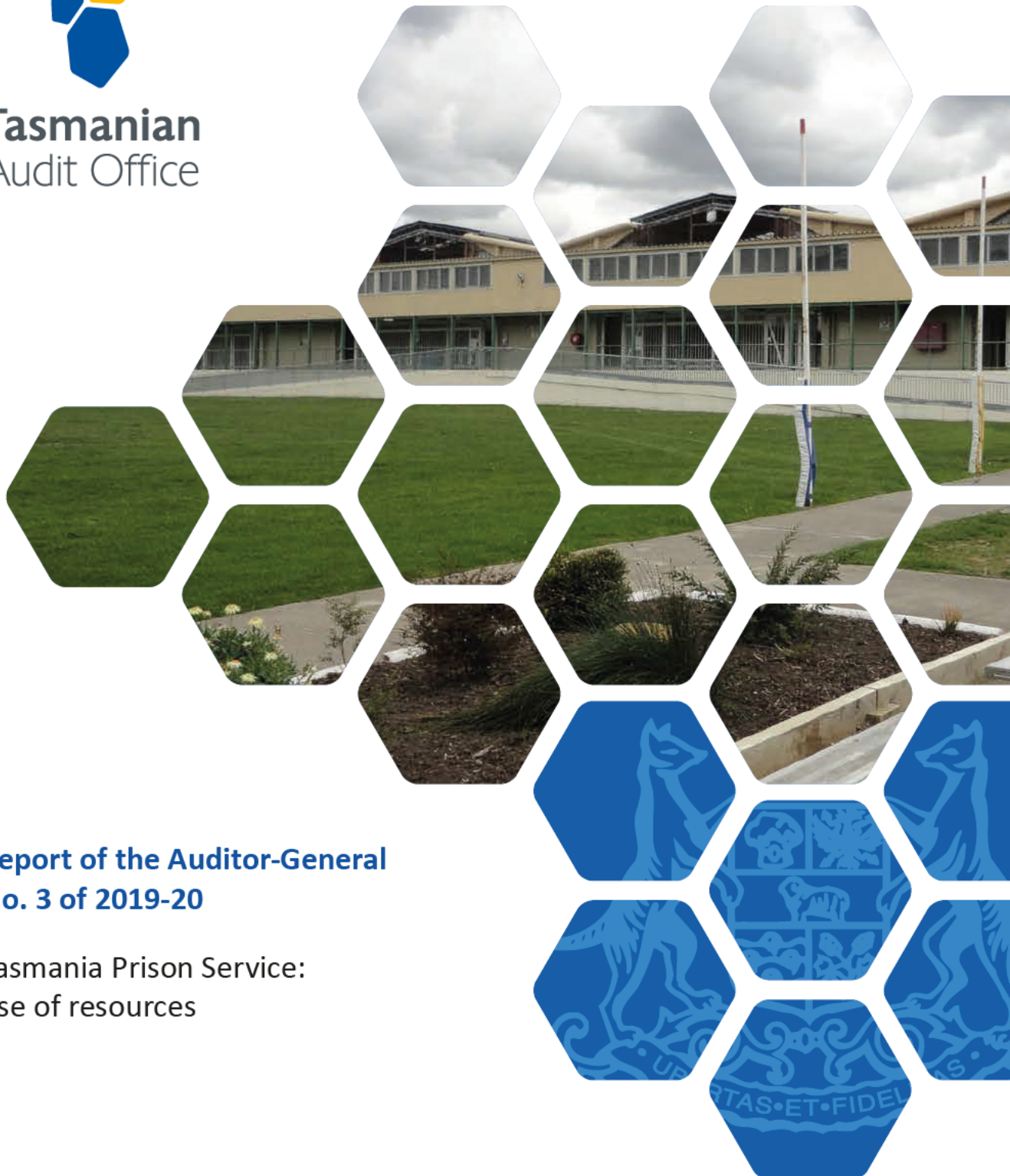




Tasmanian
Audit Office



**Report of the Auditor-General
No. 3 of 2019-20**

Tasmania Prison Service:
use of resources

November 2019

THE ROLE OF THE AUDITOR-GENERAL

The Auditor-General's roles and responsibilities, and therefore of the Tasmanian Audit Office, are set out in the *Audit Act 2008 (Audit Act)*.

Our primary responsibility is to conduct financial or 'attest' audits of the annual financial reports of State entities. State entities are defined in the Interpretation section of the Audit Act. We also audit those elements of the Treasurer's Annual Financial Report reporting on financial transactions in the Public Account, the General Government Sector and the Total State Sector.

Audits of financial reports are designed to add credibility to assertions made by accountable authorities in preparing their financial reports, enhancing their value to end users.

Following financial audits, we issue a variety of reports to State entities and we report periodically to the Parliament.

We also conduct performance audits and compliance audits. Performance audits examine whether a State entity is carrying out its activities effectively and doing so economically and efficiently. Audits may cover all or part of a State entity's operations, or consider particular issues across a number of State entities.

Compliance audits are aimed at ensuring compliance by State entities with directives, regulations and appropriate internal control procedures. Audits focus on selected systems (including information technology systems), account balances or projects.

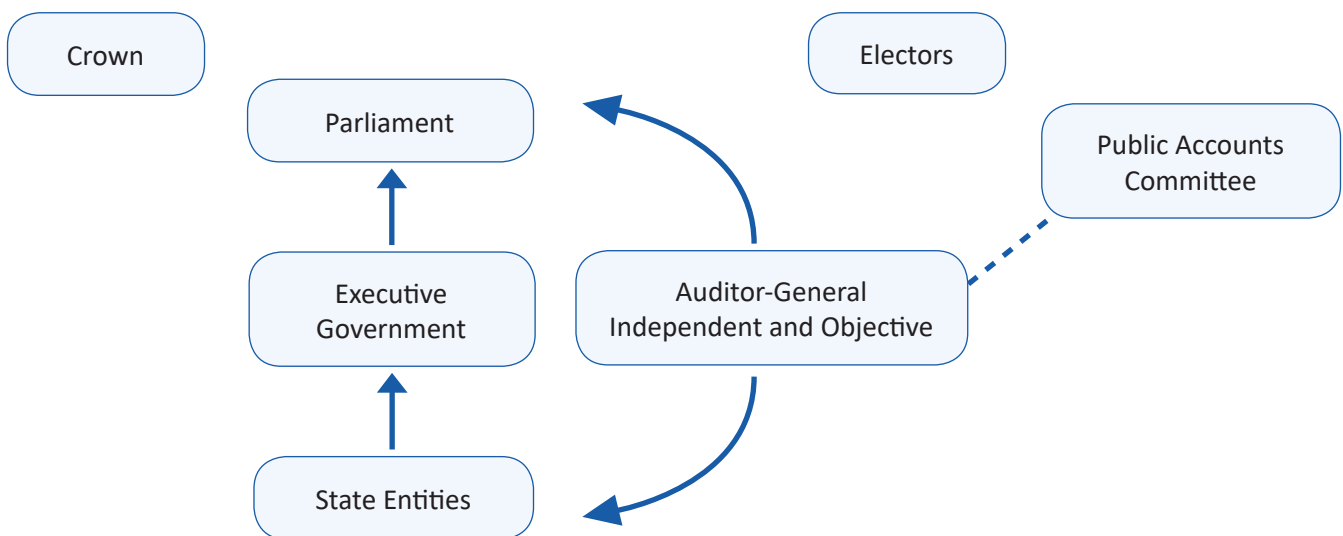
We can also carry out investigations but only relating to public money or to public property. In addition, the Auditor-General is now responsible for state service employer investigations.

Performance and compliance audits are reported separately and at different times of the year, whereas outcomes from financial statement audits are included in one of the regular volumes of the Auditor-General's reports to the Parliament normally tabled in May and November each year.

Where relevant, the Treasurer, a Minister or Ministers, other interested parties and accountable authorities are provided with opportunity to comment on any matters reported. Where they choose to do so, their responses, or summaries thereof, are detailed within the reports.

THE AUDITOR-GENERAL'S RELATIONSHIP WITH THE PARLIAMENT AND STATE ENTITIES

The Auditor-General's role as Parliament's auditor is unique.





TASMANIA

**2019
PARLIAMENT OF TASMANIA**

**Report of the Auditor-General
No. 3 of 2019-20**

Tasmania Prison Service: use of resources

November 2019

Presented to both Houses of Parliament pursuant to
Section 30(1) of the *Audit Act 2008*

© Crown in Right of the State of Tasmania November 2019

Auditor-General's reports and other reports published by the Office can be accessed via the Office's [website](#). For further information please contact:

Tasmanian Audit Office

GPO Box 851

Hobart

TASMANIA 7001

Phone: (03) 6173 0900, Fax (03) 6173 0999

Email: admin@audit.tas.gov.au

Website: www.audit.tas.gov.au

ISBN: 978-0-6485091-6-5

19 November 2019

President
Legislative Council
HOBART

Speaker
House of Assembly
HOBART

Dear Mr President
Dear Madam Speaker

REPORT OF THE AUDITOR-GENERAL

No.3 of 2019-20: Tasmania Prison Service: use of resources

This report has been prepared consequent to examinations conducted under section 23 of the *Audit Act 2008*. The objective for this audit was to form an opinion on the efficiency and effectiveness of the Tasmania Prison Service's financial management of its custodial services.

Yours sincerely



Rod Whitehead
Auditor-General

Page left blank intentionally

TABLE OF CONTENTS

AUDITOR-GENERAL'S INDEPENDENT ASSURANCE REPORT	1
EXECUTIVE SUMMARY	3
1. INTRODUCTION	5
2. IS TASMANIA PRISON SERVICE MANAGING ITS CUSTODIAL FACILITIES EFFICIENTLY?	9
3. IS TASMANIA PRISON SERVICE EFFECTIVELY MANAGING ITS HUMAN-RESOURCE COSTS?	19
LIST OF ACRONYMS AND ABBREVIATIONS	34

Page left blank intentionally

AUDITOR-GENERAL'S INDEPENDENT ASSURANCE REPORT

This independent assurance report is addressed to the President of the Legislative Council and the Speaker of the House of Assembly. It relates to my performance audit on the Tasmania Prison Service (TPS).

AUDIT OBJECTIVE

The objective of the audit was to form an opinion on the efficiency and effectiveness of TPS's financial management of its custodial facilities.

The original focus of the performance audit, as outlined in my *Annual Plan of Work 2016-17*, was to review the management of Tasmanian prisons including security, reduction in recidivism and cost control/efficiency considerations. However, following the establishment of the Office of the Custodial Inspector in January 2017, whose purpose is to provide independent, proactive, preventative and systemic oversight of custodial centres, the audit's scope was amended to avoid potential duplication.

AUDIT SCOPE

The audit scope focused on TPS's financial management of its operations, consequently the audit did not examine:

- governance and controls over service utilisation (e.g. health services, inmate transport)
- management of prison safety and security including preventing escapes, inmate and staff safety
- community re-entry preparation including rehabilitation
- inmate quality of life.

Further, the audit scope did not include services relating to:

- youth detention
- convicted persons or alleged offenders held in forensic mental health facilities
- persons held in police custody.

The audit examined information and data available for the period 2013-14 to 2017-18. In some instances, available data for 2018-19 has also been included.

A key focus of the audit was TPS's management of resource costs, covering both Correctional Officer (CO)¹ and Non-Correctional Officer (NCO) costs.

AUDIT APPROACH

The audit was conducted in accordance with the Australian Standard on Assurance Engagements ASAE 3500 *Performance Engagements* issued by the Australian Auditing and Assurance Standards Board for the purpose of expressing a reasonable assurance conclusion.

