

REPORT OF PROCEEDINGS BEFORE

PUBLIC ACCOUNTS COMMITTEE

**FOLLOW UP OF THE AUDITOR-GENERAL'S PERFORMANCE
AUDITS APRIL 2011 TO SEPTEMBER 2011**

At Sydney on Monday 18 March 2013

The Committee met at 10.30 a.m.

PRESENT

Mr J. R. O'Dea (Chair)

Mr B. E. Bassett

Mr M. J. Daley

Dr G. Lee

Mr J. D. Williams

CHAIR: Thank you for attending this public hearing of the Public Accounts Committee. The Committee is holding hearings in relation to two of its current inquiries, one of which is into procurement and management of information and communications technology in the public sector. The Committee will be hearing from the Auditor-General and the Department of Education and Communities. As part of its examination of the Auditor-General's performance audits from April 2011 to September 2011, it will be hearing from representatives of the NSW Police Force, NSW Health and the NSW Audit Office and, obviously, the Department of Finance and Services.

For the benefit of those in the gallery, I note that the Committee has resolved to authorise the media to broadcast sound and video excerpts of its public hearings, and copies of the guidelines for coverage of proceedings are available. I formally declare the hearing open and welcome our witnesses. Mr Dobing, I congratulate you on your appointment as the permanent executive director of NSW Procurement and thank you for appearing today to give evidence. As part of the formalities it is a requirement that each witness be examined under oath or affirmation.

PETER ACHTERSTRAAT, Auditor-General, NSW Audit Office, sworn and examined:

PAUL DOBING, Executive Director, New South Wales Procurement, Department of Finance and Services, affirmed and examined:

CHAIR: I draw your attention to the fact that your evidence is given under parliamentary privilege and that you are protected from any legal or administrative action that might otherwise result in relation to the information you provide. I also note that any deliberate misleading of the Committee may constitute a contempt of the Parliament and is an offence under the Parliamentary Evidence Act 1901. Mr Achterstraat, do you wish to make an opening statement?

Mr ACHTERSTRAAT: I will say a couple of things. The prequalification scheme was introduced in February 2008. It is a good concept to have a central register of people to whom tenders can be let to et cetera but a concept is only as good as it is administered. The reason we took on the audit was to make sure that while we might be making savings upfront to have a streamlined system, is it causing problems or costs further down the line? The main area we wanted to look at was: Are they monitoring this program? So if they say you need to invite one tender under \$150,000, invite three tenders over \$150,000 you should not be rolling them over and you should be giving feedback on how a particular contractor or consultant has gone. They were the things we looked at. I guess our main finding was it is a good idea, it is going well but we do think they need to tighten up particularly the feedback loop. If only 5 per cent of contracts are giving feedback to say how they went, that means there are 95 per cent of contracts that have been awarded and later on down the track no-one knows how they go. It would be great if there was some corporate knowledge where other agencies could be able to tap into that and see this contractor did well or this one did not do so well. We think that is an important feedback loop on that.

We were concerned also in relation to having an independent person on the panel to be reviewing that. We are encouraged that both this department and the Department of Premier and Cabinet accepted our recommendations. Reading through progress after 12 months, things are moving along. I do accept the fact that there is a bigger procurement reform going on but one of the issues when a small part like this gets tied up with a bigger procurement project is that the bigger one swamps it, and it just delays it and delays it. I would be keen to get a bit of a timetable on when things in our particular report are going to be actioned and are going to be done. I guess clarifying some of the rules and monitoring compliance are the two issues we looked at.

CHAIR: Mr Dobing, do you wish to make an opening statement?

Mr DOBING: I welcome the comments and remarks of the Auditor-General. Like the Auditor-General and the Audit Office, we are very keen to ensure that schemes and contractual arrangements that we establish and put in place on behalf of the sector both meet our objectives of simplification, red tape reduction, improving opportunities for competitiveness but, importantly, also ensure that we meet our broader obligations from a legislative and regulatory perspective in the frameworks around compliance, monitoring and reporting, particularly in respect of performance to ensure that we continue to enhance and get better service delivery outcomes both for front-line agencies and also for the citizenry that they are providing those services to.

As the Auditor-General was kind enough to note, since the report and the recommendations I think some significant progress has been made towards improving the quality in those areas of the scheme that had been the subject of attention in that particular report. There are still some recommendations that are in progress; probably out of that group those more particularly concentrated around the effective implementation of tools and systems that allow for automated processes to support things like reporting and compliance. We believe that is a means by which we can continue to minimise the impact on agencies directly for either manual-based or ad hoc reporting and we can do that in a systemised or automated way, which allows us then to provide greater transparency while not increasing the administrative burden.

As the Auditor-General pointed out, we are in the process of a very significant reform of the government procurement system overall and, importantly, the implementation of the Procurement Board, which includes the directors general of the principal departments. It is a feature now of our procurement system that I think creates the right balance between accountability at a central or directional level and responsibility within individual agencies for taking accountability of their performance of and compliance with the Government's procurement framework. Supporting that board we now have an established procurement leadership group and

industry advisory groups and a system from a governance perspective that is starting to more effectively implement the outcomes of the Government's procurement reform.

The Strategic Direction Statement issued by the Procurement Board contained of the order of 78 actions supporting the six key themes of that statement around simplification, red tape reduction and the introduction of innovation—the means by which we ensure that we deliver effective category management approaches across government. I am pleased to say that out of the 78 actions that were identified in that statement, which covered a broad range of procurement reforms, in the order of half have already been completed and the remaining balance are on track to be completed. The board, for example, at its meeting as recently as 14 March, has considered items in particular related to agency obligations around audit and compliance and the board provided directions to be issued to agencies for implementation to help to enhance the way that we can support both overall objectives but do so within a devolved system that continues to put the accountability where it needs to be placed at the front line where those decisions are being made. From my perspective I welcome the opportunity to address the Committee today to provide some further input around how we are tracking against the remainder of those recommendations. I look forward, together with the Auditor-General, to continuing to make improvements in the procurement system overall.

CHAIR: The Committee is encouraged by the progress, philosophy and broad direction of a lot of that reform, which is great. One of the reasons why the Committee was keen to hold a further hearing today rather than sending questions on notice was because there are a significant number of items that are either delayed, on track or in progress. There was a concern also that respective time frames were a little bit vague and—reflecting the comments of the Auditor-General—it is easy to talk in general terms and, dare I say it, give reassuring statements—you have given one this morning in general terms—but the Committee wants to drill into some specifics. What proportion of consultancies, both in numbers and dollar value, received an exemption under the scheme and what would be the top three agencies seeking exemptions?

Mr DOBING: My understanding—just for clarity around that question—in relation to the guidelines for agencies for use in the event they are not able to secure three quotations for work over \$150,000, there is a means by which they can justify an approach of taking less than that.

CHAIR: I understand that quite a number actually get that exemption?

Mr DOBING: At the moment, and up until this point, within the current system the responsibilities for tracking and reporting against the basis on which those selections are made sit with the agencies and agency accountability. There is limited performance information—and has been in the past—available on a whole-of-sector basis to be able to draw specific conclusions as to either how many individual agencies had conducted processes where they felt that either through the characteristics of the market or some other mechanism or if they had approached more than three providers and not been able to secure quotations, they had acted within their own purchasing and financial delegations and in accordance with the scheme guidelines to proceed on the basis of less than three.

One of the features that it is important for us to be able to implement and provide some visibility around is connected to the further enhancements on the NSWBuy platform and what had been previously referred to the Committee as dynamic sourcing but is now referred to as the eQuote system, which is the automated tool that agencies will now be using to issue requests for quotations to providers and the implementation of that will allow us to capture information at a central agency level through the Department of Finance and Services that we have not been able to routinely capture or get visibility to up until this point.

In respect of providing specific guidance about the number of individual agencies or their engagements that have proceeded on a basis of working within their agency to process less than three quotations under some guidance, I do not have detailed evidence available to me today that would support on a whole-of-sector basis how that appears. Flowing on from that, it is difficult to be able to provide an indication as to which are the top three agencies or consultants. It is certainly something that is of concern to me to be able to accurately and succinctly report on those types of features within the scheme's operation at the moment.

CHAIR: I will sum up your answer with three words: "We don't know." When will we be able to know with that system you are talking about?

Mr DOBING: The NSW Buy platform went live in September, was launched by the Minister on 30 November. The e-quote functionalities being developed and the performance and management services scheme

guidelines have been adapted at this stage and, I think as indicated in our previous response to the committee's questions in December when we gave an update, we were intending that that capability is live and operational no later than June. We are expecting a relaunch of the PMS system under the e-quote tool within April and we are in the process of doing planning for the migration of any data that is available out of the existing CCMS system. So that piece of work is still being undertaken. I would need to come back to the Committee with a timetable on the migration of existing data from the CCMS system to the new e-quote system. Between now and no later than June that capability will exist. Obviously then there will be some lag as we start to get agency reporting information available through that system but that will become progressively available once the agencies are using that particular system as the means by which they are engaging under the scheme.

CHAIR: So we will see something in place where we will be able to answer a question like this by June. If you want to come back on some specific timeframes, that would be appreciated.

Mr DOBING: Yes.

CHAIR: In the meantime the fact that we do not seem to have any of that information, will that be solved overnight by just having an electronic-based system or any other system that may or may not be accepted in a cultural sense? I suppose it is disturbing that while your answer was lengthy it did not give me any sense of confidence that you know what is happening out there in terms of exemptions.

Mr DOBING: What I will say, and perhaps I will clarify the response, is I do not have consistent and whole-of-sector information. We do get information on an ad hoc basis but not to the level and confidence that I would be comfortable saying that this is the nature of and the specifics around the reporting under that particular requirement. You are absolutely right. Simply implementing a system or a tool is definitely not going to solve some of those issues overnight, and it is part of a range of things that need to be undertaken within the sector to be able to improve both, as you mentioned, the culture but also the outcomes. Some of those intended to be addressed by a mechanism such as the procurement board's agency accreditation scheme, which puts specific requirements on agencies and agency heads to be accredited for conducting procurement and introduces some new mechanisms on that basis.

Some of it will be addressed by introducing simpler automated tools that encourage compliance by agencies by making it easier for them to use a simplified tool as the basis on which they are engaging. Some of it will be addressed by education and awareness across the sector as we roll out new schemes and systems and continue to conduct those, but it will be a combination of many of those things over a reasonable period of time that will continue to improve the performance of this scheme and other schemes across the sector.

CHAIR: Does the Department of Premier and Cabinet [DPC] still play a role in governing and assessing applications for the prequalification scheme?

Mr DOBING: The Department of Premier and Cabinet still has a role as a member of the scheme assessment committee. In terms of overall governance, as you would be aware, the responsibility for the scheme transferred from DPC to DFS in early 2012 but understandably we still consult with DPC from time to time on matters related to the scheme's operation but in respect of a specific role DPC has a role as part of that scheme assessment committee and that is specifically their limited role.

CHAIR: I understand you have rejected the Auditor-General's recommendation that expenses should be included in the value of the thresholds. You include GST now, is that right?

Mr DOBING: Yes, that is correct. We modified the scheme's conditions to state that it was inclusive of GST.

CHAIR: So GST is included but expenses are not included in the value of the \$150,000 threshold.

Mr DOBING: Yes.

CHAIR: Can you provide some information, if available, on the number of consultancies that did not require three quotes, that is, less than \$150,000, but where expenses pushed the total cost over \$150,000? If you do not know, just tell me you do not know and that you will get the information.

