

**Submission
No 3**

**EXAMINATION OF THE AUDITOR-GENERAL'S
PERFORMANCE AUDIT REPORTS FEBRUARY 2016
– SEPTEMBER 2016**

Organisation: Department of Justice
Name: Mr Andrew Cappie-Wood
Date Received: 11 March 2017



Justice

Office of the Secretary
Justice Precinct Offices
Locked Bag 5111
PARRAMATTA NSW 2124
Tel 02 8688 7777 / Fax 02 8688 7980
www.lawlink.nsw.gov.au

D2017/183524

The Hon Bruce Notley-Smith MP
Chair
Public Accounts Committee
Legislative Assembly
Parliament of New South Wales
Parliament House
Macquarie Street
Sydney NSW 2000

Email: pac@parliament.nsw.gov.au

Dear Mr Notley-Smith

Thank you for your letter of 9 March 2017 in relation to the Auditor-General's performance audit report – *Performance frameworks in custodial centre operations*, tabled on 3 March 2016. Please find attached a completed template providing an update on the implementation of recommendations to date by Corrective Services NSW (CSNSW).

The CSNSW Governance and Continuous Improvement Division worked closely with the NSW Audit Office on this Report which presented the NSW Auditor-General's findings against specific criteria such as key performance requirements; monitoring of performance; and actions taken to respond to variations in performance.

To date five of the 13 recommendations have now been achieved, seven are being actively progressed and one is under consideration in relation to the reporting of correctional capacity.

The Department of Justice is committed to strengthening accountability through continuous monitoring and reporting of operational performance, including implementation of the agreed audit recommendations.

Please do not hesitate to contact Mr James Koulouris, Assistant Commissioner, Governance and Continuous Improvement (james.koulouris@justice.nsw.gov.au; phone: 8346 1291) if you have any questions in relation to this matter.

Yours sincerely

Andrew Cappie-Wood
Secretary

IMPLEMENTATION OF RECOMMENDATIONS

Department of Justice

Performance frameworks in custodial centre operations

Response by Corrective Services NSW

	RECOMMENDATION	ACCEPTED OR REJECTED	ACTIONS TO BE TAKEN	DUE DATE	STATUS (completed, on track, delayed) and COMMENT	RESPONSIBILITY (Section of agency responsible for implementation)
By December 2016, the Department of Justice (Corrective Services NSW) should:						
1	<p>Adopt a commissioning approach for the delivery of custodial services. This should include:</p> <ul style="list-style-type: none"> a) Consulting with service providers, including private and public providers on outcomes, output and performance requirements. b) Publishing Commissioning Intentions which define strategic and service level outcomes and a balanced set of KPIs, including time out of cells. c) Establishing Service Level Agreements for public correctional centres which set and align KPIs with the Commissioning Intentions, and set centre-specific KPIs and 	Accepted	<p>(a) CSNSW is adopting a commissioning approach for the provision of custodial services. This includes the development of clear outcome and performance requirements for each prison as well as the introduction of comparative performance monitoring.</p> <p>(b) Commissioning Intentions will be prepared to define strategic service level outcomes that will be supported by a set of key performance indicators. The commissioning of the new Grafton Correctional Centre</p>	Dec 2016	<p>Partially Achieved</p> <p><u>Update as at 21/3/2017:</u></p> <p>(a) The development of KPIs for public and private correctional centres is complete. The New Grafton CC and John Morony CC have both gone to tender. The Northern Pathways Consortium with its operator Serco was announced on 16 March 2017 as the successful bidder to deliver and operate the New Grafton CC.</p>	CSNSW

RECOMMENDATION	ACCEPTED OR REJECTED	ACTIONS TO BE TAKEN	DUE DATE	STATUS (completed, on track, delayed) and COMMENT	RESPONSIBILITY (Section of agency responsible for implementation)
<p>benchmarks appropriate for the purpose of the centre.</p> <p>d) Establishing contracts for new services or renewed tenders which set and align KPIs with the Commissioning Intentions, set targets informed by benchmarking, and set centre-specific KPIs and benchmarks appropriate for the purpose of the centre.</p> <p>e) Report on prisoner-to-staff ratios once its benchmarking program is complete.</p>		<p>will include clearly defined service outcomes and KPIs.</p> <p>(c) Service level agreements will be developed for each prison. The agreements will nominate the performance expectations for each prison as well as the resources to be provided to meet the service expectations. The service level agreements will be prepared each year as part of the budget preparation process.</p> <p>(d) All future contracts for the provision of custodial services will clearly nominate service targets and KPIs consistent with the Commissioning Intentions. This includes the commissioning of the new Grafton Correctional Centre.</p> <p>(e) Prisoner-to-staff ratios is a complex concept which is affected by numerous factors across individual correctional facilities. Its inclusion in the Divisional QPR would create an oversimplification and likely misinterpretation of these complexities.</p>		<p>(b) Consultation with each correctional centre prior to implementation of Benchmarking is taking place. Documents have been developed and published for the South Coast and Mid North Coast CCs.</p> <p>(c) Work on the KPI Performance Measurement Framework is progressing and draft centre-specific targets are being developed.</p> <p>(d) Draft Benchmarks have been established for each correctional centre. Benchmarks will be provided to and negotiated with each centre during their three month Benchmarking consultation period. Service Level Agreements have been drafted to support the introduction of Benchmarking and achievement of overall centre KPIs. These will be drafted during the Benchmarking consultation period and rolled out at</p>	