The audit evaluated the following criteria and sub-criteria:

1. Is TPS managing its custodial facilities efficiently?
 - 1.1 Is TPS using information to manage its custodial operations efficiently?
 - 1.2 Is good quality information used to predict demand for prison services?
 - 1.3 Is good quality information used to set appropriate yearly budgets?
 - 1.4 Are service performance and staffing costs effectively monitored?
 - 1.5 Are non-staffing costs regularly monitored and understood?

1. COs includes all uniformed staff, supervisors and superintendents appointed under the *Corrections Act 1997*.

2. Is TPS effectively managing its human-resource costs?
 - 2.1 Are rostering practices efficient and effective?
 - 2.2 Are personal leave and overtime costs effectively managed?
 - 2.3 Are workers compensation and other employee costs effectively managed?
 - 2.4 Are there regular reviews of cost information with identified variations properly managed and supported by evidence?

The audit assessed whether TPS was managing its operations efficiently and effectively by analysing data, performing audit procedures on selected transactions, examining and verifying internal and external reports, reviewing strategic and annual planning processes and documents, physical inspection of the correctional facilities located at Risdon Vale (Risdon Prison) and discussing TPS's performance with relevant staff and stakeholders.

The Department of Justice (Justice) through TPS, provides prison services in Tasmania. Therefore, some aspects of the audit criteria are guided by management decisions/procedures provided by Justice but where TPS is operationally responsible. Policies and procedures relevant to both Justice and TPS regarding the financial management of prisons were reviewed.

MANAGEMENT RESPONSIBILITY

Justice and TPS were responsible for the effective and efficient financial management of TPS's custodial facilities.

AUDITOR-GENERAL'S RESPONSIBILITY

In the context of this audit, my responsibility was to express a reasonable assurance conclusion on TPS's effective and efficient financial management of its custodial facilities.

INDEPENDENCE AND QUALITY CONTROL

I have complied with the independence and other relevant ethical requirements relating to assurance engagements and applied Auditing Standard ASQC 1 *Quality Control for Firms that Perform Audits and Reviews of Financial Reports and Other Financial Information and Other Assurance Engagements* in undertaking this audit.

AUDITOR-GENERAL'S CONCLUSION

It is my conclusion TPS's financial management of the prison service did not perform, in terms of efficiency and effectiveness, with respect to the audit criteria or the objective of the performance audit, as a whole. This is because TPS has not had a strong approach to modelling of future inmate numbers and associated staffing to ensure it has sufficient resources to run its prisons safely and securely. Reporting of key areas of both financial and operational performance has not been as developed as they could be. Workforce planning has not been fully developed, while improvements in the rostering of COs are needed to ensure the right staffing levels are achieved across the prison service. TPS has acted to fill resourcing gaps by predominantly using staff overtime, which has had adverse consequences in the cost efficiency of the prison service and increased unplanned staff absences.



Rod Whitehead
Auditor-General

EXECUTIVE SUMMARY

SUMMARY OF FINDINGS

Prison services provide a vital role in any modern society and are an important function of government. Securely and safely confining offenders, as well as contributing to their rehabilitation, is essential to developing stronger and safer communities.

However, for many prison services, it is not an easy environment to operate in. Government priorities and public opinion can often direct funding to what are perceived as more important public services, such as education or health. Meeting inmate demand can be challenging because it is influenced by policy and sentencing decisions beyond the control of prison services. The safe and efficient operation of prison services can also be impeded by operational limitations, such as shortages in the number of required COs and difficulties in recruiting them. TPS is not immune from having to deal with these challenges.

Our conclusion is TPS has not been running an efficient service and this has possibly had an adverse effect on CO and NCO well-being. TPS does not have a strong approach to modelling of future inmate numbers and associated staffing to ensure it has sufficient resources to run its prisons safely and securely.

The reasons for this conclusion are relatively complex and longstanding. The modelling used for predicting inmate numbers has relied on a backward view and has not been predictive enough. This has led to TPS struggling to cope with changes in Tasmanian Government (Government) policy and sentencing, which significantly increased the numbers of inmates from 2013-14 to 2017-18. In short, TPS did not have enough COs to effectively and efficiently run the prison service.

Budget increases have been retrospective, with demand for services increasing, therefore further funding has had to be provided. Whilst TPS has, at times, known how many staff were required to run the prison service, insufficient information to consistently determine the number of staff to efficiently run the prison service has contributed to budget shortfalls and despite annual budget increases, TPS has had to request supplementary funding. Reporting of key areas of both financial and operational performance has not been as developed as they could be. This limitation has hampered effective decision-making.

These issues have had significant consequences on the resourcing of the prison service. Workforce planning has not been fully developed, while improvements in the rostering of COs are needed to ensure the right staffing levels are achieved across the prison service.

TPS has acted to fill the resourcing gaps by predominantly using staff overtime. While this mitigation has been essential to ensure the service can operate, it has had adverse consequences. Firstly, on the cost of running the service, as overtime rates are expensive. Secondly, this has put a strain on existing staff resulting in sickness absences, both short and long term, which have significantly increased in recent years. These absences have compounded the situation further, requiring more overtime to ensure the service operates safely and securely.

In recent times, despite the use of overtime, there have not been enough staff rostered on to run the service effectively. This resulted in the increased frequency and duration of prison lockdowns, requiring inmates to remain in their cells for longer periods of time. Without these enforced measures inmates and prison staff safety and security would be at risk.

There are also challenges in attracting the right number and calibre of staff to the service. Training new staff takes time, often leading to a delay between the time people commence with TPS and their effective integration into the service. These factors constrain TPS's ability to achieve the right staffing levels to effectively run its service.

All of these issues are known to TPS, and it has taken steps to address them, but in many cases it is too early for us to assess the impact of the changes. Notwithstanding the changes implemented by TPS, to achieve the step-change improvements required a more focused and programmed approach is needed. This should encompass better modelling to provide improved information

for budget setting, monitoring and reporting of performance, recruitment strategies and better rostering.

To achieve this there will need to be strong governance to ensure improvements are developed, integrated and implemented effectively through a well-resourced strong-programmed approach. The right resources will need to be acquired to support step-change improvements. Justice and TPS will need to assess if they have the available capability and capacity. This will not be easy as the inefficiencies of the service leave little in the way of resources to fully develop and implement the improvements needed.

We consider it important our concerns are addressed given inmate numbers continue to rise and the addition of new prison facilities will place an even greater strain on TPS's human and financial resources.

We would like to thank Justice and TPS staff for their assistance in conducting this audit.

RECOMMENDATIONS

We have made five recommendations addressed to Justice and TPS, which we believe support the step-change needed to allow TPS to operate more efficiently and effectively.

1. Implement appropriate governance arrangements to strengthen and oversee continued implementation of the improvement program to ensure improvements are strategically planned, communicated, integrated and delivered in a timely way.
2. Review capability and capacity to be able to undertake the improvement program ensuring it is appropriately resourced.
3. Improve resource and financial modelling that is more predictive and forward looking to more accurately reflect demand and therefore resourcing requirements, which should lead to more informed decision-making.
4. Develop and implement improved workforce planning processes that:
 - ensure a more accurate approach to staff resourcing
 - inform recruitment, retention and succession planning
 - inform training requirements
 - deliver effective and efficient rostering
 - reduce overtime
 - reduce absenteeism.
5. Improve the performance management framework to ensure reliable and comprehensive information to monitor and understand performance and enhance decision-making. In particular, develop dashboard reporting of financial Key Performance Indicators (KPIs) at the executive management level and consider benchmarking performance with other prison services.

SUBMISSIONS AND COMMENTS RECEIVED

In accordance with section 30(2) of the *Audit Act 2008* (Audit Act) a summary of findings was provided to Justice and TPS, the Treasurer, the Minister for Corrections and Minister for Justice and other persons who, in the opinion of the Auditor-General, had a special interest in the report, with a request for submissions or comments.

Submissions and comments we receive are not subject to the audit nor the evidentiary standards required in reaching an audit conclusion. Responsibility for the accuracy, fairness and balance of these comments rests solely with those who provided the response. However, views expressed by the Department of Justice were considered in reaching our conclusions.

Section 30(3) of the Audit Act requires this Report include any submissions or comments made under section 30(2) or a fair summary of them. At the time of the printing of this report, comments on the report had not been received from the Department of Justice.

1. INTRODUCTION

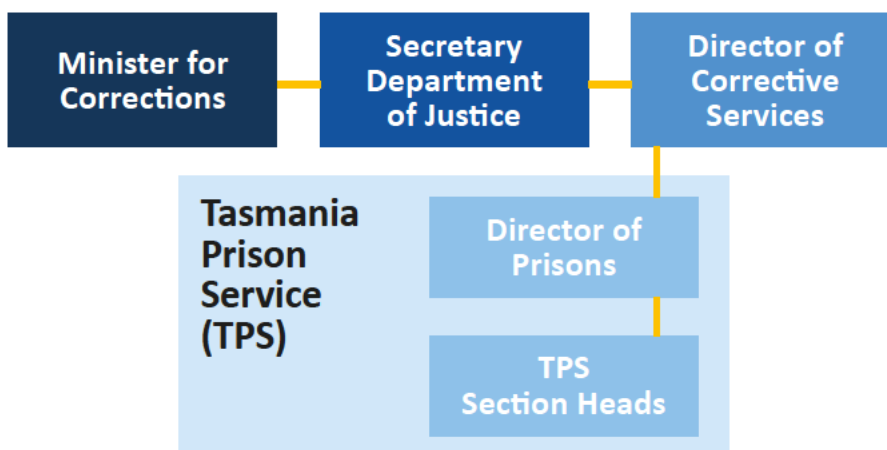
TASMANIA PRISON SERVICE

- 1.1 Prison services are an important function of government. An effective prison service contributes to a safer community by ensuring the safe and secure containment of inmates. It should also provide inmates with opportunities for rehabilitation, personal development and community engagement.
- 1.2 The availability of prison services, when they are needed, are vital to society. Demand for custodial accommodation and associated services fluctuates and can be impacted by government policy. A change in sentencing policy can reduce or increase demand. This can be a challenging environment for prison services to operate in and effective modelling of current and future demand is essential to having a well-run service.
- 1.3 The primary goal of TPS is to contribute to a safer Tasmania by ensuring the safe and secure containment of people sentenced (convicted by the courts) and people on remand, in prison awaiting either trial or sentence. In this Report, we have described people within both categories as 'inmates'.
- 1.4 Working in the prison service as a CO can be challenging. To become a CO requires a high level of training, which generally takes up to three months. Recruiting these roles can also be an issue as attracting recruits with the right skills and competencies can be difficult. In addition, almost a quarter of the TPS workforce consists of NCOs, many of whom also work directly with inmates in a therapeutic or teaching capacity.
- 1.5 Prison services contend with competing priorities for public sector funding where other essential services including health and education are viewed more favourably. Having to compete for government funds heightens the need for effective budgeting and financial management and puts added importance on an efficiently run service that not only securely accommodates inmates but also delivers a full program of rehabilitation and wellbeing services.
- 1.6 As with other state prison services, TPS also has an obligation to provide programs, services and support to help inmates change their offending behaviour. TPS works in partnership with a range of State, community, private and volunteer organisations to deliver these services for the betterment of the Tasmanian community.

TASMANIAN PRISON SERVICE STRUCTURE

- 1.7 TPS forms part of the Corrections Output Group, within Justice. Figure 1 shows TPS's lines of accountability with the Government and Justice.

Figure 1: TPS's governance structure



Source: Justice.

1.8 TPS operates five custodial facilities – as shown in Figure 2 – providing a range of accommodation:

- reception – maximum security prison for male and female inmates entering the prison system or on remand
- maximum security – employs maximum strategies to ensure secure accommodation of inmates
- medium security – uses less restrictive measures to secure inmates
- minimum security – allows inmates a greater degree of freedom of movement
- minimum open – O’Hara Units, part of the Ron Barwick Minimum Security Prison.