Mr DOBING: I do not know and I will look to get whatever information is available that can help support that. Again I come back to the earlier comment, I would expect at this stage, given some of the manual based systems and agency reporting, that that may well be ad hoc. The original feedback to the Auditor-General on that item was that from our whole-of-scheme perspective it is difficult to be able to accurately understand and estimate expenses and we put the obligations on agencies at the time that they are about to go and engage in a competitive process to make a reasonable estimate as to what they will be. The reporting obligations in the guidelines require them to report on the total cost of engagement for the basis of both performance reporting and then subsequent disclosure arrangements. So that requirement at the moment in terms of the feedback to the initial report still stands. On the basis of your earlier question, I will look to come back both on this and the previous question about consultancies, as to any reasonable information that is available to us that might help provide some clarity on the detail.

CHAIR: I will ask you for an update on the progress of various initiatives within the broader program. If you can be as precise in terms of time frames as we go through each of these, I would very much appreciate it. Firstly, the whole-of-government procurement review, where it is up to in a broad sense and any relevant time frames?

Mr DOBING: I did make comment on that in my opening remark. We are well down the path of implementing a number of specific actions that came out of the strategic directions statements. You may be aware that the procurement board issued that with the intent that those were the actions that it expected to see undertaken within the first 12 to 18 months of operation under the reformed system. At majority of those have already been—sorry, somewhat less than half of those have already been completed and I am happy to come back with a detailed timetable. We are tracking each of the 78 actions so I am happy to come back to the Committee with a timetable that shows you that for each of those particular actions when they are expected to be finalised. The majority were due for completion within the first half of this year with a significant number by the first quarter of this year and all of those are currently either completed or on track. That sets up the next stage of board consideration for the actions that are intended to follow that as part of the procurement review.

CHAIR: The second of five areas I will go through is the audit of agency services-based panels or agreements.

Mr DOBING: The board has asked the procurement leadership group to look into that particular issue and to come back with a view to having that finalised by June. So at a meeting during March, and I will confirm the exact timing, the procurement leadership group agreed to send requests to each of the participating agencies for them to provide updates and information to the leadership groups so they could consolidate that into a recommendation to the board. The procurement leadership groups predominantly comprised by deputies director-general and senior representatives from each of the agencies and principal departments say they are aware of that requirement and the board is expected, I believe at its May meeting, to consider the outcomes of that review and then be able to make some decisions about actions and next steps.

CHAIR: The third area is the implementation of the dynamic sourcing tool.

Mr DOBING: The dynamic sourcing tool I referred to earlier is a part of the overarching NSWBuy platforms now being implemented. What was referred to as dynamic sourcing is now being badged "e-quotes" as part of a platform of automated software and tools that support the procurement system. That tool is available and has been the subject of some testing. We are looking at the implementation of that with the performance and management services scheme on a limited basis, commencing in April and expecting to have that fully rolled out and available for other schemes through to June 2013, as part of the overarching response. I will come back to the Committee with some specifics about that timeline and implementation.

CHAIR: The fourth area is implementation of a performance-based rating scheme.

Mr DOBING: Performance-based rating is something that we have been in pretty active conversation with the Minister's office, as part of the roll-out of the eQuote system, we are expecting to and are in the process of making some recommendations back to the Minister's office this week. There are some issues that we are working our way through in respect of how that rolls out. We are intending, as was part of our response back to the Committee during December, that we will have a rating system available as part of the roll-out of the eQuote tool within the June time frame. Again, I will clarify that to make sure that that time frame and response is accurate.

CHAIR: The final area is the identification of the resource requirements of the scheme, which I understand are being considered in the NSW Procurement Organisational Plan 2012-13.

Mr DOBING: There are two components of that. There are the interim arrangements and the long-term transformational restructure of NSW Procurement. Since being permanently appointed to the role in February, I have been working through a process of having a look at the existing Change Management Plan. I am making some recommendations now, on the basis of experience of the operation of this scheme and others, to the executive within the NSW Department of Finance and Services [DFS]. We are expected to finalise that organisational change plan during March and then start the process of doing consultation. That is the longer term transformation.

In the short term, what I have undertaken is to move resource requirements within NSW Procurement. I have established a different organisational structure that consolidates three or four disparate groups and is specifically focused on scheme administration, both implementation of scheme applications as well as commencing to work through performance-based reporting. So there is a short-term, interim arrangement in place at the moment which creates a different organisational structure for dealing with scheme administration, longer term transformation and consideration of resource requirements around the subject of the change plan. That has a slightly different timeline.

CHAIR: I will finish my questioning before handing over to other members of the Committee by asking a couple of questions about the dynamic sourcing tool or eQuote, as it has been referred to. You have told us a bit about what it is. Can you give us a little more information about how eQuote will help review engagement trends and enhance competition?

Mr DOBING: I will clarify and, if I may, give you a little bit of additional background from an eQuote perspective because that might assist with the question. It is a new application that agencies will be able to use to issue quotes to registered suppliers. As part of that process, the listing of approved suppliers for particular schemes will be visible and agencies will be able to select within different capabilities and get visibility to a range of potential service providers, against their requirements. It is the intention of the implementation of the performance rating scheme that information is visible to them at the time they are seeking to go out to a quotation, so they get both information more generally about the profile of the supplier but they will also get access to information that suggests to them how suppliers performed in previous engagements and that is the intention of the rating system.

To issue a request for quotation [RFQ] through that system, an agency will select a particular prequalification scheme—eventually there will be a number available through that means—as they would through the eTendering system. They will select certain job details—and part of that requires the agency buyer to complete information and assurances around, for example, whether they already have financial approvals in place to conduct the particular RFQ process. So we are able, through that part of the system, to add some additional compliance. The suppliers will receive a notification that there is a pending RFQ or RFX coming. They can review that and they can indicate their intention as to how they are going to respond. The suppliers have an action centre that they have welcomed—a place within the New South Wales buyer platform—where they can start to coordinate their activity in working with government. The buyers can review and manage their responses, manage award and then publish on the eTendering site, because it is connected to that, from a disclosure point of view.

From a competitiveness point of view, it allows for enhancement of competition in the first instance. I take on board the Auditor-General's earlier comments around that. My understanding is that, as of 12 March, we had 116 easy access registration list [EARL] suppliers—those providers who are now prequalified for engagements under \$50,000. That was part of commitments made to ensure that we opened up and created opportunities for small to medium enterprises and, in particular, for regional and remote suppliers. There are now 513 fully prequalified suppliers available under the scheme. One of the tasks as part of performance management reporting will be for us to be able to identify, through reporting information available from trends within the system itself—because that will be captured at the time that we see agencies selecting providers, going through quoting processes into award—is to be able to better manage, in those circumstances, either whether there are providers, that from a performance point of view we make a decision that, as per the scheme guidelines, we should either suspend or perhaps remove from the scheme.

Certainly, for the providers that have not been securing any business—and there are examples of that within the current system—over long periods of time we can decide whether or not it is appropriate for them to

remain on the scheme overall. It supports and allows us to define and support the rules around scheme conditions, the thresholds that are available, and allows us, within a system-based approach, to do that more effectively. We have started to prepare education and training for agency users of the system and all of the material around the eQuote system is now up on our ProcurePoint website. It is an extension of functionality that existed and agencies were used to under the eTendering system. It takes that further, to give them some particular tools available to conduct RFX processes in an automated fashion. The benefit to us of that is that, for each of those processes, we will have system access to a variety of information from agencies that previously we would not routinely have got visibility to in a manual system.

CHAIR: When the eQuote system is implemented, you will be able to require reporting on performance of engagements below \$150,000? You talk about the group under \$50,000, for example. Between \$50,000 and \$150,000, under \$50,000—all those different groups—will they be required to be reported on or monitored, even though the \$150,000 threshold is not reached?

Mr DOBING: At the moment, within the scheme guidelines, we require reporting on performance, either in the case that there is unsatisfactory performance—so that can be at any level—or on the basis of over \$150,000 engagements. We will have capability within the system for capturing additional performance reporting information at other levels. What we will need to make a determination on—and we will need to consult with the category management working group that has been established to look at this particular area of expenditure—is, what is the balance between administrative burden and overhead and requirements on agencies. What can we do that is system-based and an easy part of the process? On that perspective, do we need to modify the existing scheme guidelines and put some other requirements around performance reporting? The capability will be there but we will have to make a decision to balance off what value we will get from requiring other reporting than simply agency reporting for unsatisfactory performance or on engagements over 150,000.

CHAIR: But as a minimum, you could require that they use the system so that, if needed, you could report on that?

Mr DOBING: Yes, correct.

Mr BART BASSETT: How does the implementation of the agency checklist improve compliance monitoring and reporting?

Mr DOBING: Early to tell. I do not have any specific answer to suggest that it has enhanced it in any way other than feedback from agency users at this point that suggests it was welcomed, it provided them with a structure. As part of the discussion with the procurement board it is intended that where agencies have to implement their own arrangements for audit and compliance that the use of a checklist such as that that is being included gives them a meaningful tool to use both in that system as well as in the agency accreditation system. I do not currently have any consistent reporting or feedback to give you a more specific answer other than that, anecdotally at this stage at least, the feedback from agencies has been positive about the use of that tool in enabling them to better manage their own requirements.

Mr BART BASSETT: How will you ensure that agencies undertake risk-based assessments of their supply contracts and test compliance within your procurement policy framework to ensure other agencies follow through?

Mr DOBING: There was a particular consideration made by the procurement board as part of its procurement policy framework. Our role and responsibility in that is helping provide advice both to the board and to the agencies. As part of the agency accreditation system they have obligations relating to risk, compliance and audit within the accreditation system itself. The board has just considered and is about to issue—and I am happy to provide the Committee with a copy of that paper and the recommendations within in—a direction that will go out to agency heads and agency buyers that states what their obligations are in respect of providing and managing for risk and for audit and compliance, including a requirement that will commence as of 30 June 2014 for them to submit annually to the board an audit plan and outputs of risk assessment and those types of things. If it is an accredited agency it will have that obligation already, so I think from that perspective providing some additional guidance to agencies around the management of risk as part of the implementation of schemes will continue to support them in that devolved environment with their own audit and reporting programs.

Mr BART BASSETT: As a follow-up question, because I have thought about this with some of your answers so far, there are obviously agencies that are not complying already so how does your department

change the culture within agencies that are not currently compliant and how are you going to get the directors-general of those agencies to do it if it is not part of their key performance indicators and existing contracts?

Mr DOBING: It is part of longer term reform and you are right, there are cultural changes that will continue to be required in the sector as a whole. As I said in an earlier response to the Chair, we need to use a number of different means to do that and those are recognised as part of the overall procurement reform. In the first instance, I think positively having a procurement board established that comprises the directors-general of the principal departments and giving them the accountability for ensuring the successful implementation of reform and the successful ongoing management of procurement-related expenditures set the right tone in the first place. They are directly accountable for helping make those decisions in the first place. There is no doubt that our director general, as head of Finance and Services, has more specific obligations on him related to that that are currently part of the KPIs for his performance agreement for delivery of specific reform outcomes for procurement and delivery of particular areas. That is something that is being driven from that perspective.

The governance structure now supports that because there is a procurement leadership group and these are organisations that did not exist under previous State Contracts Control Board structure. There are industry advisory groups so there is some visibility and scrutiny from outside the system as well providing input to, say, the overarching themes around capability development. So if we are looking to create a world-class procurement system we need to start doing some things that are happening in consultation with the Public Service Commissioner around capability development for various areas of the sector including procurement. On that side that creates some governance structures and recognises capability development. You also then need in the interim, because there are existing obligations around the conduct of procurement within the system—part of that is through things like agency accreditation, re-stating and re-framing for agencies what the nature of their obligations are under the existing system and making sure they are aware that in a devolved environment their directors-general or chief executive officers or heads of department have that responsibility to ensure that they meet and comply with that framework.

