) DOJ's strategy is designed to meet forecasted demand while improving efficiency and effectiveness.
 - c) DOJ's strategy to meet forecasted demand for prison accommodation considers the impact of broader criminal justice system (CJS) strategies.

Audit scope and focus

In assessing the criteria, we carried out:

- visits to nine correctional centres across New South Wales, including three female facilities
- interviews with DOJ frontline custodial correctional officers
- interviews with DOJ departmental staff
- interviews with stakeholders
- quantitative data analysis of DOJ performance data, population data including characteristics and trends and DOJ information system data
- review of documents, reports and relevant information: including policies, procedures, management reporting, governance arrangements, business cases, strategies and plans, consultation documents, risk assessments, research, independent evaluations, financial reporting.

Audit exclusions

The audit did not assess:

- procurement processes regarding selection of providers for new prisons
- effectiveness of programs and strategies to reduce reoffending
- programs and services, police practices, criminal court decisions that are outside the control of the prison system
- Juvenile Justice
- effectiveness of Justice and Forensic Mental Health Network services
- merits of government policy objectives.

Audit approach

Our procedures included:

- visits to nine correctional centres to observe the impact of growth on correctional operations
- interviews with Corrective Services NSW staff responsible for correctional administration, services and programs and education and employment
- interviews with DOJ departmental staff
- consultation with selected stakeholders and partner agencies
- review and analysis of DOJ and Corrective Services NSW documents
- review and analysis of DOJ and Corrective Services NSW data.

The audit approach was complemented by quality assurance processes within the Audit Office to ensure compliance with professional standards.

Audit methodology

Our performance audit methodology is designed to satisfy Australian Audit Standards ASAE 3500 on performance auditing. The Standard requires the audit team to comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance and draw a conclusion on the audit objective. Our processes have also been designed to comply with the auditing requirements specified in the *Public Finance and Audit Act 1983*.

Acknowledgements

We gratefully acknowledge the co-operation and assistance provided by DOJ and Corrective Services NSW officers, frontline custodial officers, services and programs and education and employment staff and others who participated in interviews and discussions held during the audit. In particular, we wish to thank our liaison officers and others who provided material relevant to the audit.

We would also like to thank other stakeholders that spoke with us and provided material during the audit.

Audit cost

Including staff costs, travel and overheads, the estimated cost of the audit is \$375,000.



Appendix five – Performance auditing

What are performance audits?

Performance audits determine whether state or local government entities carry out their activities effectively, and do so economically and efficiently and in compliance with all relevant laws.

The activities examined by a performance audit may include a government program, all or part of an audited entity, or more than one entity. They can also consider particular issues which affect the whole public sector and/or the whole local government sector. They cannot question the merits of government policy objectives.

The Auditor-General's mandate to undertake performance audits is set out in section 38B of the *Public Finance and Audit Act 1983* for state government entities, and in section 421D of the *Local Government Act 1993* for local government entities.

Why do we conduct performance audits?

Performance audits provide independent assurance to the NSW Parliament and the public.

Through their recommendations, performance audits seek to improve the value for money the community receives from government services.

Performance audits are selected at the discretion of the Auditor-General who seeks input from parliamentarians, state and local government entities, other interested stakeholders and Audit Office research.

How are performance audits selected?

When selecting and scoping topics, we aim to choose topics that reflect the interests of parliament in holding the government to account. Performance audits are selected at the discretion of the Auditor-General based on our own research, suggestions from the public, and consultation with parliamentarians, agency heads and key government stakeholders. Our three year performance audit program is published on the website and is reviewed annually to ensure it continues to address significant issues of interest to parliament, aligns with government priorities, and reflects contemporary thinking on public sector management. Our program is sufficiently flexible to allow us to respond readily to any emerging issues.

What happens during the phases of a performance audit?

Performance audits have three key phases: planning, fieldwork and report writing.

During the planning phase, the audit team develops an understanding of the audit topic and responsible entities and defines the objective and scope of the audit.

The planning phase also identifies the audit criteria. These are standards of performance against which the audited entity, program or activities are assessed. Criteria may be based on relevant legislation, internal policies and procedures, industry standards, best practice, government targets, benchmarks or published guidelines.

At the completion of fieldwork, the audit team meets with management representatives to discuss all significant matters arising out of the audit. Following this, a draft performance audit report is prepared.

The audit team then meets with management representatives to check that facts presented in the draft report are accurate and to seek input in developing practical recommendations on areas of improvement.

A final report is then provided to the head of the audited entity who is invited to formally respond to the report. The report presented to the NSW Parliament includes any response from the head of the audited entity. The relevant minister and the treasurer are also provided with a copy of the final report. In performance audits that involve multiple entities, there may be responses from more than one audited entity or from a nominated coordinating entity.

Who checks to see if recommendations have been implemented?

After the report is presented to the NSW Parliament, it is usual for the entity's audit committee to monitor progress with the implementation of recommendations.

In addition, it is the practice of Parliament's Public Accounts Committee to conduct reviews or hold inquiries into matters raised in performance audit reports. The reviews and inquiries are usually held 12 months after the report received by the NSW Parliament. These reports are available on the NSW Parliament website.

Who audits the auditors?

Our performance audits are subject to internal and external quality reviews against relevant Australian and international standards.

The Public Accounts Committee appoints an independent reviewer to report on compliance with auditing practices and standards every four years. The reviewer's report is presented to the NSW Parliament and available on its website.

Periodic peer reviews by other Audit Offices test our activities against relevant standards and better practice.

Each audit is subject to internal review prior to its release.

Who pays for performance audits?

No fee is charged for performance audits. Our performance audit services are funded by the NSW Parliament.

Further information and copies of reports

For further information, including copies of performance audit reports and a list of audits currently in-progress, please see our website www.audit.nsw.gov.au or contact us on 9275 7100.

OUR VISION

Our insights inform and challenge government to improve outcomes for citizens.

OUR PURPOSE

To help parliament hold government accountable for its use of public resources.

OUR VALUES

Purpose – we have an impact, are accountable, and work as a team.

People – we trust and respect others and have a balanced approach to work.

Professionalism – we are recognised for our independence and integrity and the value we deliver.

Level 15, 1 Margaret Street
Sydney NSW 2000 Australia

PHONE +61 2 9275 7100

FAX +61 2 9275 7200

mail@audit.nsw.gov.au

Office hours: 8.30am-5.00pm,
Monday to Friday.