RECOMMENDATION	ACCEPTED OR REJECTED	ACTIONS TO BE TAKEN	DUE DATE	STATUS (completed, on track, delayed) and COMMENT	RESPONSIBILITY (Section of agency responsible for implementation)
		<p>As stated on page 11 of the Audit Office Report, CSNSW does not report on prisoner-to-staff ratio. There is no utility in reporting prisoner-to-staff ratios until CSNSW's benchmarking program is complete. Once this benchmarking is complete, CSNSW will consider reporting on prisoner-to-staff ratios.</p>		<p>each centre during their 12 month Benchmarking transition period.</p>	
<p>2 Complete its benchmarking exercise on public correctional centre performance.</p>	<p>Accepted</p>	<p>The exercise to benchmark public correctional centres is underway. The initial phase, involving 'desk-top' assessment of each centre, will be completed by the end of May 2016. The 'desk-top' benchmarks will then be reviewed with centre management to incorporate any local operational considerations before finalising the benchmark. A pilot to implement benchmark operations will commence in July 2016.</p>	<p>Dec 2016</p>	<p>Achieved <u>Update as at 21/3/2017:</u> Draft Benchmarks have been developed for each CSNSW correctional centre for negotiation at each centre during the three month Benchmarking consultation period. The two pilot site centres (South Coast CC and Mid North Coast CC) have completed their consultation periods. Both centres have submitted their local proposals for approval by the Commissioner. A further five centres will have</p>	<p>CSNSW</p>

RECOMMENDATION	ACCEPTED OR REJECTED	ACTIONS TO BE TAKEN	DUE DATE	STATUS (completed, on track, delayed) and COMMENT	RESPONSIBILITY (Section of agency responsible for implementation)
				<p>commenced their three month Benchmarking consultation period by the end of March 2017. Each centre will be provided a three month consultation period followed by a 12 month period to transition the centre to full Benchmark operations. It is anticipated all centres will have commenced Benchmarking by mid 2018.</p>	
<p>3 Use a 'balanced scorecard' ranking system to assess public and private correctional centre performance.</p>	<p>Accepted</p>	<p>CSNSW will develop a performance monitoring system that will rank correctional centre performance based upon nominated performance criteria. The specifications for the system will be developed by the end of November 2016. All public prisons in NSW will be given a set of precise performance targets and a budget based on the benchmarked performance of comparator public and private prisons in NSW, Victoria and Queensland. Publicly managed prisons will</p>	<p>Dec 2016 Aug 2017</p>	<p>Partially Achieved <u>Update as at 21/3/2017:</u> The Governance and Continuous Improvement Division has developed a methodology for a balanced score card that compares performance across public and private prisons.</p>	<p>CSNSW</p>

RECOMMENDATION	ACCEPTED OR REJECTED	ACTIONS TO BE TAKEN	DUE DATE	STATUS (completed, on track, delayed) and COMMENT	RESPONSIBILITY (Section of agency responsible for implementation)
		<p>be required to meet their benchmarks within a set period of time and regular independent quantitative and qualitative reviews (by the CSNSW Governance and Continuous Improvement Division) will confirm performance.</p> <p>The performance of both the publicly and privately operated prisons in NSW will be directly compared and a 'balanced scorecard' (league table) ranking system will be used to assess and transparently report on performance.</p>			
<p>4 Publish Service Level Agreements and public correctional centre performance reporting public.</p>	<p>Accepted</p>	<p>CSNSW supports greater transparency in the reporting on the performance of all prisons including those operated by the public sector. This recommendation will be actively implemented.</p>	<p>Dec 2016</p>	<p>Partially Achieved</p> <p>Update as at 21/3/2017:</p> <p>The draft balanced scorecard has been developed. (See 1(c) above.)</p>	<p>CSNSW</p>
<p>5 Strengthen the link between Performance Linked Fees (PLFs) and outcomes.</p>	<p>Accepted</p>	<p>The current contracts for the privately operated prisons in NSW (Parklea and Juneee) expire on 31 October 2017 and 31 March 2019,</p>	<p>Dec 2016</p>	<p>Partially Achieved</p> <p>Update as at 21/3/2017:</p> <p>New contracts developed</p>	<p>CSNSW</p>