Also, where it is practical and does not provide either an administrative or an overhead burden on the sector as a whole we need to be able to use existing systems from an automated and support point of view to provide information both to the agencies, the procurement leadership group and the procurement board that tells them where there are issues or trends or areas that we need to modify. Picking up on the Chair's comment, that is a long answer covering a few different areas. It is part of and being considered routinely as part of the reform of the whole sector, but it is going to take some time for us to create all of the elements that need to be in place, including in particular capability development. That has been well recognised by the board and by the advisory groups and leadership groups as a key focus area.

Mr JOHN WILLIAMS: Probably the frustration for the Auditor-General and also this Committee is the recommendation for the introduction of the independent member on the scheme assessment committee by December 2011. In your response you advise that this action was in progress. When will this recommendation be completed and what are the reasons for the delay?

Mr DOBING: I will say that from my perspective there is no good reason for the delay. It was a surprise to me when I looked at the recommendations and considered those which were either part of or tied up in overall reform that would have some complication linked to the reform system. That certainly was not one of them and I would have expected that it should have already been implemented. I will say that as part of the reform of the assessment processes within the scheme there is now for full pre-qualification an independent third party organisation that conducts the assessments. As part of the function of the scheme assessment committee that is effectively outsourcing a component of that role but it would still need to be considered by the scheme assessment committee. I have asked urgently for some updates in respect of any other delays in finding and putting on board an independent member. I will come back to the Committee with a specific time frame. I share the same frustration as you do and it is something that we should have completed some time ago.

Mr JOHN WILLIAMS: There has been some focus and previous questions in relation to the tenders' quotes under \$150,000 with the opportunity to exceed that figure through expenses. Are you comfortable that we are getting best value for money from these uncompetitive tenders?

Mr DOBING: Just to clarify that, an initial estimate is under \$150,000 and then subsequently it is found to move over \$150,000?

Mr JOHN WILLIAMS: Correct. Effectively, under \$150,000 allows you to put your foot in the door and then you can catch that up with additional expenses by highlighting some associated expenses not directly relating to the cost of the task.

Mr DOBING: Ultimately the decision and a value-for-money assessment need to be made by the agency at the time that they complete the engagement and that should be made on the basis of a reasonable initial estimate as to what the value of the work is going to be and then an appropriate competitive process. I agree with you that there would be, I am sure, circumstances where there has been an initial estimate and a competitive process conducted on that basis and for a range of reasons at an agency level there may have then been further expenditures. Whether or not that would represent a concern about value for money would depend on the particular context of the procurement. I accept the point that there will be some cases where an initial estimate has been made and then through either additional expenses or further flow-on engagements even within the guidelines of the scheme there is and should be a point whereby the agency makes a determination to say whether or not that now does represent value for money. I could not advise you at the moment whether that is occurring in every case. It is something that we would be able to start to collect some level of visibility through the automated system where it requires the agency buyer to make an initial assessment and then we will get a view as to what final estimates are and be able to have an opportunity to do some reporting against it.

Mr JOHN WILLIAMS: So that is subject to review by the panel on a regular basis and they are looking at these incidents where the \$150,000 threshold has been exceeded and checking the reasons?

Mr DOBING: It has not been a responsibility or part of the terms of reference of the scheme assessment committee at this stage but I think it is a good observation and could be something if we have the evidence base that allows us to capture that information from the system and have it produced, reported and considered by the assessment committee. That could be a good means by which we can start to drive some of that behaviour.

Mr BART BASSETT: You might like to respond to this statement before I ask the next question: Following on from that, I think you were suggesting it might not necessarily just be expenses that may put it over \$150,000 but if an agency adopts somebody to do a service they could find during the process of that contract or that time that they may review it and say they have found something else that may end up being double or a significant increase over the \$150,000, not necessarily related to expenses.

Mr DOBING: As you may be aware, there are guidelines within the scheme specific to flow-on engagements, so there is some advice to agencies about the basis on which a flow-on engagement may be applicable and then put some caps as to when it is they need to say, "We have gone up to the limit of both the original engagement and a flow-on engagement. If we want to continue a piece of work, we have to go to a competitive process." The comment I was making—and it really is dependent on the agency's implementation of these things—is that at what point in their process do they come back to either another governance or a review that says, "Here is the initial estimate for this piece of work. We have now gone this far into it. We have had at least one flow-on engagement. So it is a piece of work that we thought originally was going to look like this and we assessed that it represented value for money. If we assess it, does it still represent value for money? If it does, what is the basis on which we continue? If it does not, what is the decision that the agency needs to make? I am aware of some agencies that are either already accredited or are in the process of accreditation to have good practices involving some of those issues. Others will not have good practices. That is part of the challenge of implementation or reform.

CHAIR: Before you ask the next question, Mr Bassett, I invite the Auditor-General to make a comment.

Mr ACHTERSTRAAT: I am heartened about the progress and the things that are going to happen. As Mr Dobing said, if there is an original contract that comes in at \$100,000 with only one invitee or \$200,000 with three invitees, one of our concerns had been the roll-over or the flow-on. In our report we highlighted an exceptional example where one quote came in and a small amount of work was done. It kept getting rolled over, and rolled over and, still on the basis of one quote, it ended up being a \$13 million job. That might be an exception but I am heartened that the new e-quote system hopefully will identify those things. At the moment Paul is quite right. There are rules and approaches but nobody outside the department involved seems to be able to keep an eye on it. With the new system all these things will come to the fore and then a central area like the Department of Finance and Services will be able to say, "Hang on. These are the rules. Why are they not being

followed?" July will be a fantastic time when all this data is available. I am excited. There is a lot of progress, a lot spinning, the rubber will hit the road and we will get all this data when the new system is in place.

CHAIR: Thank you, Auditor-General. It was concerning to read that one service provider had secured work worth more than \$13 million without any other bidders being involved. We are pleased that that is a situation that hopefully will not recur after the system is properly in place.

Mr BART BASSETT: Does the department gather any management information statistics on the use of the pre-qualification scheme to ensure that it remains competitive?

Mr DOBING: Any particular data or statistics that the member is referring to?

Mr BART BASSETT: Just generally. Do you gather management information statistics on the use of the pre-qualification scheme to ensure that it remains competitive?

Mr DOBING: We gather information on the use of the scheme at an aggregate level. As we said earlier, we have a view of and the statistics for a number of providers, the total value of engagements. The actual competitiveness of the scheme is tested by the agencies when they implement underneath the scheme for their particular engagements and quotes. It is something that was the subject of some discussion at one of the recent category management working group meetings that is comprised of agency representatives talking about their use of the scheme. Part of that debate concerned whether we continue, for example, to ask for and try to monitor and provide for capped rate-type information.

Most of the feedback from agencies was that whilst that is useful to some extent as an estimate, we actually drive competitive behaviour at the time we go out for a particular engagement, either because we try to negotiate fixed fee arrangements, or otherwise from an overall perspective we have the mix of suppliers. In particular, with some smaller groupings of suppliers underneath particular values and thresholds, that continues to allow for competitiveness. We have talked about implementing systems that make it easier for agencies to send quotations to multiple suppliers to help to enhance competitiveness. On an ongoing basis we need to do some management and review.

Mr BART BASSETT: When does the department expect the revision of the procurement policy framework and code of practice to be completed?

Mr DOBING: The procurement board issued an interim procurement policy framework for goods and services on 1 January. It is now in the process of continuing to work through a number of working groups, looking at refinements to that policy framework. As I understand it, the board is expected to consider it at the June meeting—but I can confirm that—with a view to a further revision of the policy framework being implemented after 1 July. A new policy framework came into effect on 1 January which will be further reviewed on a second iteration of that release for implementation as at 1 July.

Mr JOHN WILLIAMS: With a central register of pre-qualification will a standing offer and panel contracts be made publicly available?

Mr DOBING: That is a matter for consideration by the procurement board. We are making some recommendations to them. There are components of information that are intended to be made publicly available, but we will make a recommendation to the procurement board. I will come back and confirm the timing of that for their consideration.

CHAIR: Auditor-General, would you like to make some final comments?

Mr ACHTERSTRAAT: Yes, a couple of minor ones to summarise. First, I am heartened that we have had specific progress. For example, GST is now taken into account. We have had progress in that one department is now solely responsible. I expressed concern in the past that where two or three different departments were responsible things tended to get lost a bit. Responsibility has now been given to the Department of Finance and Services. I am also heartened that there is a major procurement project of which this is a part. I want to make sure that these ideas do not get lost. I am a firm believer that we have to cut red tape, and that is what this project is all about. However, we still need some information. We need information to share best practice. If something is happening in department X, can department Y learn from it? We need that information, not just for best practice but also for internal controls.

If people know that the information will go to a central agency, there will be more incentive to dot the i's and cross the t's. When we did the audit, there were 300 members on the panel. Paul has said there are now approximately 500. To quote Paul's words, if you look at trends and performance, some may have to be suspended or removed from the scheme. I would be interested to know whether any have been. When we did the audit two years ago, very few had been suspended or removed from the scheme. Given the large number, there must be a few that have not performed as well as they could have. I am encouraged by everything that the department has said and I encourage the secretariat to give the department a specific list of questions and ask for dates when things will be done by, recognising that this is part of a bigger project and that many of the things will not be able to be provided until July or August.

Finally, I have been concerned about other instances where senior executives have not been not aware of some of the recommendations that I have made and it is a surprise to them when they have seen them. The beauty of the Public Accounts Committee is that it highlights them. However, it behoves me to implement a process whereby audit committees and departments are mindful of my recommendations and continually monitor them. I am meeting with the audit committee chairs and the Treasurer on 4 April and I will be putting to them again, as I did last year, that audit committees need to continually monitor all the recommendations I have made in my performance audits so that we do not have situations where officials have not been briefed on things until the last minute. This is not the first time this has happened.

CHAIR: Mr Dobing, would you like to reply to any of those comments?

Mr DOBING: I accept the Auditor-General's remark and encourage him to use existing audit and risk committees and other processes to ensure that the outstanding recommendations are followed through and delivered. On behalf of the Department of Finance and Services, and my role specifically, we have a comprehensive process of reporting against all outstanding recommendations and updates to any NSW Audit Office or Auditor-General's reports and findings. In my case, as we look at the design and implementation of schemes we take on board and continue to reflect back previous audit findings as well as information coming from organisations like the Independent Commission Against Corruption and any up-to-date inquiries to ensure they are reasonably reflected. I am comfortable that processes are in place in our department and specific to procurement-related activities. I certainly support and encourage the Auditor-General in speaking to groups like the audit and risk committees to ensure they have consistent processes for doing the same thing.

CHAIR: Thank you. The Committee may wish to send you some additional questions. One of them relates to the number of organisations that have been removed from the scheme. The Committee would appreciate receiving the information you have undertaken to provide, and we will crystallise and confirm those questions in correspondence later this week. The replies to those questions and your testimony today will form part of your evidence and will be made public. Would you be happy to provide written replies to any further questions?

Mr DOBING: Yes.

CHAIR: Thank you for appearing before the Committee and we wish you well with your ongoing work, which is very valuable to the State of New South Wales.