Figure 2: Operational purpose and capacity² of prison facilities as at 30 June 2019

Risdon Prison	Risdon Prison Complex <i>Opened in 2006</i> Current design capacity 299 male inmates in maximum and medium security Operational capacity 290	Ron Barwick Minimum Security Prison <i>Opened in 1960</i> Current design capacity 296 male inmates in minimum security and independent living units Operational capacity 296	Mary Hutchinson Women’s Prison <i>Opened in 2006</i> Current design capacity 63 female inmates of all security classifications Operational capacity 80
Other Tasmanian locations	<p data-bbox="608 987 922 1350"> Hobart Reception Prison <i>Opened in 1998</i> Current design capacity 36 inmates new to the system, at-risk, requiring protection or attending court Operational capacity 34 </p>	<p data-bbox="927 987 1241 1350"> Launceston Reception Prison <i>Opened in 1977</i> Current design capacity 26 inmates new to the system, at-risk, requiring protection or attending court Operational capacity 26 </p>	

Source: Tasmanian Audit Office (TAO), Justice.

1.9 The reception prisons in Hobart and Launceston predominantly provide short-term accommodation to people detained in police custody.

1.10 In this Report, we have described all five facilities collectively as the ‘Prison’.

1.11 The original prison facility at Risdon Vale was constructed in the late 1950s and was predominantly a maximum security prison with limited capacity, recreation facilities and space for industry. Female inmates were confined to maximum security.

1.12 In the late 1990s, the Government approved the expansion of the Prison. The expanded Prison resulted in TPS taking delivery of a new medium and maximum security men’s prison – the Risdon Prison Complex (RPC) – together with a redeveloped women’s prison – the Mary Hutchinson Women’s Prison (MHWP) – and a redeveloped men’s minimum security prison – the Ron Barwick Minimum Security Prison (RBMSPP), which was the original 1950’s Risdon Prison. A minimum security prison farm, situated at Hayes in the Derwent Valley, was closed in 2012 due to high maintenance costs.

2. Design capacity means the number of inmates a facility is designed to house, whether in single cells, or in appropriately designed multiple-occupancy cells. Operational capacity is the number of inmates accommodated safely in a facility, taking into account availability of beds, staffing, health and rehabilitation services and supporting infrastructure.

Figure 3: Risdon Vale prison



Source: Justice.

- 1.13 Risdon Prison uses a combination of styles, including campus, cellblock and cells opening out onto a quadrangle. The inmate accommodation areas are dispersed among functional areas such as dining and recreation and generally have open-air access. The facilities include a number of separate units designed similar to an ordinary home with a kitchen, living room, bathroom and bedrooms.
- 1.14 In addition to the accommodation and living areas, the Risdon Prison also has industry workshops, education and health facilities, maintenance areas, gardens and other buildings such as a staff gymnasium and clubhouse.

2011 RISDON PRISON COMPLEX INQUIRY

- 1.15 In 2011, the Minister for Corrections commissioned the *Risdon Prison Complex Inquiry*, which was set up after a period of inmate unrest at the Risdon Prison. The inquiry examined the operations of the Risdon Prison. It identified a number of significant problems that required urgent action. While the inquiry largely examined areas outside the scope of this audit, such as inmate security and welfare, it found an excessive use of lockdowns and TPS was implementing little more than a containment policy across the prison. The final report contained 39 recommendations that focused on better governance, physical security, workplace conditions, inmate treatment and the prison's physical infrastructure.

FUNDING AND STAFFING

- 1.16 TPS is funded by budget appropriation with a small amount of revenue derived from prison industry activities. The cost of operating the prison is substantial and is steadily increasing.
- 1.17 Table 1 summarises TPS's budget and actual expenditure for the period 2013-14 to 2017-18.

Table 1: Summary of TPS's Operating Budgets 2013-14 to 2017-18 (\$'000s)

Year	Salary and other employee-related expenditure			Non-salary expenditure			Total		
	Budget	Actual	(Deficit)/ Surplus	Budget	Actual	(Deficit)/ Surplus	Budget	Actual	(Deficit)/ Surplus
2013-14	32 509	34 186	(1 677)	11 434	12 327	(893)	43 943	46 513	(2 570)
2014-15	34 360	36 610	(2 250)	14 160	14 911	(751)	48 520	51 521	(3 001)
2015-16	38 421	40 329	(1 908)	13 824	13 741	83	52 245	54 070	(1 825)
2016-17	41 033	41 915	(882)	11 365	14 783	(3 418)	52 398	56 698	(4 300)
2017-18	42 374	46 413	(4 039)	16 163	16 760	(597)	58 537	63 173	(4 636)

Source: TAO and Justice.

- 1.18 Salary and other employee-related expenditure represented 72.8% of TPS's budgeted operating costs for 2017-18.
- 1.19 For 2017-18³ Justice was appropriated \$62.5m in the State Budget for prison services, with TPS allocated operational budget of \$58.5m, by Justice.
- 1.20 The prison population was 692 inmates as at 30 June 2019.
- 1.21 Staffing as at 30 June 2019 comprised:
 - 347.7 full time equivalent (FTE) COs
 - 130.6 FTE NCOs.



3. Financial information for 2018-19 had not been released at the time this report was written, therefore we have largely confined our analysis to the period 2013-14 to 2017-18.

2. IS TASMANIA PRISON SERVICE MANAGING ITS CUSTODIAL FACILITIES EFFICIENTLY?

In this Section, we discuss:

- the use of inmate modelling to predict TPS's resourcing
- the use of financial information to support operational planning
- monitoring and reporting of financial information
- how growth in inmate numbers impacts non-salary costs.

SECTION SUMMARY

Improvements are needed to ensure TPS can manage its custodial facilities more efficiently. This includes ensuring TPS has sufficient capacity to accommodate all present and future inmates. This is a complex task but it is also an extremely important one. Demand modelling is used to predict the number of inmates who may need to be accommodated in the prison. Our work identified this is not as effective as it could be and is largely based on historical information following the discontinuation of the previous predictive inmate demand model more than a decade ago. Current modelling has struggled to keep up with the pressures of a rapidly increasing inmate population.

Weaknesses in inmate modelling and other factors, outlined later in this Report, have contributed to TPS routinely requiring additional appropriation funding each year to cover cost over runs.

To partly resolve budgeting issues, in 2017 Justice sought and received funding to establish a new modelling team tasked to undertake better predictive inmate demand modelling. While this is a positive initiative the modelling is still not fully implemented and its effect on TPS's budgeting and financial management cannot yet be assessed.

TPS uses a variety of information including forecasting and predictive data together with historical information to build its budget based on resourcing needs. A greater use of zero-based budgeting would give TPS a stronger understanding of the drivers of its operations and allow it to further strengthen its financial management of the prison.

Monitoring and reporting of TPS's financial and operational performance is undertaken but to provide a better understanding and to inform decision making further improvements are needed. Some KPI information is reported but it does not provide sufficient assurance to senior management with weaknesses apparent in the budgeting, monitoring and reporting processes. This affects the overall financial management of TPS. Developing appropriate KPIs, dashboards and traffic-light style reporting would significantly assist TPS and Justice in their financial oversight and management of the prison service.

INMATE MODELLING NEEDS TO BE MORE EFFECTIVE

2.1 TPS's demand modelling was limited in its effectiveness because it was primarily based on historic information. Accurate demand modelling is important because a prison needs to not only be capable of responding to long-term changes in inmate demand but also to short-term inmate surges. It is also important TPS estimates inmate demand accurately as prisons are expensive to build and operate. The capital cost for each new bed is estimated to be \$900 000 to \$1m and running cost per inmate is estimated at \$306 per day. It is also important for TPS to ensure its facilities are safe, can meet inmate demand and remain fit-for-purpose with the correct staffing in place. Effective inmate modelling is critical to ensuring the right type and amount of accommodation, together with the right staffing levels being available. The new model developed by the Justice modelling team is expected to provide more effective modelling of inmate demand.

CURRENT INMATE MODELLING LIMITED BY HISTORICAL INFORMATION

2.2 Modelling for future inmate demand is complex as a number of variables need to be considered when designing an inmate demand model, including:

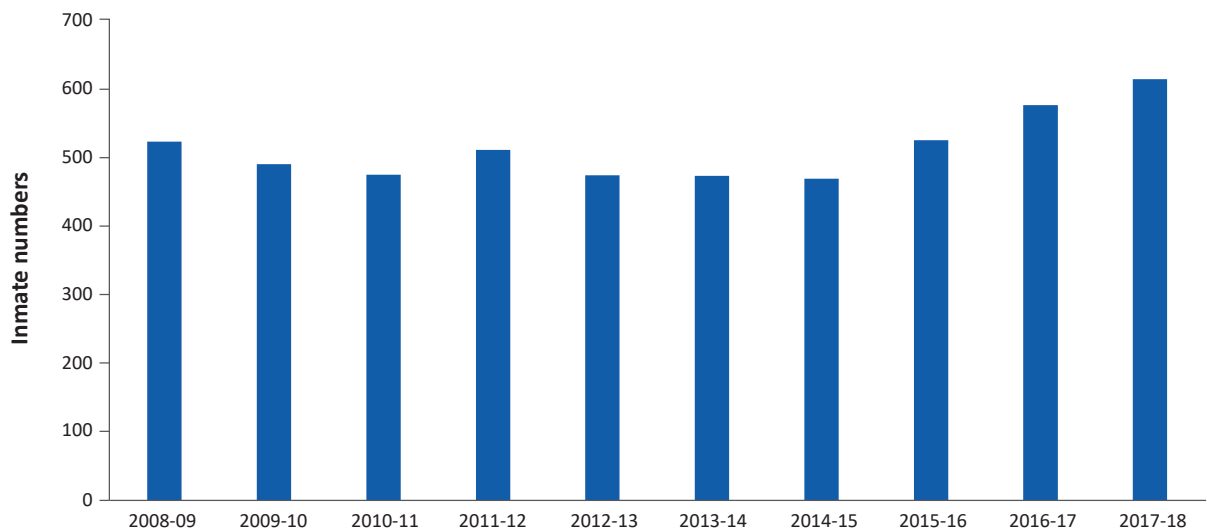
- changes in government policy
- police activity
- court clearance rates
- broader economic influences.

TPS's reliance on historical demand data resulted in capacity planning being largely based on past information rather than forward-looking predictive information.

2.3 In the early 2000s, a number of different inmate demand models were developed by consultants to assist TPS in predicting inmate numbers. These inmate projections provided sufficient upward demand data to convince the Government to proceed with building the RPC. Its completion in 2006 provided new maximum and medium security accommodation for inmates previously housed in what is now the RBMSP. However, the use of these demand models was not continued due to cost considerations and over time lost their usefulness. This meant that TPS could not have predicted the increase in inmate numbers from 2015 onwards.

2.4 Figure 4 shows actual annual average inmate number from 2008-09 to 2017-18.

Figure 4: Annual average inmate numbers 2008-09 to 2017-18



Source: Report on Government Services (ROGS).

2.5 Figure 4 shows a significant increase in actual inmate numbers from 2015 onwards. The average annual inmate numbers rose from 472 in 2013-14 to 613 in 2017-18, a rise of 30%. Justice did not initially recognise the increase in inmate numbers as a sustained increase until 2016-17. Instead, Justice assumed the rise in inmate numbers for 2015-16 would be limited to one year and would reduce again as it had done after the rise in 2011-12.

2.6 Over the last few years, Justice examined the drivers of the increase in inmate numbers and noted from 2015 the average rate of entries into prison increased from around 80 per month to 100 per month. Despite the increased numbers of inmates arriving, the number of long-term inmates (those in prison longer than two years) remained relatively stable at around 100.