RECOMMENDATION	ACCEPTED OR REJECTED	ACTIONS TO BE TAKEN	DUE DATE	STATUS (completed, on track, delayed) and COMMENT	RESPONSIBILITY (Section of agency responsible for implementation)
		<p>respectively.</p> <p>The current contracts contain a number of Performance Linked Fees (PLFs). The PLFs mainly comprise performance KPIs that are focused on operational practice and not the achievement of results or outcomes.</p> <p>2.5% of the service fee payable to the operator of Parklea and Junee (The GEO Group Australia Pty Ltd) each month is withheld, pending their performance against the PLFs.</p> <p>The NSW Auditor-General has recommended that the PLFs are strengthened by linking them to performance outcomes. CSNSW supports this recommendation and will ensure that new contracts for the operation of Parklea and Junee have a performance model that is outcomes and results based.</p>		<p>for privately operated correctional centres are outcome focused with associated abatements linked to KPIs.</p> <p>The New Grafton CC contract will contain outcome focused service specifications and abatements linked to KPIs.</p>	

RECOMMENDATION	ACCEPTED OR REJECTED	ACTIONS TO BE TAKEN	DUE DATE	STATUS (completed, on track, delayed) and COMMENT	RESPONSIBILITY (Section of agency responsible for implementation)
By June 2016, the Department of Justice (Corrective Services NSW) should:					
<p>6 Report on design correctional capacity (augmented for expansions and renovations consistent with standards).</p>	Under Consideration	<p>CSNSW does not support the addition of the 'design correctional capacity' into the QPR.</p> <p>Design capacity is a complex concept which is affected by numerous factors across the prison environment. Its inclusion in the QPR would create an oversimplification and likely misinterpretation of these complexities.</p>	June 2016	<p>Partially Achieved</p> <p>Update as at 21/3/2017:</p> <p>Whilst correctional capacity is not reported in the QPR Governance and Continuous Improvement Division does co-ordinate the provision of data, including useful operational capacity (provided by the Prison Bed Capacity Program), to the Performance and Systems Analysis Unit (Department of Justice) for inclusion in the Executive Dashboard for the Secretary.</p>	CSNSW
<p>7 Discontinue duplicated elements of Trends of Operations KPI reporting but maintain financial reporting aspects.</p>	Accepted	<p>The CSNSW Governance and Continuous Improvement Division reports on a quarterly basis ('Quarterly Performance Report') in respect of the operational performance of CSNSW against KPIs (including custodial corrections).</p> <p>The NSW Auditor-General</p>	June 2016	Achieved	CSNSW

RECOMMENDATION	ACCEPTED OR REJECTED	ACTIONS TO BE TAKEN	DUE DATE	STATUS (completed, on track, delayed) and COMMENT	RESPONSIBILITY (Section of agency responsible for implementation)
		<p>has found that the Quarterly Performance Report is superior to the current Trends of Operations KPI reporting and has recommended that it be merged into the Quarterly Performance Report.</p> <p>The recommendation is supported as it will streamline existing performance reporting and centralise KPIs into the more detailed CSNSW Quarterly Performance Report.</p>			
<p>8 Provide General Managers with the Custodial Corrections Quarterly Performance Report and offer guidance on its interpretation.</p>	Accepted	<p>The CSNSW Governance and Continuous Improvement Division will:</p> <ul style="list-style-type: none"> - Provide the Custodial Corrections Divisional Quarterly Performance Report it currently produces to all General Managers. - Guide General Managers on the strategic use of the quarterly performance reports in the effective and efficient management of individual correctional centres. 	June 2016	<p>Achieved</p> <p><u>Update as at 21/3/2017:</u></p> <p>Completed. A Better Prisons Performance Dashboard has been developed for Governors (formerly known as General Managers).</p>	CSNSW
<p>9 Investigate alternative methods of operating standards review for lower security centres.</p>	Accepted	<p>The CSNSW Governance and Continuous Improvement ('G&CI') Division focused on</p>	June 2016	Achieved	CSNSW