(Mr Dobing withdrew)

(Short adjournment)

DAVID ANTHONY MCGRATH, Director, Mental Health Drug and Alcohol Office, NSW Health, affirmed and examined:

PATRICK PAROZ, Commander of Drug and Alcohol Coordination, NSW Police Force, sworn and examined:

PETER ACHTERSTRAAT, Auditor-General, NSW Audit Office, on former oath:

CHAIR: I welcome our next witnesses: Mr David McGrath from NSW Health, Superintendent Patrick Paroz from the NSW Police Force, and I welcome back the Auditor-General Peter Achterstraat as part of the Committee's follow up of the Auditor-General's performance reports. Thank you for appearing before the Committee to give evidence. As part of the formalities it is a requirement that each witness be examined under oath or affirmation. I draw your attention to the fact that the evidence that you give today is under parliamentary privilege and you are protected from legal or administrative action that might otherwise result in action in relation to the information you provide. I note also that any deliberate misleading of the Committee may constitute a contempt of the Parliament and an offence under the Parliamentary Evidence Act 1901. The Committee is following up in relation to the performance audit report No. 2/11 on the effectiveness of cautioning for minor cannabis offences. Before we undertake further questioning on that I will ask the Auditor-General to make any opening statement or comments and then give Mr McGrath and Superintendent Paroz the opportunity to do likewise.

Mr ACHTERSTRAAT: Before I start can I say what a privilege it is to have Superintendent Paroz here. I was fortunate enough to be at a prize-giving ceremony at the University of Sydney where Superintendent Paroz received an award in relation to not just policing after it occurs but for his proactive work to prevent crime. It is a pleasure to be here with the superintendent. In relation to the report we very much support the cannabis cautioning program. We think it is doing a fantastic job. There are two issues I raise today for discussion with the other participants: First, there seems to be a flavour coming through from some of the responses that the role of cannabis cautioning is solely to stop people going to court and to save money.

That may well be a goal of cannabis cautioning and a good one, but the secondary goal of getting people to stop taking drugs and to stop taking cannabis does not seem to have come through as much. I would have liked to have seen a more proactive response and recognition on behalf of both agencies that cannabis cautioning can in fact be a deterrent to people taking drugs. The other thing I wanted to touch on was the fact that still fewer than 1 per cent of people, in particular adults, who receive a cannabis cautioning follow up by ringing the help line. We have to find ways to encourage these people to do something about their cannabis habit, if it is in fact a habit. Those are the two issues that I would like to address.

CHAIR: Mr McGrath, did you want to make an opening statement or make some opening comments?

Mr McGRATH: I have nothing specific to say, other than I would be happy to address the Auditor-General's comments now or at a later stage during the Committee.

CHAIR: We have specific questions that we will go through. You can make a general statement now, if you wish, or you might wish to make a statement at the end if we do not cover issues in the questioning to the extent that you wanted to make a specific comment.

Mr McGRATH: I am happy to handle it in the latter format.

Mr PAROZ: Very briefly, I reinforce that the position of the NSW Police Force or its hope from the cannabis cautioning scheme is that we improve people's knowledge in respect of health and the social and legal consequences. For us the best outcome is that people learn about the health issues and the social issues associated with cannabis use, but we do that through our legal intervention.

CHAIR: We will follow a format whereby we will ask questions of the NSW Health representative and then we will ask questions of the police representative. Then there are common areas for discussion. There may also be an opportunity for the Auditor-General to provide some input along the way. I would ask that everyone make comments and ask questions through the Chair. Also, if anything needs to be clarified, that is to be done through the Chair. Mr McGrath, the impression I have from the answers and the responses, in particular, to the Auditor-General's comments, may be wrong with respect to the attitude of NSW Health

towards the purpose of the scheme. Therefore will you clarify what you see as the purpose or purposes of the scheme?

Mr McGRATH: I will state up-front that some of our answers might strike a degree of pedantry with regard to the flavour of the theory of drug and alcohol treatment. Obviously the overall drug and alcohol program in New South Wales is designed for the purposes of reducing the impacts of drug and alcohol use on the community and any particular elements of the program that pertain to cannabis are designed to reduce those impacts of cannabis on the community, including the reduction of cannabis use.

The purpose of the cannabis cautioning scheme is primarily in its original derivation to divert people from the criminal justice system into treatment. Obviously if you are looking for an effective measure of the effectiveness of cannabis cautioning within the health framework it is around the number of people who actually enter into a treatment program as a result of their diversion from the criminal justice system. The pedantry I refer to with regards to the impact on reducing cannabis use per se is it would be the role of the treatment component of the system to actually reduce the cannabis use.

It is not an effective measure of the cannabis cautioning scheme to say that a reduction in drug use is a necessary outcome of the cannabis cautioning scheme; that is the responsibility of the treatment component of the system. The role of the cannabis cautioning scheme is to get people into that treatment component of the system, if you understand the pedantry associated with that particular model. The drug and alcohol program is predicated on a theory, which is described as the stages of change model, which looks at the relative motivations of individuals moving through their drug use paradigm. At the beginning of an individual's drug use pattern most people fit into what is called the pre-contemplative stage, that is, they are happy with their use and are not intending to change their behaviour.

At that stage the goal of the drug and alcohol program is to try to get them to think about things that might be impacting them, that may cause them to change their behaviour, that is, to provide them with education or interventions that get them to start questioning whether their drug and alcohol use is something that is sensible for them in the long term. The second stage then is to move them into contemplation, which is to get them thinking about changing their behaviour attached to specific outcomes that might be better for them. The third stage is to get them to take action and actually get them to engage in a treatment program and look at changing their behaviour and the fourth stage is to maintain that change of behaviour.

There are people who would be coming into contact with the cannabis cautioning scheme that would be at various stages in that stages of change model and a significant proportion of them would be in the pre-contemplative stage, that is, they would be, purely by the fact they are currently using and they are caught with cannabis in their possession, more likely to be pre-contemplating, that is, they are happy with their current usage pattern. Our goal therefore is to get them thinking about changing their behaviour rather than necessarily changing their behaviour. I hope that makes sense in the theoretical construct that we operate on.

There is a particular technique called motivational interviewing, which all drug and alcohol counsellors are trained in, which is a method for getting people to move along that continuum but it can take a considerable period of time to move people along that continuum effectively. It is very important that the individual at the other side of the intervention is engaged with the intervention. Interventions are not necessarily all that effective in the drug and alcohol program if the individual is not engaged with the intervention. I might leave it at that.

CHAIR: If we assume, which is I think what you are saying, that it is in the interests of society generally to get them to move along that continuum quicker than might otherwise be the case—

Mr McGRATH: Yes.

CHAIR: —to the second two stages rather than being stuck in the first two, do you accept that some of the recommendations of the Auditor-General, which might result in that occurring, are positive?

Mr McGRATH: I think we supported a number of the recommendations that the Auditor-General made so, yes, of course they are positive.

CHAIR: We might go into some more specifics. You have supported the strategy of DVDs and web-based resources to help offenders seek help. Can you provide examples of where these resources have been or are being introduced and are being used now?

Mr McGrATH: The Alcohol and Drug Information Service based at St Vincent's Hospital is funded to provide resources associated with the cannabis cautioning line. They also receive calls associated with that line. They have a website called Your Room, which is a partnership between ourselves and St Vincent's which provides a range of resources associated with assisting people in being educated or changing their behaviour with regards to a range of drugs including cannabis.

That particular website provides access to a number of other portals which have resources available for people who may have cannabis problems who are seeking information or access to treatment services. One is the permanently out of it website, which is www.permanentlyoutofit.com.au. And it also connects to the National Cannabis Prevention Information Centre at the University of New South Wales which also provides obviously educational resources and access to treatment services for people with cannabis-related problems. Given that particular centre is the source of resources funded through the Commonwealth Government, particularly to focus on cannabis use, it is a very sensible place to refer people to get the latest up-to-date information on cannabis use for their particular needs. All of those resources that I just described are currently active.

CHAIR: You mentioned a web-based service, www.permanentlyoutofit.com.au, which is something I have remembered probably because it is one of those names that is not inappropriately part of the website address in the sense that it memorably describes a possible state of mind. But from a marketing perspective it is something that sticks in the mind. What is the extent of access and marketing of that web-based service currently? When is access to other web-based services likely to occur? Is there a web-based implementation? I remember reading that a web-based services approach is being implemented beyond that website.

Mr McGrATH: Yes.

CHAIR: Can you talk us through that a bit?

Mr McGrATH: Yes, sure. The www.permanentlyoutofit.com.au website is a website for the social marketing campaign we ran between August and November 2011. It was run by the Ministry of Health specifically targeting people who are using cannabis with an intent to get them to contemplate changing their behaviour and also to provide them with referral pathways into treatment services if they decided as a result of the intervention that they did want to change their behaviour, particularly linking them up to the seven cannabis clinics that we have in New South Wales, so we have seven specific services set up for the purposes of treating people with cannabis-related problems.

I will briefly, as an aside, point out that the reason we did that is looking historically back prior to the Drug Summit in 1999 there was evidence that people with cannabis-related problems did not feel particularly comfortable entering treatment services that were designed for people with alcohol-related or heroin-related problems. They did not see themselves in the same cohort so we created these clinics specifically branded for the purposes of attracting them into treatment and they have been very successful in attracting a different cohort into treatment. That is a brief aside.

That website is affiliated with that campaign. Obviously the reason that it is connected to the Your Room website is that that particular campaign had a specific focus on cannabis. Therefore people who were coming into the Your Room website, which is a website we market actively through NSW Health, who are seeking information on cannabis, that is the best place to refer them to, given that that information was designed specifically for that purpose. I should also point out that the national centre, which is also linked into the Your Room website, is clearly marketed through the Commonwealth Government's cannabis-related marketing campaigns. But in answer to your specific question, it is the Your Room website which is our entry portal, if you like. So if people are looking to get information about drugs and about how they can get referred into treatment irrespective of the drug they will do that through the Your Room website and then enter into each of the other two websites through that portal. That is probably the most accurate way to describe how it works.

CHAIR: Are there any other web-based services that are currently in the process of being rolled out?

Mr McGrATH: We have a range of websites that provide information to the community. But in terms of information specifically designed for that target cohort that are consistent with the cannabis cautioning scheme, I would say no. We have for instance the drug information website and the alcohol information website which are designed to be multipurpose websites for a whole range of different individuals who might have an

interest in information on either alcohol or drugs. That could be policymakers, it could be academics, it could be service providers or it could be consumers. But in terms of a targeted specific website for the purposes of somebody who is a cannabis user and who wants to change their behaviour, seek information about cannabis or get a referral into treatment, it is the *www.permanentlyoutofit.com.au* website, that is accessed generally through the Your Room website that is our primary mode.

CHAIR: I understand you have stated that when people do not seek help it is not appropriate to penalise offenders. Could you talk us through that thought process of why it is not appropriate to penalise offenders who do not seek help and, secondly, if you do not provide a penalty, what other strategies might be used or have been introduced to address the underlying issue?

Mr McGRATH: "Inappropriate" might be a strong word. It may be better to look at the matching of the intent of health-related services for people with problems with the intent of a criminal justice response. In the first instance it is important people who engage health services for drug-related problems—which fundamentally are problems that lead to someone performing an illegal behaviour throughout the life of their use pattern—do so within the premise that they are looking to change their health needs and not within the premise that they are looking to manage some sort of criminal justice response. The difficulty for us is if we put ourselves in the part of being a criminal justice organisation. We will obviously raise the risk of disinclining people who might otherwise seek access to those services from seeking that access on the basis of the trust of the information they provide and therefore influence the capacity of our clinicians to provide the sort of intervention necessary to move those people along the continuum I described.

The other reason is obvious. As I stated about the stages of change model, it is very important that there is some level of engagement from the individual with regard to a need to move into treatment. It is not hard to get someone to attend a treatment session—to get them to sit down in front of a counsellor or to sit down within a treatment paradigm—but that is not the same as getting them to participate in the treatment session. For the benefit of being able to use the resources that we have—particularly the expensive resources that come with highly trained clinicians—it is important they are applied effectively to someone who is engaged in the treatment paradigm and not attending merely for the purpose of mitigating some sort of penalty.