- 2.7 Evidence provided by Justice indicated increases in inmate numbers since 2014-15 were influenced by:
- the number of criminal complaints lodged with the Magistrate Court increasing faster than finalisations
 - an unprecedented increase in remandee⁴ numbers
 - the Government's reform agenda on family violence and mandatory sentencing.
- 2.8 The Department of Police, Fire and Emergency Management, similarly reported an increase in clearance rates for offences against persons and offences against property between 2014-15 and 2017-18. This correlates with Justice's assessment that the number of offences dealt with by the courts increased and placed upward demand pressure on inmate numbers entering prison. This upward pressure will likely continue while the previously-identified drivers remain.
- 2.9 By 2010, TPS moved away from using consultants to develop inmate demand models, due to the ongoing cost of maintaining them. Instead, it based its inmate demand modelling on historical inmate numbers. Between 2008 and 2014, average annual inmate numbers only exceeded 500 twice⁵. Previous up-swings were usually followed by a reduction in inmate numbers but from 2014-15 onwards the average annual inmate numbers steadily climbed and at 30 June 2018 exceeded 600. Inmate numbers have now reached levels not previously experienced by TPS. The costs associated with increased inmate numbers have also risen. Outdated modelling assumptions that did not predict the current upward and sustained demand on prison capacity impacted on internal budgeting and necessitated TPS's additional funding.
- 2.10 Improved inmate demand modelling is vital for TPS's ability to more accurately predict its demand forecasting. The existing modelling only allowed TPS limited clarity on inmate numbers for the next five or so years and could not accurately consider all of the different variables, such as those identified previously. TPS increased inmate capacity through undertaking minor capital works, such as refurbishing disused cells in the RBMSP, allowing it to keep pace with inmate demand. However, if the current growth trend of around 5% for male inmates continues, TPS will continue to experience demand pressure notwithstanding the addition of:
- 156 beds in the Southern Remand Centre expected to be commissioned in 2021
 - 140 beds from Stage 1 of the Northern Prison expected to be commissioned in 2024
 - 130 beds from Stage 2 of the Northern Prison expected to be commissioned in 2029.
- 2.11 TPS confirmed the occupancy rate for the prison should preferably sit below a 95% utilisation rate for inmate accommodation. This ensures a buffer is maintained to respond to short-term surges in inmate demand. Since 2016-17, TPS has experienced an increasing number of monthly averages exceeding 90% utilisation with some months exceeding 95%. The closer the utilisation rate approaches 100% the greater the likelihood TPS will not be able to respond to surges in inmate demand.

THE DEVELOPMENT OF A NEW MODEL TO IMPROVE DEMAND FORECASTING

- 2.12 TPS and Justice understand the need to improve predictive inmate demand modelling and forecasting and are taking action to improve the approach. In 2017-18, Justice established the Strategic Projects and Modelling Team (Modelling Team). After receiving \$330 000 in the 2017-18 budget, the Modelling Team commenced developing a predictive demand model based on a similar model used by the Department of Justice and Community Safety Victoria.

4. Remandee is a person who is in custody awaiting a court trial or who has been convicted of a crime and detained pending sentencing.

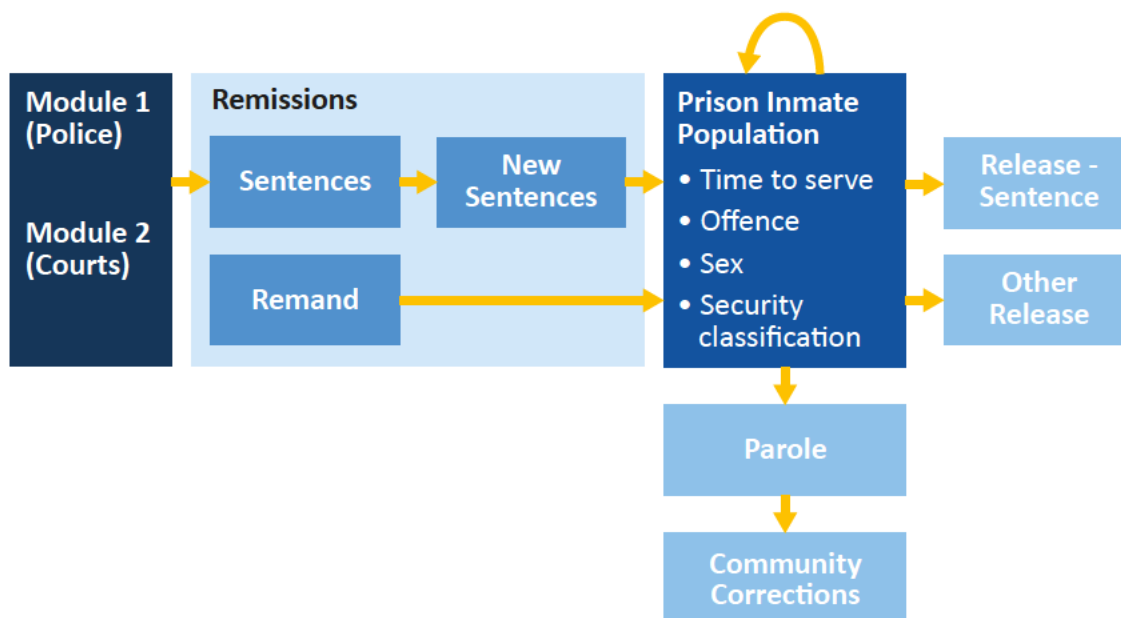
5. As at 30 June 2019, there were 692 inmates in TPS facilities.

2.13 The model is split into three modules:

- Module 1: Police - Offences as its input and court lodgements as its output
- Module 2: Courts - Court lodgements as its input and pending sentencing as its output
- Module 3: Corrections - Court sentencing as its input and inmate population or other sentencing options as its output.

2.14 Module 3 focuses on forecasting prison populations. Figure 5 provides an overview of the factors impacting prison population in Module 3.

Figure 5: Module 3 Tasmania Prison Service



Source: Justice.

2.15 Figure 5 shows the prison inmate population is influenced by:

- alleged offenders charged by Police (Module 1)
- inmates sentenced by the Courts (Module 2)
- existing inmate numbers
- inmates released through remission⁶, parole⁷ and other mechanisms such as successful appeals.

2.16 Module 3 was introduced as at 1 July 2019 and it will continue to be developed to provide improved forecasting of inmate demand. Justice advised it expects the new model to shape its demand forecasting for the 2020-21 budget submission.

2.17 The new model may also provide TPS and Justice with better information to assist the Government with decisions regarding future capital investment.

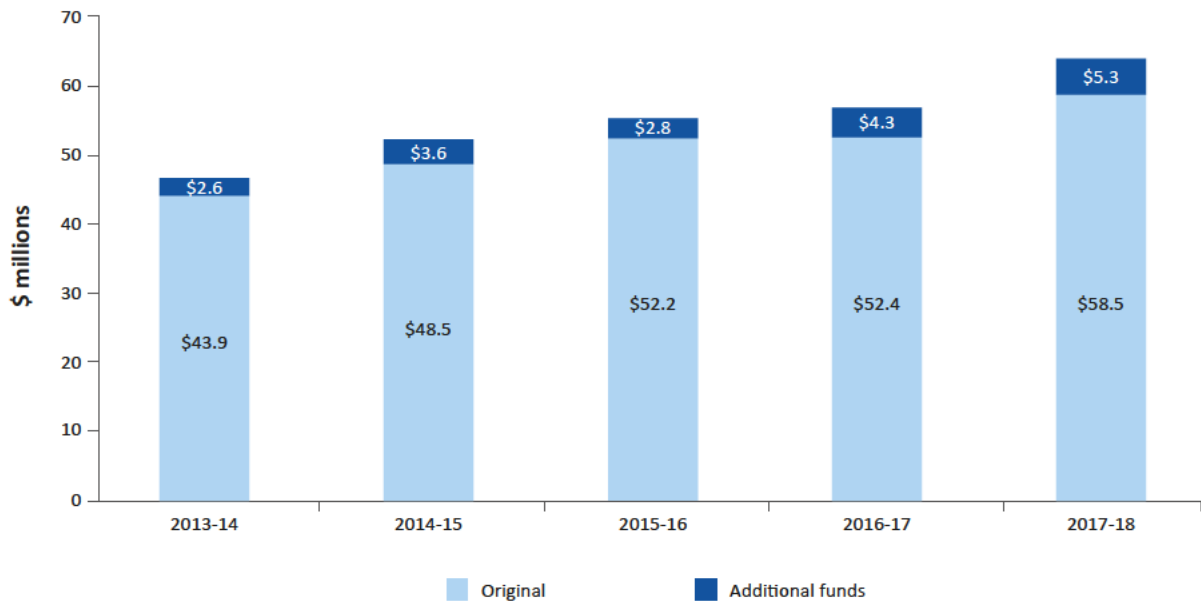
6. Remission is the reduction of the term of a prison sentence, usually due to good behaviour or conduct. It refers to a structured system with criteria for inmates to meet in order to encourage good behaviour, rehabilitation and self-improvement, with the ultimate benefit being the inmate's release.

7. Parole is a permanent release of an inmate who agrees to certain conditions before the completion of the maximum sentence period. Parole in Tasmania is controlled by the Parole Board, which is an independent entity established under the *Corrections Act 1997*.

INFORMATION USED FOR BUDGET SETTING IS NOT ROBUST ENOUGH

- 2.18 Better quality information to underpin Justice’s budget submissions would enable a clearer view of the resourcing requirements of TPS.
- 2.19 In recent years, TPS has not operated within its allocated budget. From 2013-14 to 2017-18, TPS received additional funding through Requests for Additional Funds or Supplementary Appropriations from the Department of Treasury and Finance (Treasury) or through internal transfers from within Justice.
- 2.20 Figure 6 shows the annual operational budget allocation to TPS along with the additional funding TPS has received since 2013-14 to cover its operational deficits.

Figure 6 TPS’s budgets and additional funding requirements 2013–14 to 2017–18



Source: Justice, TAO.

- 2.21 Figure 6 shows:
- TPS’s operating budget rose from \$43.9m in 2013-14 to \$58.5m in 2017-18, reflecting an average increase of 6.6% each year. Additional funds received have ranged from 5.5% (2015-16) to 9.0% (2017-18)
 - from 2013-14 to 2017-18 actual expenditure has increased by an average of 7.4% each year.
- 2.22 Despite annual increases in its budget, TPS has not been able to operate within its allocated budgets.
- 2.23 In 2013, concerns over TPS’s rising overtime costs led the Legislative Council Government Administration Committee B (LCGAC) to undertake an Inquiry into why there had been a failure to achieve a reduction in TPS’s overtime costs. It noted the absence of a properly constructed and managed budget for TPS had hampered previous efforts to reign in overtime costs. Departmental officials appearing before the Inquiry acknowledged this. The then Director of Prisons confirmed TPS had never developed a zero-based budget⁸, which entails analysing the needs and costs of every function within TPS and allocating funds accordingly, regardless of historical expenditure or how much money had previously been budgeted.

8. Zero-based budgeting is a method of budgeting in which all expenses must be justified for each new period. The process of zero-based budgeting starts from a ‘zero base’ and every function within an organisation is analysed for its needs and costs.