RECOMMENDATION	ACCEPTED OR REJECTED	ACTIONS TO BE TAKEN	DUE DATE	STATUS (completed, on track, delayed) and COMMENT	RESPONSIBILITY (Section of agency responsible for implementation)
		<p>conducting the first operational performance reviews in high risk prisons (Maximum security facilities). The G&CI Division will continue to undertake operational performance reviews across the system and will instruct General Managers on how they can conduct self-assessments and peer reviews against the required operational standards to ensure operational integrity and minimise risk.</p>			
<p>10 Provide greater detail of private correctional centre performance in annual reports.</p>	<p>Accepted</p>	<p>CSNSW supports greater transparency in the reporting on the performance of all prisons including those operated by the private sector. This recommendation will be actively implemented.</p>	<p>June 2016</p>	<p>Partially Achieved</p>	<p>CSNSW</p>
<p>11 Document the process for managing and setting actions in response to organisational and public prison KPI variation.</p>	<p>Accepted</p>	<p>The CSNSW Governance and Continuous Improvement Division have established processes in place to set and manage actions in response to variations in performance against operating standards</p>	<p>June 2016</p>	<p>Partially Achieved Update as at 21/3/2017: A consequences regime, which forms part of a broader reporting and</p>	<p>CSNSW</p>

RECOMMENDATION	ACCEPTED OR REJECTED	ACTIONS TO BE TAKEN	DUE DATE	STATUS (completed, on track, delayed) and COMMENT	RESPONSIBILITY (Section of agency responsible for implementation)
		<p>and private correctional centre PLFs. CSNSW set actions to address performance variations identified in KPIs for public correctional centres, however this process to set actions was not formalised within written policy or procedure at the time of Audit fieldwork. These operational variations in KPIs will be actively monitored and responses reported by the Operations Oversight Committee (see recommendation 13) in order to monitor the effectiveness of remedial action taken, where required.</p>		<p>monitoring framework, is being developed. This will include reporting timelines and processes for managing poor performance as well as outstanding performance.</p>	
<p>12 Roll out the Department of Justice's performance management framework, including the adoption of employee performance agreements.</p>	<p>Accepted</p>	<p>The Department of Justice is committed to creating a high-performing workplace. The Department of Justice has embarked on a structured program for rolling-out a performance management framework across all Divisions within the Department, including the adoption of employee performance agreements. Given the significant resource</p>	<p>June 2016</p>	<p>Partially Achieved <u>Update as at 28/3/2017</u> The Department of Justice has developed a performance management framework. Myperformance, in line with the requirements of the Government Sector Employment Act. Roll out is schedule to be aligned</p>	<p>Department of Justice</p>

RECOMMENDATION	ACCEPTED OR REJECTED	ACTIONS TO BE TAKEN	DUE DATE	STATUS (completed, on track, delayed) and COMMENT	RESPONSIBILITY (Section of agency responsible for implementation)
		<p>commitments and ongoing consultation with key stakeholders which is required, the CSNSW Custodial Corrections Division is included in the Department's implementation schedule for roll-out in 2016/2017.</p>		<p>with the benchmarking implementation. The system has been piloted on the Long Bay Complex.</p>	
<p>13 Establish an Operations Oversight Committee to monitor the effectiveness of remedial action.</p>	<p>Accepted</p>	<p>CSNSW advised that they intend to establish an Operations Oversight Committee..." (page 28).</p>	<p>June 2016</p>	<p>Achieved <u>Update as at 21/3/2017:</u> The CSNSW Oversight Committee (OOC) was established in June 2016. The OOC provides assurance to the CSNSW Executive and the Minister that where there are critical reviews, investigations or findings made by external agencies and internal governance processes, that they are being actioned and implemented accordingly. The OOC meets bi-monthly and comprises of relevant senior managers from each Division of CSNSW. It is chaired by the Assistant Commissioner.</p>	<p>CSNSW</p>

RECOMMENDATION	ACCEPTED OR REJECTED	ACTIONS TO BE TAKEN	DUE DATE	STATUS (completed, on track, delayed) and COMMENT	RESPONSIBILITY (Section of agency responsible for implementation)
				Governance and Continuous Improvement.	

CSNSW = Corrective Services New South Wales
 G&CI = Governance and Continuous Improvement Division
 CC = Correctional Centre
 CRES = Corporate Research Evaluation and Statistics
 PSAU = Performance and Systems Analysis Unit (Justice Strategy, Department of Justice)