That is the theoretical construct that underpins the rationale for the response that you received. First, it might change the positioning of health with regard not only to people in the cannabis cautioning scheme but all drug users and how they see health services in terms of being able to provide an open and honest treatment paradigm. Secondly, those people who are pressured, forced or coerced into that treatment arrangement may not necessarily get the best value for the community in terms of the use of the clinical resources being apportioned to them given that they may not necessarily be engaged in a treatment paradigm.

CHAIR: How do you deal with someone who has been caught, is cautioned, has to seek help and feels that they need simply to tick a box and continue on their merry way having been slightly inconvenienced?

Mr McGRATH: To a certain extent you need to look at that person in the context of every other person who has been exposed to the scheme. I think it would be unrealistic for me to suggest that the scheme would be designed to achieve 100 per cent behaviour change by 100 per cent of people who have contact with the scheme. The question for the Government and the community as a whole is what proportion of people who have contact with the scheme that achieve behaviour change is acceptable for the purposes of the scheme being in operation. On average it takes about six interventions to get someone who comes in with drug and alcohol problems to achieve behaviour change.

It is unrealistic to think that one contact with a cannabis cautioning scheme is likely to achieve behaviour change in every individual. That is the only way I can answer that question. As you give people further opportunities to have contact with a treatment system you increase the probability you will get that behaviour change. At the end of the day, that is what we must be focused on; we have to be focused on what are the best methods for getting that behaviour change in the long term and not on any individual mechanism along the way. That was the reason for starting my statement about putting the cautioning scheme within the context of the overall program—it is just one element in a very large program.

Dr GEOFF LEE: You did not support the recommendation to evaluate whether cautioning reduces drug use because it is outside the scope of the scheme. Can you explain that response?

Mr McGRATH: I may have already given some answers along those lines. It is not necessarily antithetical to the intention of the cannabis cautioning scheme that drug use would be reduced and it would be an outcome that of course we would like to see. However, within the continuum that we are seeking to achieve in order to get the change that we want, the purpose of the cannabis cautioning scheme is not necessarily to reduce drug use but to move to people into treatment. It is the role of the treatment component of the program to reduce the drug use. To hold the cannabis cautioning scheme accountable for a reduction in drug use is probably unfair on its intent. Its intent is to get people into the treatment program. The next stage of the process is the responsibility of the treatment program to reduce the drug use.

I recognise that there is some pedantry in that. It is clearly a reflection of the theoretical models we use within the drug and alcohol program to achieve that behaviour change, which is predicated again on the fact that it takes a number of interventions to get someone to achieve behaviour change with a drug- and alcohol-related problem. That is the reason for the answer. It would be a more effective measure to look at whether people enter treatment, not whether they reduce their drug use as a result of the cannabis cautioning scheme.

CHAIR: Do you keep all those statistics about numbers of people going into treatment?

Mr McGRATH: I should have anticipated that question. It is difficult because this cohort is very hard to measure on a pre- and post- basis. Obviously being able to follow up people at six months and 12 months is a component of a longer-term evaluation and not something that can be done on an ad hoc basis. Superintendent Paroz will obviously talk about the evaluation. The evaluation that the police will be leading for this project should measure those particular outcome indicators. While the request for quotation has not been released yet, we would anticipate that that would be a reasonable measure to look at because you would then have the opportunity to do those pre and post measurements. It would be incredibly costly to get the Alcohol and Drug Information Service staff to attempt those pre and post measurements and it would not be particularly effective.

CHAIR: Do you at least measure those who have been referred for treatment and keep statistics on that?

Mr McGRATH: Again, it is incredibly difficult to follow up this particular cohort. There are two reasons. First, they are obviously not a cohort that tends to be stable in terms of contactability—that is, getting their address, telephone numbers et cetera. They are difficult to follow up in terms of their own individual circumstances. Secondly, we do not have any unique patient identifier that allows us to code an individual at one service location with an individual at another service location. The matching of data over time is particularly complicated; in fact, it is very complicated and it is not specific to the drug and alcohol program. I am sure the Committee has heard evidence from other parts of the health system about the difficulties of having a unique patient identifier for access to all health services. That is a long-established problem in the health domain. We anticipate the existence of an electronic medical record shortly and that will alleviate that.

CHAIR: My question is more basic—in my mind anyway. You have identified a continuum with all stages. Surely you can measure from your own perspective numbers of people who come in at the beginning and whether they are then passed on to the next stage of the continuum?

Mr McGRATH: We can measure that within an individual local health district but not across local health districts for the reasons I have just stated; that is, there is no unique patient identifier that allows us to track someone.

CHAIR: I understand that you cannot measure them all the way through the continuum. However, you can measure them being passed from one stage to the next, at least in terms of a referral process, albeit only at the local health district level.

Mr McGRATH: That assumes it is contained in the one local health district. I am moving away from the cannabis cautioning scheme. If someone attends a withdrawal program in a local health district and then moves on to an outpatient counselling program at the end of the withdrawal program, we can measure whether they move from that location to the community outpatient program. However, if they came into that referral service from outside the area because there was no specialised withdrawal service within their local area and then went back to a community counselling program in their local area, we would not be able to measure that.

CHAIR: How do you measure the effectiveness of what you do?

Mr McGRATH: We have a range of measures that go beyond people's treatment through the referral pathway. Ideally over time we are looking at retention in program and, depending on the type of program—whether it be opioid treatment or withdrawal management—and the medical indicators that come with that program. For instance, we look at adverse events associated with withdrawal management to ensure that someone who goes in for alcohol withdrawal does not have delirium tremors or seizures, or some sort of negative impact as a result of their withdrawal management. That is something we can contain at the most basic level within the individual treatment services. We can measure for a given service whether they are providing the necessary outcomes associated with that particular component of the service program. We are not necessarily looking at how that then moves on to the next stage of the program, mostly because the data systems are so difficult to create.

Dr GEOFF LEE: If you have the continuum and cautioning is part of the drug use procedure, and the aim of that is to try to change the behaviour in terms of seeking counselling, surely that should be measured as part of the scheme. It seems to me it is one part of a system. The police catch you with drugs on you, then what happens to that person? We caution them and then do they, first, walk away and say, "I hope I do not get caught again, I will hide it better", or, second, do they say, "Do I seek treatment somewhere?"

Mr McGRATH: I think for the purposes of the evaluation which is about to be undertaken that is a reasonable question. I said a minute ago I think looking at referrals into treatment for people who have been through the Cannabis Cautioning Scheme is a reasonable measure within the evaluation of the scheme. The point I was making in my written response is I do not feel it is necessarily a fair measure for the Cannabis Cautioning Scheme to hold the Cannabis Cautioning Scheme accountable for changes in drug use, because it is the treatment service's responsibility for that.

Dr GEOFF LEE: I agree with you, but why are we cautioning people if it is not having any effect? We may as well use some other intervention technique.

Mr McGRATH: It is clearly our intention for it to have an effect and clearly referrals into treatment are one of the effects.

Dr GEOFF LEE: But if we do not measure it we do not know.

Mr McGRATH: Indeed. As I said, as a component of the evaluation I think that is a reasonable thing to do. I think the only way to measure it though is at the point in time of evaluation. It is not the sort of thing you can measure on a live basis, because the costs would be very high. If you are asking the Alcohol Drug Information Service [ADIS] staff to follow up with individual patients on an ongoing basis then there would be a particular cost associated with that, which would be probably higher than the benefit achieved from collecting the data. It is best done at the point in time of evaluation, which is the intention of the police to run a point in time evaluation. I think it is an important measure and a measure that should be followed up on through the point in time evaluation. I am not mitigating that at all.

Dr GEOFF LEE: Currently only basic age and gender data is collected by the drug helpline. You have stated that significant resources would be required to change the database and there is consultation currently to determine the level of resources required. Can you please update the Committee?

Mr McGRATH: I think it is probably fair to say that significant resources "may" be required rather than "will". The "will" is a bit too strong there. The issue here is not really about changing the database per se; it is about defining the fields that need to be changed. In working with the police on the evaluation, we have already engaged with the Alcohol and Drug Information Service at St Vincent's Hospital around the potential and capacity to change the database and they have acknowledged that certainly they are capable of and it is possible that they could change the database as long as whatever changes are made are consistent with the existing structure of the database. I do not anticipate that will be a problem. The question really is how much information needs to be collected as part of the interventions and what needs to happen with that information on the part of the person who is collecting the information. The human resources costs are the most considerable part of any significant resources that—I should again reinforce—may be required. The average period of time for a current cannabis cautioning contact is six minutes and 19 seconds.

If we are asking people to collect significant information about people's drug use history and record it, there is clearly an assessment methodology required by the individual to collect that information effectively to get an appropriate profile. To give you an exemplar, and I am using this as an extreme, a standard drug and

alcohol assessment done by a counsellor who is beginning a treatment intervention with somebody would take in the realm of about two hours. I am using that as an extreme. I am not trying to be cute with that; I am just trying to use it as an exemplar. If we are looking to increase the amount of time that an individual needs to take to record and enter data, then obviously there are human resources costs associated with that. For every six minutes and 19 seconds of time that takes you are doubling the amount of cost associated with that particular individual's time for that intervention. That is all. If we are able to identify clearly what is needed within the evaluation, keep that contained within an appropriate scope, the costs of changing the database ought not to be prohibitive, and ADIS is prepared to provide us with a budget for what would be required in terms of the human resources costs to achieve the collection of that particular data.

Dr GEOFF LEE: Can I suggest that basic information such as every marketing company collects of individuals does not require significant changes. "Where did you hear from us? Why are you doing this?" and five other questions will not double the cost. I am just assuming, and tell me if I am wrong, most of those questions are sunk costs. Just because you ask twice as many questions you do not double the human resources impact. In fact, collecting information as to why they are ringing up or where they got that information would seem to me a critical aspect of managing a drug helpline, because you would want to be able to target where people are coming from, whether it is from a referral service, their own personal interest, from friends or from your website. What drives people to there would be extremely important. We spend a lot of money on it so to understand the factors that motivate people to contact it would be, I would imagine, one of the most essential items to understand your business model in terms of service delivery.

Mr McGRATH: I anticipate the majority of people who contact the line would have been referred by the police on the basis of their cautioning notice. I could not see any other particular reason for anybody to ring that specific line. But in order to reiterate I guess my earlier points, the costs of actually changing the database are not the significant costs and, looking back at the Auditor-General's report, his particular caveat on the changes to the information collected with a specific intent of getting additional information on the profile of the individual cause for the purpose of the evaluation. My point being that the police are finalising the components of the evaluation now and, depending on what is required in order to achieve an effective profile to measure that, that will give us some indication of how much additional time it will take the recipients of the calls to get accurate information for that purpose.

I am assuming, and I may be assuming incorrectly, that the Auditor-General wanted to get a profile of the individual's circumstances—their drug use, their history, their frequency, what sort of circumstances they may have used in and those sorts of things. They are all fair and reasonable questions but they need to be elicited using the sort of techniques that somebody would use when taking an assessment for somebody with a drug and alcohol related problem. As you can imagine, people are often very reticent to provide that information, particularly if they are doing it within a law enforcement framework. They do not always give you an accurate response and they do not always engage in an effective way with the other person on the other end of the line. It is not something that necessarily can be done readily and easily.

Dr GEOFF LEE: I take your point that it should be informed by the police's need. I think that is probably the most important thing.