- 2.24 Justice informed LCGAC it was in the process of implementing a culture change program at the time of the Inquiry. Specifically, both Justice and the former Director of Prisons acknowledged:
- the absence of a zero-based budget impeded TPS from understanding the effectiveness and efficiency of its operations and actions required to optimise this
 - strengthening financial management was pivotal to TPS overcoming its challenges with overtime, reliably informing the annual budget setting process and assuring it had sufficient resources.
- 2.25 Subsequent to the LCGAC inquiry, the TPS 2014–15 Business Plan stated TPS had identified ‘...what the correct funding should be to operate a contemporary [prison] system...’ that did not ‘...utilise failed practices or models of the past...’. This indicated the 2014-15 budget had been prepared using a zero-based budgeting approach.
- 2.26 In 2014–15, TPS determined it required \$48.2m⁹ to properly operate the prison at average capacity (i.e. 510 inmates), and \$49.4m at full capacity (662 inmates as at 2014-15) based on existing practices. TPS’s 2014-15 financial business plan identified the required number of COs to be 295 in order to achieve an optimal balance between salary and overtime costs and minimising total correctional salary costs. The 2014-15 business plan indicated that to fully staff the service recruitment would take three to four years.
- 2.27 In our view, TPS, apart from some work on new rostering modelling, has not continued with zero-based budgeting beyond the 2014-15 financial year despite identifying this as a necessary and critical improvement action in response to the LCGAC inquiry. While zero-budgeting does not need to be used every year, it should be undertaken regularly to provide clarity on the level of resources required to efficiently operate the service.
- 2.28 In addition to the deficiencies identified above, we noted a 2017 internal audit review of Justice found deficiencies in its budgetary process. The review found there were no formal policies or procedures in place to provide guidance to staff regarding the responsibilities and processes for budget setting and monitoring at an operational level. Additionally, the responsibilities and accountabilities in relation to these processes appeared to be unclear to some staff. The review made eight recommendations with two directly related to improving the development and implementation of budget policy and process. Discussions with departmental staff confirmed none of the recommendations contained in the 2017 internal audit report had been implemented.

MONITORING AND REPORTING FINANCIAL INFORMATION NEEDS TO BE IMPROVED

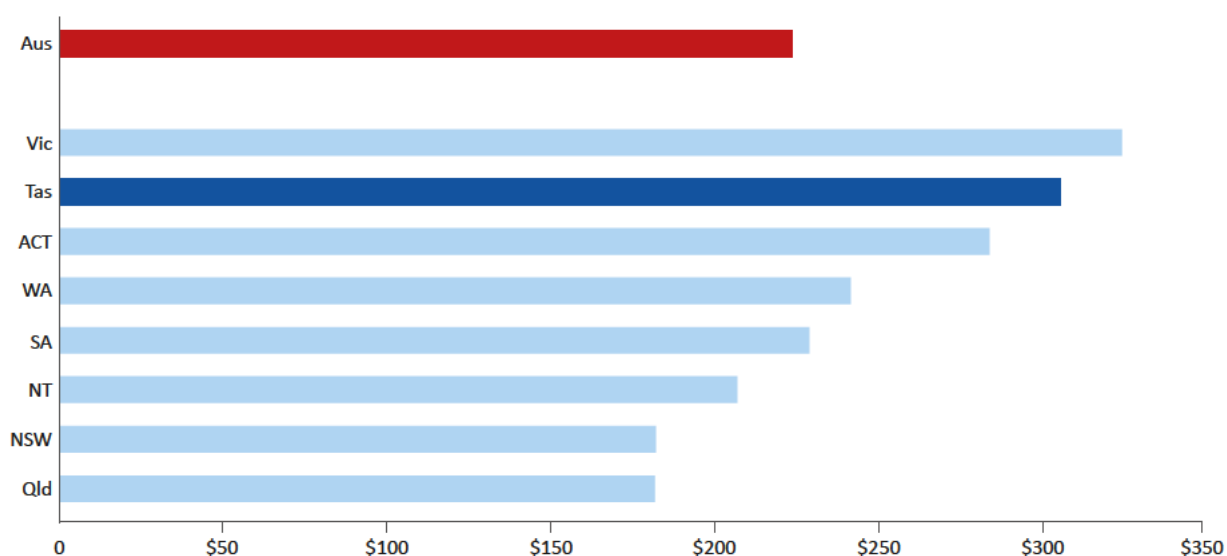
- 2.29 Improvement in monitoring and reporting of financial information by TPS and Justice would enable the service to have a better strategic view of performance. While performance information, such as assaults and escapes are reported, the reporting of high-level financial performance information is less developed. While some monitoring and reporting is undertaken TPS does not regularly report on comparative benchmarking or high-level financial indicator information with most financial reporting limited to detailed tracking of performance against budget.
- 2.30 The use of only limited financial KPI’s limits the monitoring role of senior management, which does not have a full range of performance information to aide its prioritisation of the use of resources and other service-related decision making. TPS could consider the use of dashboard and traffic-light style reporting that would enhance its high-level view of financial and service performance together with reviewing how other prison services strategically monitor financial performance.

9. Recurrent costs are the costs of maintaining and operating a given programme once the initial, one-off investment has been completed.

TASMANIA PRISON SERVICE NEEDS TO IMPROVE ITS USE OF COST AND BENCHMARKING INFORMATION

- 2.31 Whilst the use of benchmarking and financial indicators in the prison sector may be problematic due to jurisdictional differences in service delivery settings (e.g. public or private prison operations), geographic dispersal and inmate population profiles, it can still be a useful tool to improve financial oversight of a prison's operations. Current reporting only provides a limited understanding on whether TPS is operating efficiently compared to other prison services.
- 2.32 TPS collects information on the real net operating expenditure¹⁰ per inmate per day. This information is reported in ROGS and provides a comparison across all jurisdictions, as shown in Figure 7.

Figure 7: Real net operating expenditure per inmate per day 2017–18



Source: ROGS.

- 2.33 Figure 7 shows the real net operating expenditure incurred by Tasmania per inmate per day was \$305, which was the second highest in Australia and 1.4 times higher than the national average of \$223 per inmate. While useful in comparing costs, it does have limitations. This is because there are a number of differentiating factors between the Tasmanian prison system and those of other jurisdictions, including Tasmania's:
- relatively low inmate population
 - inability to benefit from economies of scale — the ability to spread administrative and management costs across locations, facilities and/or inmates
 - absence of privatised prison services
 - status as one of the few prisons in Australia encompassing all classifications on the one site.
- 2.34 Notwithstanding the above limitations, we see value in TPS adopting KPI and benchmark reporting. The NSW Audit Office, in its 2016 performance audit, *Performance frameworks in custodial centre operations*, listed a number of useful KPIs and benchmarks that could be used by TPS, including:
- cost per inmate per day (currently reported by ROGS)
 - inmate to CO ratio

10. Real net operating expenditure is calculated by dividing net operating expenditure, which excludes operating revenues, payroll tax and expenditure on inmate health and on transport and escort services where able to be disaggregated by jurisdictions, by the average daily inmate population.

- staff sick leave rates
- work, health and safety compliance and lost time injury rate
- facility capacity utilisation.

2.35 There are opportunities for TPS to gain a clearer understanding of its performance by knowing the cost impact of increased inmate numbers. An understanding of variable, fixed or step-fixed costs can assist in understanding prison efficiency. Knowing the inmate number thresholds at which fixed or step-fixed costs increase or decrease could assist TPS in determining when additional resources are required. These could include, for example, additional staff, extra roster lines or the opening of an additional accommodation unit.

2.36 Table 2 describes these cost classifications in the prison context.

Table 2: Cost classifications in the prison context

Classification	Description	Examples of costs
Variable costs	Costs that change directly in proportion to inmate numbers	Supplies/consumables, food
Step-fixed costs	Costs that remain constant for a certain number of inmates but change when inmate numbers exceed or fall below a certain threshold	Staff salaries, inmate services, electricity and water charges and education/training
Fixed costs	Costs that remain constant even when inmate numbers change	Rates and land tax, central administration and equipment

Source: TAO adapted from *A guide to calculating justice-system marginal costs*, The Vera Institute of Justice, United States.

2.37 Variable cost per inmate is a measure of prison efficiency and allows a more accurate comparison of performance across prison services. However, this information is not measured by ROGS and is not readily available. Notwithstanding this, reporting of such measures by TPS would provide better monitoring of variable cost efficiency.

2.38 Using benchmarking and monitoring fixed, step-fixed and variable costs could improve TPS's understanding of the impact of changes in inmate numbers and better anticipate when resource thresholds are reached. We were informed that some of the above suggested KPIs have already been developed by TPS's for use in 2019-20. This should improve the information available for effective decision making.

TASMANIA PRISON SERVICE COULD STRENGTHEN ITS UNDERSTANDING OF NON-SALARY COSTS AND THEIR RELATIONSHIP WITH INMATE NUMBERS

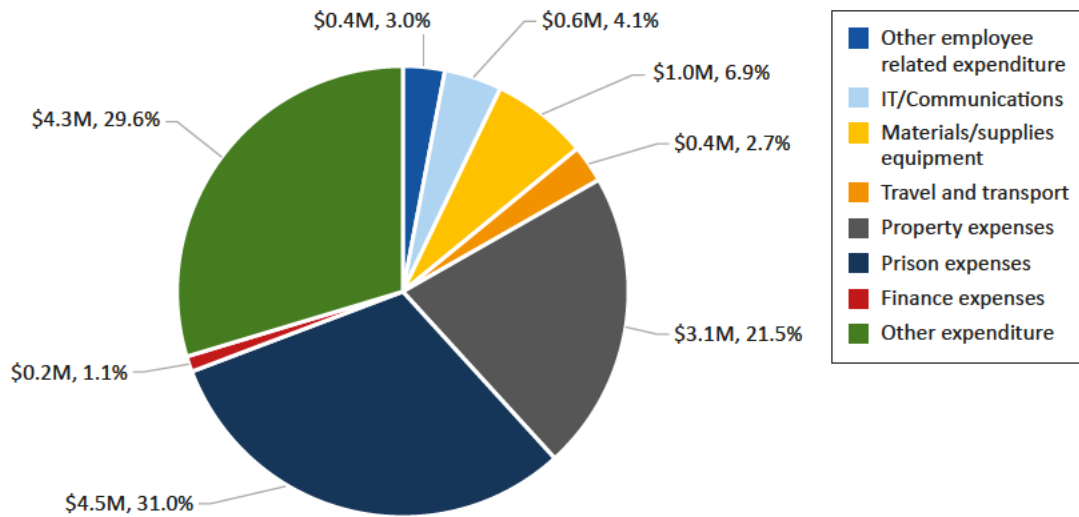
2.39 Non-salary costs are rising in an environment of steadily increasing inmate numbers, which is not unexpected. However, deficiencies in financial reporting made it difficult for us to determine if TPS's non-salary cost rises were appropriate and well managed. Specifically, TPS regularly monitors other non-salary costs with regular reporting of variations but it was not obvious to us it collects and analyses expenditure trends.

2.40 Non-salary related expenses between 2013-14 and 2017-18:

- represented around 26.5% of TPS's total expenditure
- grew 7.4% per annum, which was similar to salary related expenses of 7.2%, but lower than budgeted growth of 8.5%.

2.41 Figure 8 shows a breakdown of the major non-salary cost categories for 2017-18.

Figure 8: Non-salary related operating costs 2017-18



Source: TAO, Justice. Note: Information is based on cash operating costs. Internal transfer of \$2.1m has been removed from other expenditure, as it is only a cost transfer within TPS.