Mr BART BASSETT: The Auditor-General has noted that the police youth liaison officers guidelines permit people such as counsellors to be invited to the cautioning meetings. In your response you indicated that it is not appropriate to have counsellors attend the meetings. Can you outline your reasons why it would be inappropriate to have a counsellor attend those meetings?

Mr McGRATH: "Inappropriate" is again probably not the best word and I apologise for that. Probably "not the best value for money". I am probably going to allude to some of the premises that I have used in some of my earlier answers, which is particularly with young people when you are engaging in the first part of the treatment process what you are hoping to do is to get them to engage with the concept of treatment, not necessarily to get them into a treatment program instantly at that point. Particularly when you look at that, counselling resources are generally expensive resources. They are generally people who are highly trained. To have them sitting in those particular environments prior to actually engaging in a treatment program may not necessarily be the best use of that particular resource.

Having said that, obviously the goal is to get somebody engaged into a treatment program and there may be some benefit in getting some initial rapport achieved with the counsellor by meeting the counsellor at

some point early on within the process. But I do not necessarily think that would be achieved at the first point of contact, so that would be the rationale.

CHAIR: Mr McGrath, at this stage we will move on to some of the police questioning but we will come back if that is okay. Mr Paroz, I know you made some opening statements or comments. I will give you open slather to start with. Do you want to give a perspective on anything that has been said to date? We will then go into some specific questions, but is there anything that you are just jumping out of your skin to comment on?

Mr PAROZ: I will just expand on what I said before. The ideal outcome for the police is that through our interaction with someone, and it is a legal interaction to start with, but ideally we convince them to cease their drug use and to seek some help. That is putting it as simply as I can.

CHAIR: Can you provide an update on the analysis of the pilot program to increase the number of calls to the drug helpline?

Mr PAROZ: A trial was conducted over a four-month period from January to April 2012, six local area commands—that is our policing jurisdictions—were involved, three were part of the trial and three were part of what we call the control sample. The reality with the trial was that the numbers were relatively small across three commands at a time. In the trial commands there were 111 cannabis cautions issued in that period. Of those, 44 people were not able to be contacted at all in any way, shape or form. There was no response from the contact numbers or police may not have recorded them correctly in the first place or, bearing in mind that there is no power of arrest or detention for this, people may provide incorrect numbers—that is an issue that has been highlighted through this process, one of the benefits of the audit.

Of the remaining 67, 59 people were contacted by our Volunteers in Policing, which was the staff resourcing we used to assist us, and eight were unable to be contacted due to no voicemail and not answering the phone. Of the 56 who received the first caution, 11 received a second caution. Out of that 67, only 13 people contacted the Alcohol and Drug Information Service [ADIS], which represented an expiation rate of about 19 per cent. Prior to the trial in those three commands it was about 5 per cent. So there was some improvement but again with the small numbers it is difficult to say how significant it is. In the control commands there were 118 cautions issued. Some 84 of those were first-time cautions and 43 were second-time cautions. Only two of those 188 people contacted ADIS, which is an expiation rate of 1.7 per cent.

CHAIR: Two out of 118?

Mr PAROZ: Yes.

CHAIR: Do you have any information as to why only two?

Mr PAROZ: That was a control sample; there was no follow-up with the people in those three commands. They were used to compare with what happened in the commands where people were contacted. So in the commands where people were contacted it was about 20 per cent; in the commands where there was no follow-up it was under 2 per cent.

CHAIR: What happens to the vast majority? What are the consequences of not contacting them?

Mr PAROZ: In reality, none. At the first caution they are encouraged to contact; the second caution is mandatory. Even though it is mandatory at the current moment there is no impact for people who do not follow up.

CHAIR: Please continue.

Mr PAROZ: In short, the results indicated that it was a much higher rate in the three commands where there was follow-up but, as I said, 19 or 20 per cent is not considered to be a significant response rate given the amount of resources that were dedicated to it and the fact that 80 per cent of the people did not seek assistance through the helpline, a phone call to ADIS.

CHAIR: Auditor-General, I sense that you are itching to say something.

Mr ACHTERSTRAAT: I want to support what the superintendent has said. I think the Chair sounded a bit surprised that only 1 per cent of people who got an initial caution in the control group contacted the helpline—that was in the three local command areas—but across the State it is less than half of 1 per cent of people. They are required to contact the helpline but there are no sanctions or penalties and 99.8 per cent of people do not contact them. As the superintendent said, the people who are cautioned a second time have to contact the helpline and the response rate is about 30 per cent. The pilot does show that the response rate can be increased but obviously, as the superintendent says, there is a resource implication. If you are ringing up 100 people and only 20 respond, there has to be a cost-benefit analysis to see if the extra effort involved was worth getting the 20 per cent. But if it is 20 per cent instead of 0.2 per cent it might not be a bad thing.

Mr BART BASSETT: Superintendent, you said it was difficult to get in contact with a number of the people who had got the caution because of incorrect phone numbers and that sort of thing. What is the identifier for a second caution when the requirement to contact the helpline is mandatory? If you cannot contact them in the first instance, what is the numbering of the caution system to allow you to know that someone has been caught a second time?

Mr PAROZ: The process for a cannabis caution is that you come across someone in circumstances that meet the first part of the eligibility criteria, in terms of what they have got with them. One of your inquiries then is to make what we call a Central Names Index [CNI] inquiry as to whether that person has had any other types of offences or previous cannabis cautions. You need to make that inquiry before you make any decision to move onto even considering whether or not a person is eligible for a second caution. So it would be recorded on our COPS database but the people in the field who would get that information, usually over the radio, would not be reading the full COPS event and checking the phone numbers and things like that—one could be in Broken Hill and one could be in Bondi.

Mr BART BASSETT: The Auditor-General recommended that police broaden the eligibility criteria to allow adult offenders with a spent conviction to be cautioned, which was supported. When will the broadening of that criterion be implemented?

Mr PAROZ: We did agree with that recommendation and we have got interagency support from NSW Health. They have responded, saying that they do support the change and our guidelines, which I have brought a copy with me, have been updated to reflect that change. I can leave a copy of those guidelines for the Committee.

CHAIR: Thank you. The Committee will accept that document into formal evidence a bit later.

Mr BART BASSETT: In your response to the Auditor-General's recommendation to develop new ways for adult offenders to contact the drug helpline and seek help for their cannabis use, you have stated that you did not support this recommendation. Please explain the reasoning for that.

Mr PAROZ: Perhaps we should have used different words in saying we do not support the recommendation. We do not support it as being that NSW Police would be responsible for leading it—I don't mean to dump this on my colleague, David, who is sitting next to me. It is more of a Health issue, in that that recommendation is most appropriately considered by Health. The reason for that is the purpose of contacting ADIS is for that health intervention part of the process and we believe that Health is best placed to consider the most appropriate alternatives. We have certainly been interested in developing new strategies to increase access to information and education—that is something that my team has looked at—and we would like to be involved in developing a web-based program. We are currently doing a program in relation to underage drinking and secondary supply of alcohol. We are doing some web-based work with that and we think there is potential for web-based work in relation to this topic. One of the important issues coming out of this would be that we would need to know that the trial that we ran was successful and whether it would be feasible from a resourcing and privacy perspective. One of the issues with the trial was the privacy issues that we need to consider and the people who were looking after the information. But certainly we are very open to considering working with Health to look at alternatives about how that Health intervention could be facilitated.

Dr GEOFF LEE: You stated that you are currently waiting for review by the Attorney General's department of the Young Offenders Act 1997 into police practices before proceeding with the recommendations to develop ways to help young offenders seek help for their drug use and update guidance on the Young Offenders Act 1997. What other things have police done to address these issues? Has the cautioning rate increased and charging decreased?

Mr PAROZ: Very generally I can comment on the Young Offenders Act review, which is ongoing because of some changes to legislation that have been acted upon it and we are working with the Attorney General's department in relation to that. In relation to the rate of young persons and cannabis cautions, I can indicate that the legal action rate—the opposite side of that is the diversion rate, if I can do it that way—in 2010 was 28 per cent for all forms of putting a young person before a court, in 2011 it was 26 per cent and in 2012 it was 25 per cent. So the opposite of that are the diversionary schemes, which are your cautions, warnings and other matters not going before the court to divert it. Obviously they are increasing over that three-year period. It is only slightly but any increase in diversion of young people we think is a good thing, and over the last three years there has been a little incremental change each year, improvements in levels of diversion.

CHAIR: What happens to the other 70 odd per cent?

Mr PAROZ: That could be cautions, juvenile cautions, warnings, conferences.

CHAIR: What do you define "diversionary" as?

Mr PAROZ: Diversions are any option where a person is not put before a court.

CHAIR: That is what I am saying. So you are saying that 70 odd per cent go before the courts?

Mr PAROZ: No, sorry.

Dr GEOFF LEE: Twenty-eight per cent.

Mr PAROZ: I should have put it the other way round. The legal action rate is 28 per cent so that is people who are charged and put before a court.

CHAIR: Yes, okay. Non-diversionary?

Mr PAROZ: So non-diversionary, sorry.

CHAIR: That is what I thought you were trying to say but I just wanted to clarify that for the record because I am not sure it came across that way.

Mr PAROZ: Is that clarified?

CHAIR: Yes, thank you.

Mr PAROZ: I was trying to say it was a good thing.

CHAIR: I understand.

Dr GEOFF LEE: Overall, do you think cautioning the way we do it at the moment is a good practice?

Mr PAROZ: Is that adults or juveniles?

Dr GEOFF LEE: Overall, from a stopping people from drug use, the impact on society, from your perspective as a policeman.

Mr PAROZ: My perspective as a policeman is I think it is a potentially excellent strategy and I think the benefit of an audit like this is it gets you to stop and reflect on your performance as an organisation. One of the issues that impacts on the effectiveness of the audit is that the police who are conducting these interventions are primarily general duties first response police who are quite often junior and inexperienced. I know from 30 years down the track that I am much better at that now to educate and convince someone that I talk to on the street than I was 20, 25 and 30 years ago, when I was a very inexperienced naïve young policeman struggling to deal with the job myself. Now if I spoke to someone I could feel very comfortable in trying to convince someone to undertake the caution, to get the help, to consider the impacts of the consequences to their health and their social circumstances from using drugs. But young police, who, as I said, administer most of these cautions, are probably not as comfortable doing that. I think that is an issue that comes out of this for me.

CHAIR: With the non-diversionary 20 odd per cent, is the fact that they have been cautioned more than twice before a factor or is it a discretion of the police concerned or what other factors?

Mr PAROZ: With juveniles—and they were the young people's figures I just used—that would primarily be because they do not meet the criteria in terms of admitting the offence, which is a critical thing for juveniles. That is the usual reason, and the reason I am confident in saying that is because at local area commands, as you mentioned before, we have specialist youth officers and we have youth liaison officers whose role is to check every incident that comes through for a young person where they want to put them before the court to make sure that we have good systems in place to make sure that the sanction that is being applied to a young person is the most appropriate level of sanction.

CHAIR: So non-admission means you have to go to court, is that right?

Mr PAROZ: Initially, yes.

CHAIR: So why is there not simply an education process out there so that people say, "Yes, I did it. Thanks, I will be referred". In 0.5 per cent of cases they will take the phone call. Does not that whole system—to take a somewhat cynical view—smack of mickey mouse land where people are just encouraged to admit what they know is an offence which does not have any consequences? If you are not aware of that, then gosh, tell your mates about it quickly, otherwise you might have to go to court if you do not admit it. I am presenting a devil's advocate position. I do not have the experience on the ground. I do not pretend to be a source of great wisdom. But I shake my head when I see a system which seems to me to be largely a mickey mouse system. You can make the argument—I am being provocative because I want to elicit a response—that we should decriminalise cannabis use but in a society where it is not decriminalised we are treating it as a joke. I put that to you.

Mr PAROZ: I do not mean to be rude but I am not sure what your question is now.

CHAIR: The question is: In my mind—and it is a question rather than a statement—is the whole system not a farce? You are setting up a scheme where if you do not admit the cannabis use you have to go to court; if you admit it, then nominally you have to go and get counselled but there is no compulsion to do so. In fact, the statistics suggest that only 0.5 per cent of those people actually do it. So it is almost a farcical system.

Mr PAROZ: I disagree.

CHAIR: Tell me why that perception is wrong because I try to have an open mind but on this one, I must say, I am almost shaking my head.

Mr PAROZ: There are two issues I think I need to address. One is the issue in relation to a young person not admitting the offence. It is not just applicable to cannabis offences; it is a Young Offenders Act requirement and it is applicable to all offences. So that is a separate issue and that has to remain. A person must have the right to silence, the right not to say anything and they get legal advice to that effect. That is a problem with the Young Offenders Act, which as part of that review we would support it saying, "Let's have an admission that for the purpose of a caution and health outcome can be used but cannot be used for the purpose of a court matter". It takes away that concern and threatened mistrust. Secondly, in relation to the cautionary scheme, overall your view that it does not work—

CHAIR: It is not necessarily a totally formulated view but I am putting it to you because I want to hear the other side.

Mr PAROZ: One thing we look at—I know from an auditing perspective there will be disagreement because it is not supported by the numbers and the facts—is that each year there are about 5,000 interventions under the cannabis cautionary scheme. That is for first cautions. Then each year there are about 500 second cautions. So it is 500 people per year out of that 5,000 who are coming under notice again. No evidence whatsoever, and this is where it is quite legitimate from an auditing perspective but that could be seen—and police have traditionally looked at that as a good outcome in that 10 per cent of those people are coming under notice again but that means 90 per cent are not coming under notice. It does not mean not doing other things or not doing anything wrong but they got caught once and have not been caught twice.

CHAIR: Of that 5,000—correct me if I am wrong and I ask the Auditor-General this question as well—is it only 0.5 per cent of those 5,000 who called the scheme and if we take that as 25 people a year, Mr McGrath, what are your people doing? Are they twiddling their thumbs most of the time? Six or seven minutes on the phone times 25 is not a lot. Something does not connect here.

Mr McGRATH: My advice is that they get roughly just under 400 calls a year. But I would have to say that the staff who answered the calls are also the same staff who man the alcohol and drug information service, so they are not twiddling their thumbs. They are receiving calls from other interested members of the community. The cannabis cautioning line is just one of the many things they do.

CHAIR: Do not get me wrong, it is a wonderful role that they perform. But if we are not monitoring it, if we are not measuring it, then we do not know how efficient or effective they are. Ultimately this Committee is about making sure that taxpayer money is well spent and there are some big questions that are coming up out of this whole process.

Mr BART BASSETT: As a follow on, I might put a statement with a question on the end. If we are looking for cost-effectiveness to taxpayers and the focus of this has been about the health outcome—that is what I am hearing—there is also a cost-benefit to the Attorney General's side of things in the court system. If it is a first caution, let us say there are 5,000 people are not going through the legal system; if someone has a problem that would show up in the second caution where it would be mandatory for them to go through the health system. So I ask the question: if you look at it from both a health and a cost perspective should the guidelines change to say that a first caution is really a first caution and if you feel you have a problem here is the helpline, and then you are capturing the second caution component of the mandatory and it is followed up with more resources? Would that provide a better outcome, in terms of social, health and financial issues? It is a question, I am just curious.

Mr PAROZ: What you have touched on there is probably one of the end points in the questions I was forwarded with which I would agree in relation to the second caution being mandatory. I think it talked about targets and my first problem was that the target should be 100 per cent, because it is mandatory. That is the target. When I say the caution is to allow an offender to stop and reflect on things, we have put a target in place of 40 per cent as something we are trying to reach. I think we are around 30 at the moment. But the question was raised with me, should a person who does not do the second follow-up receive a penalty notice? That is how it was worded and this is the dilemma. Rather than issuing a penalty notice, why don't we ring them if they have not rung us if it is about making sure we maximise the health benefit, without then going back into a justice side of things? My suggestion was to ring them.

CHAIR: Why would you not ring them, Mr McGrath?

Mr McGRATH: I guess you would need to look at the overall objectives of the program. It is important to point out that cannabis use across the country, in the time since the cannabis cautioning scheme started—and this may bear no relationship to the cannabis cautioning scheme—has dropped from 34 per cent of the population having used cannabis in the last 12 months, to 14 per cent. It is a significant drop in cannabis use as a result of a range of initiatives across the community. There is a certain element of change in people's behaviour which is unable to be measured by contact with a treatment service that may be spontaneous on the part of the individual making a determination because they had some contact with the law or some other negative adverse consequence of their particular cannabis use. I think the point-in-time evaluation is crucial for making an assessment of the benefits of this particular program. I have already alluded to the problems in terms of real time data, but a point-in-time evaluation is going to be crucially important for making a determination about whether the program has had an impact on individuals beyond whether they have contacted treatment services or not.

The only other point I would make in regard to your specific question is that there is no particular reason for not contacting them, if you can demonstrate that it would achieve a particular benefit. It would be something worth trialling but because of the costs associated with using relatively highly trained staff to do these sorts of things, you want to make sure that it has a particular benefit over time. The majority of people in these circumstances can make decisions to change their behaviour on the basis of a negative contact.

Dr GEOFF LEE: The NSW Police and Department of Health do a fantastic job looking after the youth and their wayward activities and it is to be hoped that they will change those activities. The question is not the police or the health system, which do a good job; the concern of our Committee is that we have not seen

signs of performance being measured. Money is spent which hopefully would take hold but how do we know? There seems to be systemic issues. We are not blaming you; it is not your fault. It is the fault of the system in terms of mandatory cautioning and people not responding or giving false details and disappearing into the ether. It seems that there are systematic issues associated with that. How do we measure that cost benefit to the community? If it costs money, it costs money but at least then we can make informed decisions about where the money goes. If we do not measure it, we do not know anything.

Mr McGRATH: As a general premise, all government programs should be evaluated in the way that is appropriate to those programs. I cannot argue with that. I reinforce my earlier point that the point in time of an evaluation is going to be important for assessing this particular program. I also point out that, from a health perspective, the total amount of funds that go into this is only \$16,000.

CHAIR: That is the whole budget?

Mr McGRATH: Yes, from the health side of things.

CHAIR: I am encouraged by that in the sense of the demand. I am pleased it is not a multiple of that. My impression was that it was going to be substantially more. That is not to say that we should not put more money into it, to make it more effective if it is not currently effective. It is about using money efficiently and effectively. I come back to the evaluation of the scheme. My personal view is that you need to collect real time data, even if you do not use it real time. I do not think you have to be a genius to realise that when the evaluation is done by the police, in terms of how the scheme has been successful, they will come back and say: We cannot tell, because the data was not collected at the point that they spoke with the Department of Health.

So I think you need to collect some information. Whether or not it is then used in conjunction with the follow-up process is then something that has to be considered. To our police representative, I understand you have stated that funds were identified to undertake an evaluation of the scheme in 2011-12 and that you are negotiating a rollover of that funding into 2012 -13. I understand that a draft request for quotation has been sent to five research institutions. When does the NSW Police Force expect to engage a research organisation for the study, what is the likely completion date and why the later date?

Mr PAROZ: I spoke with David earlier this morning and we hope to have final approval back from Health, in relation to the rollover of funds and the RFQ, ready to go out to the agencies for the full quotation in May this year. There will be a six-week turnaround for people to put in bids and a steering committee involving Police and Health and any other agencies we may need, such as the Department of Attorney General and Justice. However, mainly the NSW Police Force and the Department of Health will look at that and make a selection. We are working with our Procurement Services Branch through the police and hope to have contracts finalised in July and August. It is proposed that it will be an 18-month project, so there will not be a final report-back until early 2015. That being said, once the evaluation starts, we will get ongoing results throughout the process so we can have a look at that as it is unfolding.

Dr GEOFF LEE: Mr Paroz, you have stated that you reject the recommendation to introduce a standard approach for recording the needs of young offenders, such as drug use, peer pressure, school and home environment. The performance order found that this leads to inconsistent data collection on the needs of young offenders when, in fact, the information is already being recorded electronically in the Notes section of the young offender's record. Please explain why you rejected this recommendation.

Mr PAROZ: We recognise that the issues that might generally be addressed during a formal caution session are those pieces of information you are talking about that would be obtained in the presence of the young person's parent or guardian. We do not believe it is appropriate or necessary to record that information on the computer operated police system [COPS]. I understand that the audit has said that there are occasions where that is recorded on COPS. It comes back to what I alluded to earlier regarding the individual officers at the time, some being more experienced and some asking more questions. But that information is not required, at the moment on COPS. It is not used for any other purpose once it is in there. It is not something that we take out and can run reports on or analyse, apart from manually. The cannabis cautioning scheme and the Young Offenders Act provide a legislative basis for us to intervene. As David mentioned earlier, the other side of it is when they are getting treatment and seeking help. That is when we believe the other information is more relevant and necessary. It is not so much the police role in the first legal part of the intervention to gather and analyse that information.

Dr GEOFF LEE: You are saying that you are not going to use it anyway, so you do not collect it.

Mr PAROZ: Certainly if a young person is formally cautioned for any offence, those are the sorts of discussions that take place over a lengthy period of time, with an experienced police officer and not the original police on the street and with the parent or guardian present. We sit down and talk about a range of things that are impacting on the young person and find out how the police, the family and anyone else in the community might be able to help them. Certainly that information is very relevant. We just think that during that first legal intervention it is not necessary or appropriate to obtain all that information to process the caution for cannabis. I am not saying it is unnecessary, just that it is not appropriate right at that first legal intervention.

Mr BART BASSETT: Will the review of the scheme entail consideration of the resources that would have been required, both pre- and post-introduction of the scheme, for both the Attorney General's department and the Police department had the scheme not been in place? In other words, are we going to look at more than just the health side of things? Are we going to look at the amount of resources for courts and policing that the new scheme has saved compared to the situation if the scheme had not been introduced?

Mr PAROZ: To be honest I have not seen the RFQ. I have been away from my primary role for about three months. I will take that on notice and make those inquiries. You have raised a very pertinent issue that should be part of the evaluation—to look at everything.

Mr BART BASSETT: I certainly think so and I would love to see that information.

Mr PAROZ: The reason I do not want to give an answer is that not having seen the document myself I do not want to mislead anybody. I can get a copy of the document, which I have not brought with me today.

Mr BART BASSETT: Through the Chair, I would certainly like to see that.

CHAIR: It is on the *Hansard* record. Before I ask the Auditor-General whether he has any comments he wishes to make, I am conscious that we have gone over time. If everyone is in agreement I intend to finish by 2.15 p.m.

Mr ACHTERSTRAAT: I was just going to say in answer to Mr Bassett's question that on average every cannabis cautioning saves \$500 to the Department of Attorney General and Justice through reduced court costs. On average the saving is about \$2.5 million a year through people being cautioned rather than going through the court system. Can I summarise a couple of general matters?

CHAIR: At this stage we will stay with questions and I will give you a chance to sum up later.

Mr BART BASSETT: That is a very interesting figure. I reiterate that there would also be a major saving to the police in not having to attend those court hearings. We would need to see both of those numbers. They are some major savings.