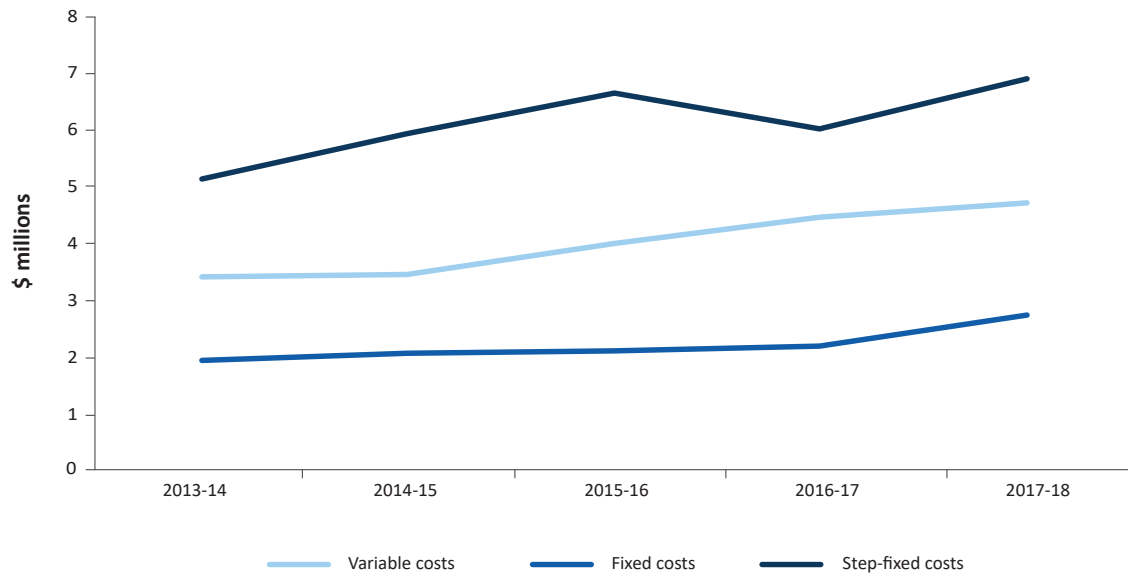
2.42 Figure 8 shows the largest non-salary cost categories for 2017-18 were prison expenses 31.0%, other expenditure 29.6% and property expenses 21.5%.

2.43 In 2017-18, the largest non-salary related costs were:

- Prison expenses, \$4.5m: has two major costs, general food supplies, \$2.1m, and inmate earnings, \$1.2m. Both these costs are directly affected by movements in inmate numbers.
- Other expenditure, \$4.3m: primarily consists of workers compensation premiums of \$3.6m. Premiums peaked in 2015-16 at \$4.1m before dropping to \$3.6m in 2017-18 but still almost \$1.0m higher than in 2013-14.
- Property expenses, \$3.1m: has four major costs, electricity, \$1.0m, maintenance \$0.5m, rates and land tax \$0.4m and water charges, \$0.4m.

2.44 We also categorised the non-salary related costs into variable, fixed or step-fixed costs. Figure 9 shows the growth in other costs by cost category from 2013-14 to 2017-18.

Figure 9: Non-salary related operating costs 2013-14 to 2017-18



Source: TAO, Justice

2.45 Figure 9 shows:

- variable costs steadily increased since 2014-15, which aligns with when inmate numbers started to rise
- fixed costs were steady until 2014-15 before starting to increase. An examination of fixed costs showed increases in fixed costs were wide-spread
- step-fixed costs steadily rose from 2013-14 to 2015-16 due mainly to rises in workers compensation premiums but these then reduced for 2016-17 resulting in a drop in step-fixed costs. However, rises in maintenance, labour hire and consultants again drove step-fixed costs higher in 2017-18. However, this was only one year so we cannot say if the upward trend will continue.

2.46 We also looked at the change in the three categories of cost from 2013-14 to 2017-18, where we noted:

- variable costs increased by 7.6% each year
- fixed costs increased by 8.8% each year
- step-fixed costs increased by 6.8% each year.

2.47 Fixed and variable costs rose more in percentage terms than step-fixed but as Figure 9 indicates, step-fixed costs may be starting to again trend upwards. The rise in variable costs largely mirrors the growth in inmate numbers, which is to be expected. However, the prolonged rise in fixed costs may be due to factors not necessarily connected to an increase in inmate numbers but more to do with cost control. It should be noted TPS cannot control all costs. Rates and electricity prices and workers compensation costs do not increase at a steady rate.

3. IS TASMANIA PRISON SERVICE EFFECTIVELY MANAGING ITS HUMAN-RESOURCE COSTS?

In this Section, we discuss the:

- approach taken by TPS to rostering staff
- impact of staff shortages
- approach taken to workforce planning
- impact of current staffing levels on COs and inmates.

SECTION SUMMARY

A legacy of not having the right level of staff resources has had a significant impact on the efficiency and effectiveness of TPS's service delivery. The effect of not having the right staffing levels has adversely impacted not only on the cost of the service but also staff welfare and wellbeing. TPS has operated in difficult circumstances for a number of years and has taken steps to ensure the operation of a safe and secure prison service.

To cover the lack of available staff for rosters and maintain the safety and security of the prison, increasing amounts of overtime has been used, which is costly and adversely affects staff wellbeing. The significant use of overtime contributes to the amount of long and short-term sickness absence taken, leading to further staff shortages. The need to improve modelling for inmate numbers (as described Section 2) and workforce planning has put TPS in a difficult position of not having the right number of staff to correctly resource the service. However, TPS has been tackling some of the issues confronting it, for example the implementation of the roster review.

Evidence has revealed recruitment of staff is not easy. This, coupled with the time it takes to train COs means it will be difficult for TPS to get ahead of its acute staff resourcing issues.

In the event of significant staff shortages, as a last resort, inmates are locked in their cells to maintain prison safety and security. Higher levels of staff shortages in recent years has resulted in a significant increase in the frequency and duration of lockdowns.

Operating with significant staff shortages has become the norm over the past few years. TPS acknowledges and understands the issues. It is taking steps to try to address staff shortages through improvements in inmate and staff modelling, better rostering, recruitment and setting targets to reduce overtime and sickness absence.

It will take a programmed approach with different strategies brought together to deliver the desired step-change improvement. This approach will need strong governance together with TPS ensuring it has the capability and capacity to deliver the improvements required. To acquire these additional resources will present a challenge as inefficiencies in running the service has focussed resourcing in ensuring the prison service is run safely and securely.

HISTORICALLY ROSTERING HAS NOT BEEN FULLY EFFECTIVE

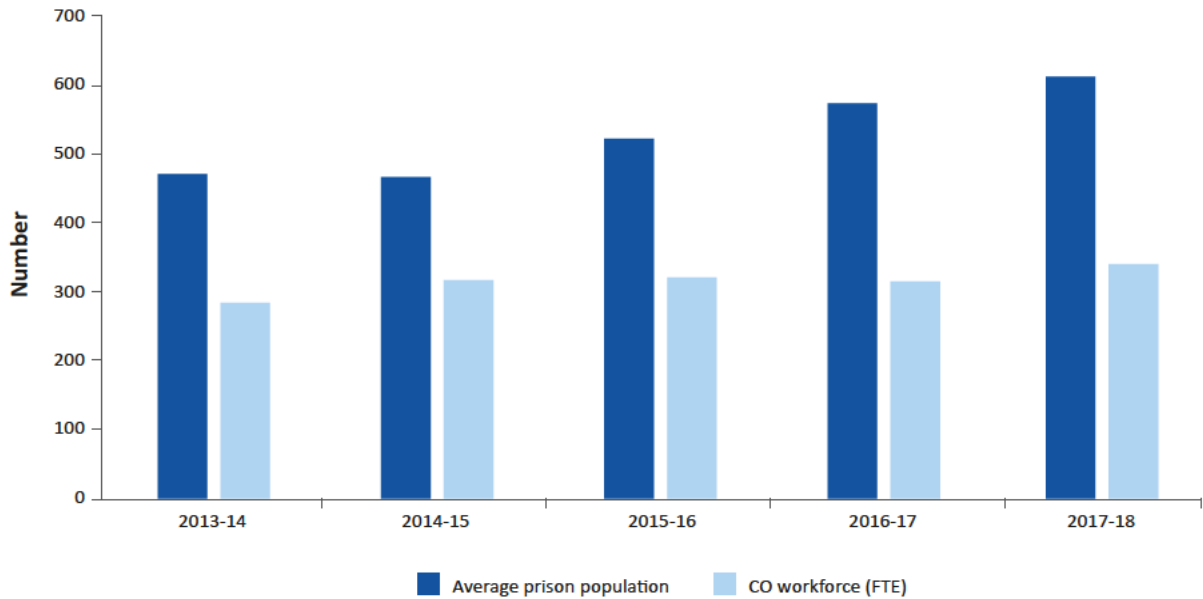
- 3.1 TPS's historical approach to staff and correctional modelling resulted in a prevalence of under estimating the number of staff required to undertake shifts. Staff shortages on shifts were common and became a normal way of operating. This mainly occurred because of the failure to factor in sufficient shift coverage for absences. This has also been exacerbated by difficulties in recruiting additional COs.
- 3.2 The staffing models had the undesirable 'knock-on' effect of artificially lowering TPS's annual recruitment target, compounded by TPS's inability to recruit to the required number of COs. Historically, recruitment has been insufficient in mitigating the combined impact of staff turnover and the need for additional shifts to cover increases in workload arising from a higher than assumed number of inmates. These factors have contributed to the historical growth in sick leave, vacant shifts and increased use of overtime.

- 3.3 In 2014, TPS developed a correctional staffing model (the model) to:
- determine the most cost-effective way of staffing shifts across facilities
 - minimise salary and overtime costs from the redeployment and recall of staff to cover absences.
- 3.4 The model was based on the following assumptions:
- 152 hours per roster period (four weeks)
 - 37 days recreation leave per year for COs and four weeks per year for superintendents
 - 6.5 days of long service leave accrued per year per CO
 - four days of compulsory training for all COs and two days additional training for tactical response group members.
- 3.5 In addition to the above assumptions, TPS used 10 days sick leave per employee and the average rate of worker's compensation of 5.5% of the total number of COs (equating to 13.6 FTE) as aspirational targets. These assumptions determined the estimated rate of planned and unplanned shift non-attendance, known as the 'non-effective rate'. TPS and Justice understood accurately estimating this parameter was essential for ensuring sufficient staff and shifts were rostered to cover absences. Underestimating the non-effective rate could result in a higher than expected reliance on overtime to cover staff absences.
- 3.6 In early 2014, TPS estimated COs would be absent from shifts on average around 12% of their available time, equating to a need for 295 correctional staff. Correctional overtime costs continued to exceed expectations as the aspirational targets were not achieved. This indicated the model was not effective in predicting the required correctional staffing resources for efficient and effective prison operation.
- 3.7 In April 2016, Justice reviewed the 2014 model and noted it contained numerous errors, including:
- the assumed shift length was understated
 - the rostered leave for flexible staff was excluded
 - superintendents had moved to shift hours and as a result, accrued more recreation leave per year than previously allowed for – 37 days compared to the estimate of 20 days
 - average sick leave taken by COs was higher – 12 days compared to the initially estimated 10 days
 - more COs were on workers compensation leave than assumed by the model – 8.5% compared to the estimate of 5.5%.
- 3.8 These issues meant the number of staff needed to operate the prison was initially understated, necessitating higher than planned levels of overtime to cover the additional requirements using the existing staff pool.
- 3.9 TPS and Justice updated the model to address the errors and improve its accuracy. However, they did not adjust the assumptions relating to:
- sick leave and workers compensation on the basis they were viewed as reasonable targets to be achieved
 - the minimum shifts required to reflect the higher than initially assumed inmate population.
- 3.10 Using the updated model, TPS determined the:
- minimum number of COs should increase by 6% from the previous level of 295 to 312
 - cost-efficient number of COs was 319 representing a recruitment target of seven FTE to cover anticipated staff separations (retirement, other employment) and vacancies.

STAFFING LEVELS HAVE NOT MATCHED INCREASES IN INMATE NUMBERS

- 3.11 TPS has experienced long-standing staff shortages that have contributed to an excessive use of overtime and budget deficits, limiting the effectiveness and efficiency of the prison. Another contributory factor is staffing levels have not kept pace with increasing inmate numbers.
- 3.12 Figure 10 shows that while the prison population grew by around 30% between 2013-14 and 2017-18, the CO workforce only grew by 19.7%. While we would not have expected an exact correlation between the two, the lower rate does indicate more pressure is being put on TPS.