Dr GEOFF LEE: But increasingly is it not the case that we may save this money but people may not go into treatment or may ignore it? That is the flip side.

CHAIR: There is no doubt an argument that could be waged in terms of decriminalising use of cannabis altogether, which would save even more money. If it is a criminal offence and we have a scheme in place then let it be a proper scheme rather than a mickey mouse scheme which is a façade for saving money for the police or the Attorney General's department. That is my only comment on record at this stage—my thought processes.

Mr BART BASSETT: Just to add to the record, the reason I was focusing on the money is not to suggest that there should not be a health focus as well, but I emphasise that my earlier questioning focused on the second caution. That is where I think the resources should be going if someone has continued to use cannabis after being provided with a caution up front. That is where the focus should be for that health outcome.

CHAIR: The purpose of this Committee is that although we might all have our personal views as to whether cannabis should or should not be criminalised we have a commonality of wanting to make sure that if we have systems and schemes in place they are operating efficiently and logically rather than otherwise. I do not think this scheme is working as effectively as it could, so to the extent that we will come up with some

recommendations I would like to float a few things for general comment. We have heard the Auditor-General's suggestion to increase the number of adult offenders who might contact the drug helpline, particularly also the variant of the drug helpline or the police contacting the offender if they do not make contact, but to try to get that increase somehow. I also invite comment on the idea of re-wording of the caution notice to point out that first-time offenders can contact the helpline. I understand that does not currently appear on the caution notice for first offenders.

Mr PAROZ: The process at the moment is that first-time recipients are encouraged to contact the Alcohol and Drug Information Service [ADIS] but it is not worded as such and there is nothing to that effect on the caution.

CHAIR: What are your thoughts on that proposal?

Mr PAROZ: It has merit. Without talking about money, it comes down to a significant cost. All the books in existence now would have to be recalled, reprinted and redistributed. If that was the go, some extra training would be required. It would be an opportunity for extra training for police on the street who are doing this to really reinforce the importance of trying to encourage someone to undertake that counselling session.

CHAIR: Do either Mr McGrath or Mr Achterstraat want to comment? No? The next point is setting targets for the number of first and second time adult offenders contacting the helpline. You have alluded to some targets.

Mr PAROZ: I alluded to it before. To say it should be anything less than 100 per cent for the second caution is strange when it is a mandatory scheme. We should be looking at ways of achieving that, and that is where the benefit of such audits is to be found. It makes you sit back and think about what is happening. We should be looking at ways to make that second notice 100 per cent.

CHAIR: Mr McGrath, I realise it would have budgetary implications but obviously that would not be your primary concern although it is one that would have to be addressed. What is your comment on setting targets looking towards 100 per cent?

Mr McGRATH: I can only comment from the health perspective. Obviously there is a whole range of other factors Government has to take into account including the symbolism and the message they want to provide to the community. As I alluded to before, it is not particularly difficult to get somebody present at treatment intervention. The question is whether they are engaged or participating in the treatment intervention.

CHAIR: They will not be engaged unless they are present.

Mr McGRATH: I guess that is possible but, as I alluded to before, cannabis use across the country and including New South Wales has dropped substantially in the past 10 years and it is important to take into account in the outcomes and evaluation what happens to that group of people who do not seek contact with the helpline in terms of their behaviour change. A large number of these people are likely to be either spontaneously making a decision that having had contact with the law they may not want another one or indeed they may go through their general practitioner or go direct to a treatment service without going through the helpline. There are a range of ways of changing behaviour other than just going through the helpline.

CHAIR: Another suggestion I invite comment on is following up and penalising second caution offenders who do not contact the helpline for the mandatory education sessions, so a more active police involvement and a potential penalty for people who do not act on a second caution offence.

Mr PAROZ: That is the real dilemma of the whole scheme. Do we want it to continue as it is but make it more effective in relation to the second caution or do we—and we have had these discussions at my work—simply give the person an option? They can have a health option or a justice option. The person makes their decision either by making the phone call or receiving a ticket. That is certainly an option. It would also involve extra work for the police. The other option I raised earlier was putting more effort into police following up on the second caution. Should we require some police follow-up if the phone calls are not answered or if the phone number is wrong? Then it would come back to the police officer who issued the caution to follow up to see if we could get that second intervention done.

CHAIR: Assuming the contact rates do increase closer to 100 per cent for second cautions, Mr McGrath, does your staff really want to have all these phone calls, putting aside the budget and resource implications? Are they keen to progress people through that continuum, or are they reactively responding to somebody who says, "I want to get off cannabis. What do I do?" versus a more proactive approach of, "No, we want to help you move along that continuum."

Mr McGrATH: I cannot comment on the basis of an individual staff member's approach to his or her task but, in general terms, contacting the health service is of benefit. In most cases, people operating in treatment services would be happy to have contact from individuals. I do not think that is really the question. The question is: Is it effective or not? Is that an effective contact? Certainly the staff would be happy to have contact from individuals, if that is a possibility for them, to provide treatment intervention. On behalf of the staff, I do not think they would have a concern.

CHAIR: It will only be an effective contact if the person at the end of the phone wants to make it as effective as possible. I ask that question in good faith because some of the responses that I have seen previously suggested to me that maybe this is seen as a box-ticking exercise rather than a real opportunity to progress somebody along a treatment path.

Mr McGrATH: Most clinicians would tell you, and having operated clinically myself, it is always preferable to have an engagement with somebody who is interested in participating in treatment than somebody who is not. It is always a more effective and pleasant experience for the clinician. You are working through a process where both of you are working towards the same goal. It is always preferable. Having said that, we all acknowledge that this particular population we are dealing with is often a group of difficult people with intractable behaviours. There has to be a willingness to work through the whole process with them to get them on that pathway.

CHAIR: I will ask all of you to now put on a subjective hat rather than looking at this issue from an objective professional perspective in respect of the job that you all perform. Assuming that cannabis use is kept as a criminal offence, is this the most effective way to deal with the problem or is there a better way outside of the current paradigm that we are currently looking at?

Mr ACHTERSTRAAT: I am not an expert on this, but if I can have the opportunity to say a few words, because I do have to leave at short notice.

CHAIR: That was my final question. I invite you to answer that question and to sum up, and then we will give the same opportunity to the other witnesses.

Mr ACHTERSTRAAT: We have been focusing on the 5 per cent of areas that we can improve on. There is a genuine commitment, as understand it, from both the health department and police to reduce the amount of cannabis usage in New South Wales. Full marks go to both departments on that. Where we have a slightly different view is in determining whether the person who uses cannabis is a criminal or does he or she have a health issue? Obviously each case will be treated differently. I do understand from the health department that the role it sees of the cannabis cautioning program is to get people into referral rather than them being held accountable for whether they get off drugs. In Queensland, mandatory face-to-face counselling is a requirement in relation to the second caution. It has been able to show an 18 per cent drop in cannabis usage. Again, I take David's point about cause and effect: Is it correlation or is it causation? There are statistics that show that mandatory face-to-face counselling can work.

As the superintendent has quite rightly said, out of 5,000 initial cautions a year 10 per cent come back. Of the 10 per cent, 38 per cent phone the helpline, so there are 300 who do not phone the helpline. If one of the goals of cannabis cautioning is to get people into treatment and 99.5 per cent of first offenders do not ring, what else are we doing to get them into treatment? The health department has another suite of strategies and education that might work, but it will be worthwhile for the Committee to get documentation of those strategies so we know what strategies the health department is using to get the first-time offenders into treatment. I take both points of view on board. Mr McGrath is saying that forcing people will not help treatment, but if they are not there it will not help either.

In summary, we really are impressed by the work both health and police are doing. It is a vexed issue on criminality versus health. Overall, the results in the community are looking good, but that does not mean we cannot do better. Why do we not learn from Queensland and other places to see what they are doing?

CHAIR: Thank you, Auditor-General. I do not know who wants to go first. I invite both of you to respond to the last question and to make any other comments that you want to make on any matter that has been raised today.

Mr McGRATH: The primary comment I would make is that it is important to see the cannabis cautioning scheme as one element in a multifaceted program with a whole range of different intents. One thing that is absolutely certain about the drug and alcohol-using population is that they are not a homogeneous group; they are a heterogeneous group. The different service elements have to be designed to map the different target cohorts you are attracting and the behaviours you are trying to change. It is important in respect of looking at people's drug-use behaviour not just to focus on the reduction in their drug-use behaviour or the changes in their drug-use behaviour. We are keen to get them back participating in the community by increasing their employment and educational opportunities, not just to be non-drug users.

Once you have a criminal record, that impacts on your capacity to be a participating member of the community in a number of different ways. It engages you with a different cohort of people that perhaps we would not necessarily want these individuals to be engaged with, et cetera. I have to highlight those things as other potential benefits that have not arisen as part of this conversation. They are relevant benefits. The scheme does a good job in engaging people in some of the potential legal consequences of their behaviour. I would like to reinforce that cannabis use in New South Wales has dropped substantially over the past 10 years. There are a number of different mechanisms that people may have used to change their behaviour, not necessarily going directly through the helpline.

CHAIR: Thank you.

Mr PAROZ: From the policing point of view, conducting an evaluation is critical to work out how we can increase those numbers. Having close to 100 per cent follow up for the second caution is critical. That was always the intent of the scheme when it was first introduced. As I said earlier, seeing the outcome of these audits makes you sit back and reflect on how it is going. It has been going for a long time, but this is probably the first time we have sat down and looked at evaluating it. If we can get the second cannabis caution audit up around 100 per cent—not by loading up health but with a genuine health education session for the person—I think the scheme still has great merit. I will follow this up on the RFQ but part of the evaluation would help us to identify whether the other 90 per cent who have not been coming under notice for cannabis offences are coming under notice for other offences, and have they just been lucky they are not coming under notice for cannabis offences. Are they having other problems in their life? That would be interesting to evaluate.

CHAIR: Thank you very much. I appreciate both of you coming here today. Not only have we gone over time—and I appreciate your flexibility—but also we have gone in directions that might have tested your knowledge beyond the indicated questions suggested for today. I again thank both Mr McGrath and Superintendent Paroz for giving evidence before the Committee today. There may be additional questions that the Committee might send you in writing, the replies to which will form part of your evidence and be made public. Will you be happy to provide a written reply to any further questions?

Mr McGRATH: Of course.

Mr PAROZ: Absolutely. Can I flag now, so you do not think I am running away, at the end of this week I am on holidays for six weeks. My email will have an alternative contact name. I do not want you to think that I am hiding from you and you cannot get through to me.

CHAIR: Thank you. A document has been tabled which we will formally bring into evidence in a moment. I also note that we will request of Mr McGrath some of those health strategies beyond the cannabis cautioning program that refer to reducing potential cannabis use in society.

Dr GEOFF LEE: I congratulate not only the health department but also the police on the good work they are doing in the community on these issues. While our questioning may have seemed a little harsh in some instances we do understand that, from a health perspective, you need to engage people and it is a difficult cohort to manage. We have to accept what is best practice for the police. It is about understanding the efficacy of how these programs work and their relationship to other programs. I commend you for your dedication to getting it right, which is really tough. There is not a yes or no answer. It would be wonderful if we lived in a world where there were unlimited resources. Thank you.

CHAIR: The Committee commends you both for the great work that you do. Thanks for appearing before the Committee today. That concludes our questioning. We look forward to writing our report in due course. A document has been tabled titled, "Guidelines for police cannabis cautioning scheme." I propose that that document be tendered as part of Superintendent Paroz's evidence.

(The witnesses withdrew)

(The Committee adjourned at 2.20 p.m.)