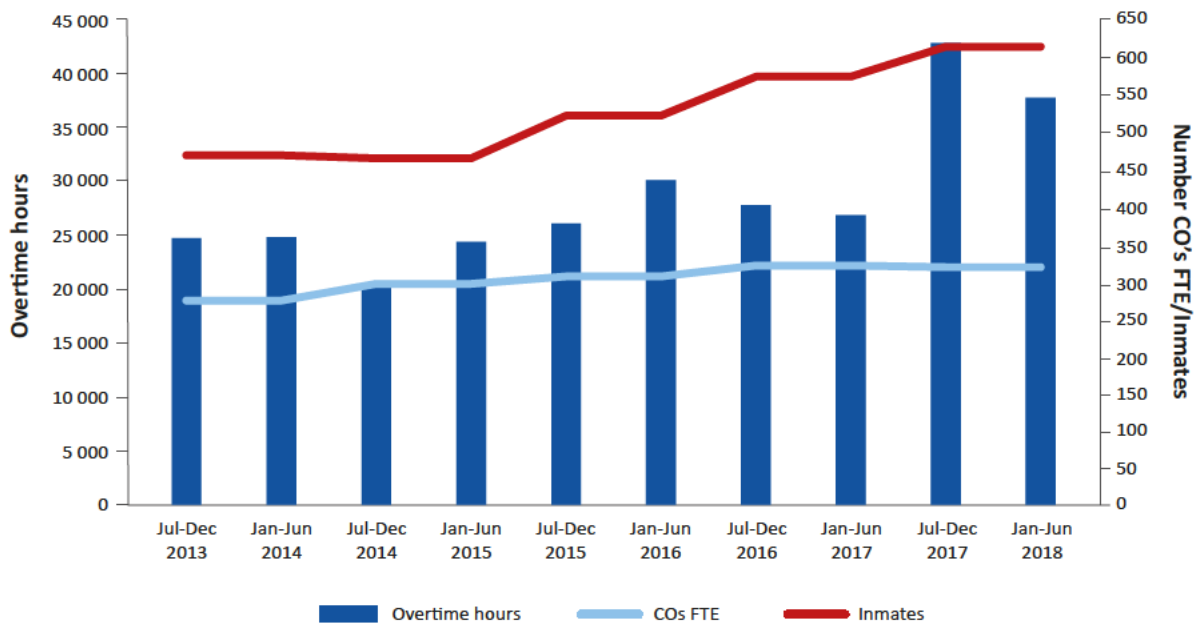
Figure 10: Numbers of inmates and COs (FTE), 2013-14 to 2017-18



Source: TAO, Justice, ROGS.

- 3.13 Between 2013-14 and 2017-18, the number of inmates per CO increased from 1.66 to 1.80. This widening gap between inmates and COs is likely to be higher after considering the impact of growing levels of absenteeism, which further reduced the pool of COs available to cover essential shifts.
- 3.14 Figure 11 indicates the growth in overtime was linked to TPS's weakening capacity to meet growing demand from the rising number of inmates.

Figure 11: Overtime shift hours worked by COs, July 2013 to June 2018

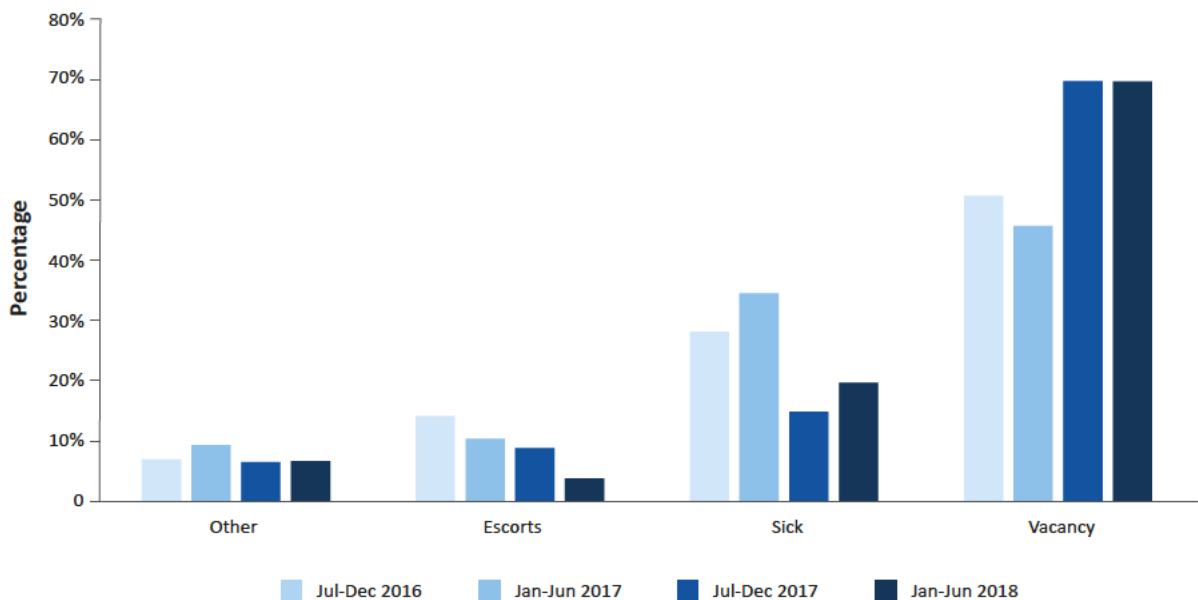


Source: TAO, TPS.

3.15 Figure 11 shows moderate growth in overtime hours from July 2014 to December 2016, reflecting the mitigating effect of gradual increases in CO FTE. The number of FTE remained relatively stable in the ensuing period up to 2018, despite continued increases in inmate numbers. This corresponds with a sharp increase in the number of overtime hours during 2017–18 reflecting the growing gap between the number of CO FTE and inmates during this period.

3.16 Figure 12 confirms vacancies were the main reason for overtime shifts.

Figure 12: Main reasons for overtime shifts worked by COs — July 2016 to June 2018



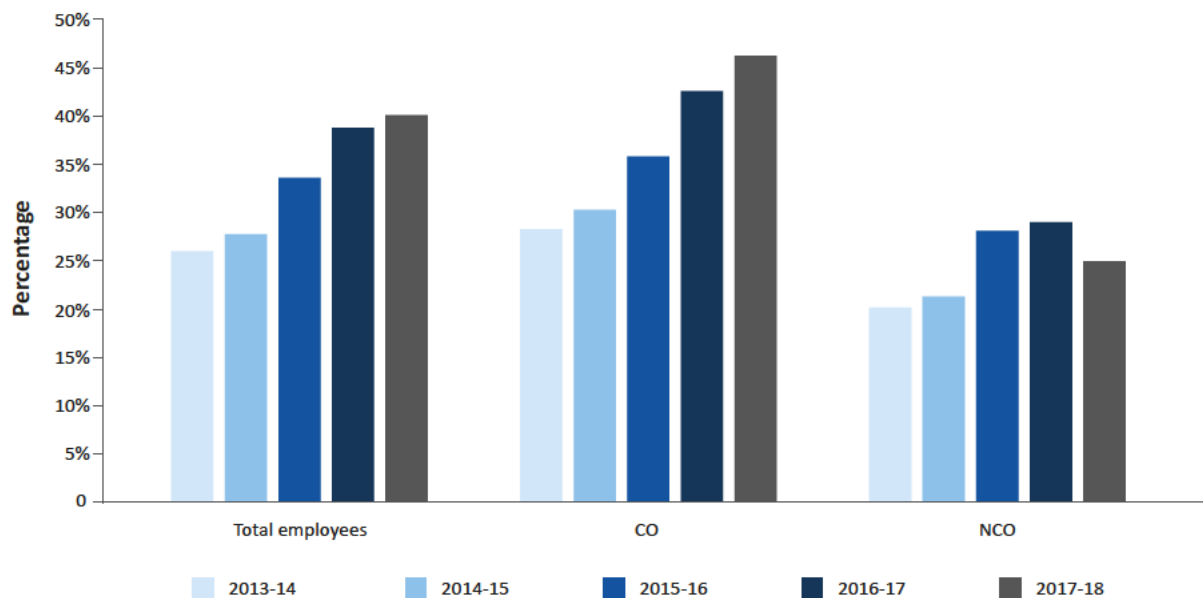
Source: TAO, Justice.

- 3.17 Figures 11 and 12 show TPS’s stable FTE in the face of growing inmate numbers, combined with the effects of sick leave, diminished TPS’s capacity to cover shifts needed to meet operational requirements.
- 3.18 The long-standing challenge of overtime was noted by the 2013 LCGAC inquiry and by the Parliamentary Standing Committee on Public Accounts in its 1983 inquiry into prison officers’ absenteeism. Both inquiries found the escalating cost of overtime within TPS was a major issue, demonstrating it had persisted over many years and efforts to address it had been largely ineffective.
- 3.19 LCGAC identified short-notice sick leave, workers compensation absences, staff vacancies and the impact of critical incidents within TPS as the major contributing factors to overtime costs. It also found workplace culture, attitudes and entrenched practices at the prison had likely also contributed, through the misuse of sick leave entitlements.
- 3.20 The continued growth in overtime indicates these issues have yet to be effectively addressed and still represent a significant challenge for TPS.

STAFF HEALTH IS BEING NEGATIVELY IMPACTED

- 3.21 TPS’s long-term staff shortages contributed to a significant increase in sickness absence, including workers compensation absences during the last five years. TPS acknowledges this partly reflects the growing pressure on existing staff to cover shortages by working longer hours and additional shifts.
- 3.22 Figure 13 shows the proportion of TPS employees taking significant sick leave (i.e. greater than 10 days) increased considerably over the last five years from around 26% in 2013-14 to 40% in 2017–18. The rate of significant sick leave amongst COs was higher and grew from around 28% to 46% over the same period.

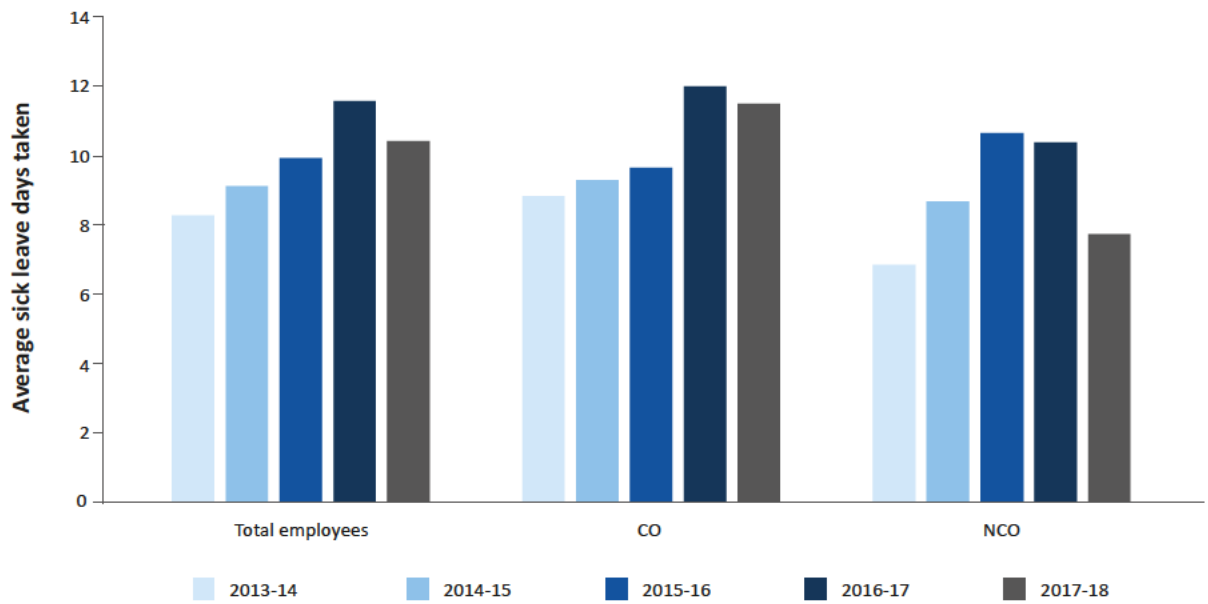
Figure 13: Percentage of TPS employees with significant sick leave 2013–14 to 2017–18



Source: TAO, Justice.

- 3.23 Figure 14 similarly shows the average number of sick leave days increased sharply in the two-year period 2016–17 to 2017–18, particularly among CO staff.

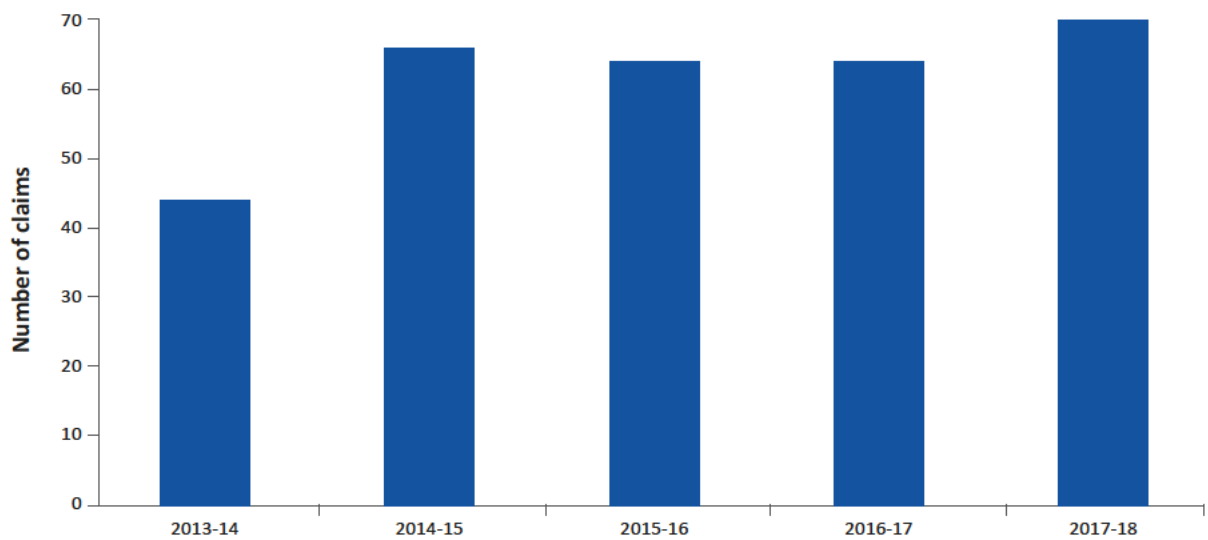
Figure 14: Average days of sick leave taken by TPS employees, 2013–14 to 2017–18



Source: TAO, Justice.

- 3.24 A growing ratio of inmates to staff coupled with the significant increase in overtime, particularly during 2017–18, created a challenging work environment that resulted in an increase in sick leave taken.
- 3.25 Data supplied by Justice shows this problem was compounded by the significant growth in workers compensation leave¹¹ during the same period. Specifically, Figures 15 and 16 show workers compensation claims increased by almost 60% between 2013–14 and 2017–18, largely due to a significant increase in claims from COs (138%).

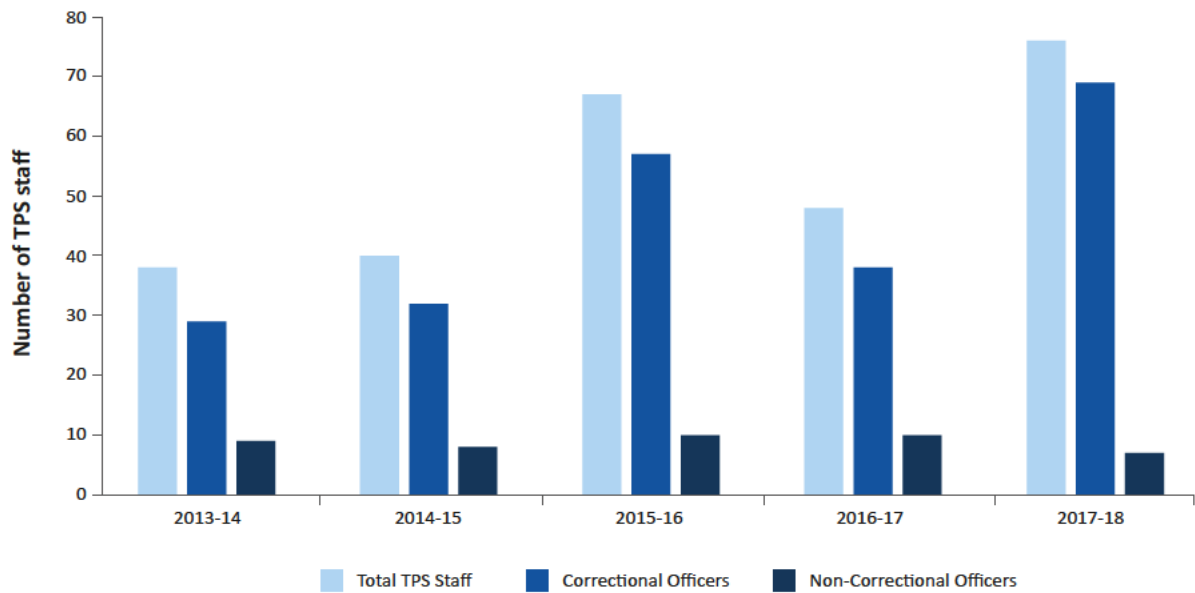
Figure 15: Number of TPS workers compensation claims 2013-14 to 2017-18



Source: TAO, Justice.

11. Workers compensation leave is available to staff who are entitled to work-related injury leave due to staff being injured or becoming sick due to their employment.

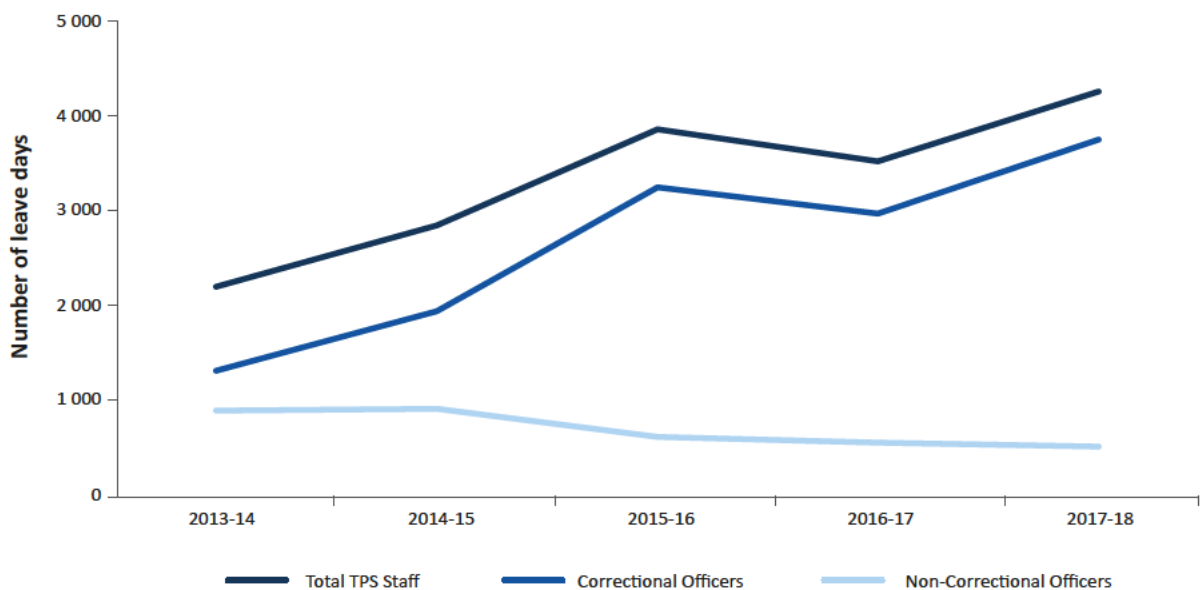
Figure 16: TPS staff accessing workers compensation leave 2013-14 to 2017-18



Source: TAO, Justice.

- 3.26 The substantial growth in workers compensation claims since 2013-14 resulted in a 71% increase in the total number of workers compensation and sick leave days per year between 2013-14 and 2017-18 across all TPS staff.
- 3.27 Figure 17 illustrates this increase was primarily due to the significant growth in annual workers compensation leave days amongst the CO cohort, which grew by 186%. This amounted to around 3 744 leave days during 2017-18, meaning workers compensation related absences significantly added to CO staff shortages.
- 3.28 This shortage was additional to that resulting from the growth in excess sick leave, leave out of sequence, existing vacancies and from the additional shifts created by TPS to cater for the growth in demand from the higher than budgeted number of inmates.

Figure 17: Total workers compensation leave days 2013-14 to 2017-18



Source: TAO, Justice.

- 3.29 The substantial growth in sick leave and workers compensation leave evident over the last five years is concerning. In part, it reflects the challenging nature of employee roles within the TPS, but it is also indicative of an unhealthy workplace, representing a systemic problem

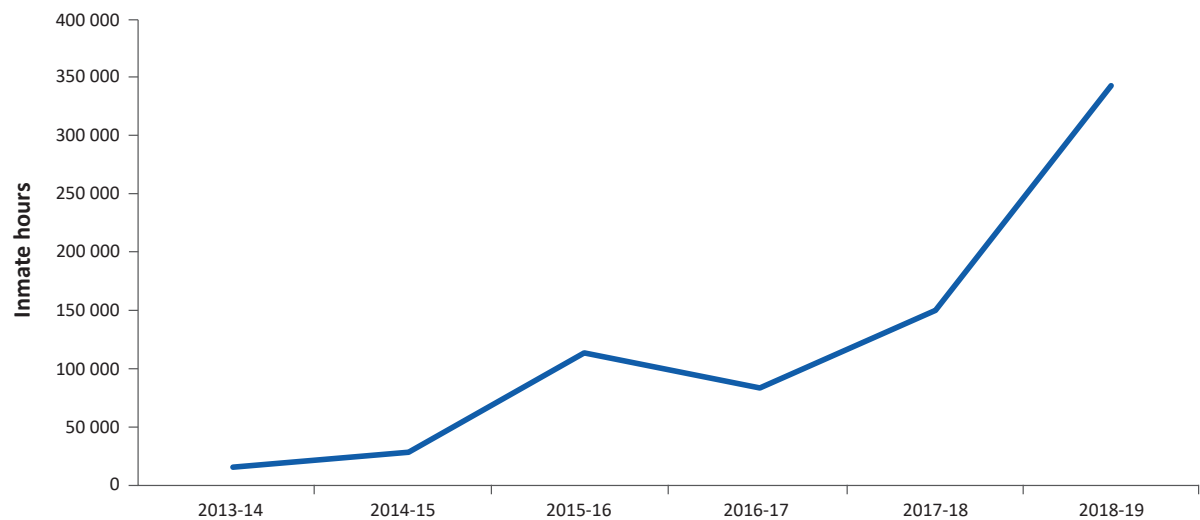
within TPS. It also indicates TPS's related management strategies have not yet been effective in overcoming these impacts.

- 3.30 TPS advised it was working to address the growth in sick leave by developing programs focused on building staff resilience. As explained later in this Report, it has also taken action to improve its rosters to address historical shortcomings contributing to the high levels of overtime resulting in reduced staff morale, fatigue and time off work.

STAFF SHORTAGES AND INCREASED INMATE NUMBERS HAVE CONTRIBUTED TO SIGNIFICANT INCREASES IN INMATE HOURS UNDER LOCKDOWN

- 3.31 Persistent staff shortages have contributed to an increase in the number of hours inmates spend under lockdown (inmates remaining in their cells). Figure 18 shows the number of hours inmates spent under lockdown increased from 14 349 in 2013-14 to 344 617 in 2018-19.

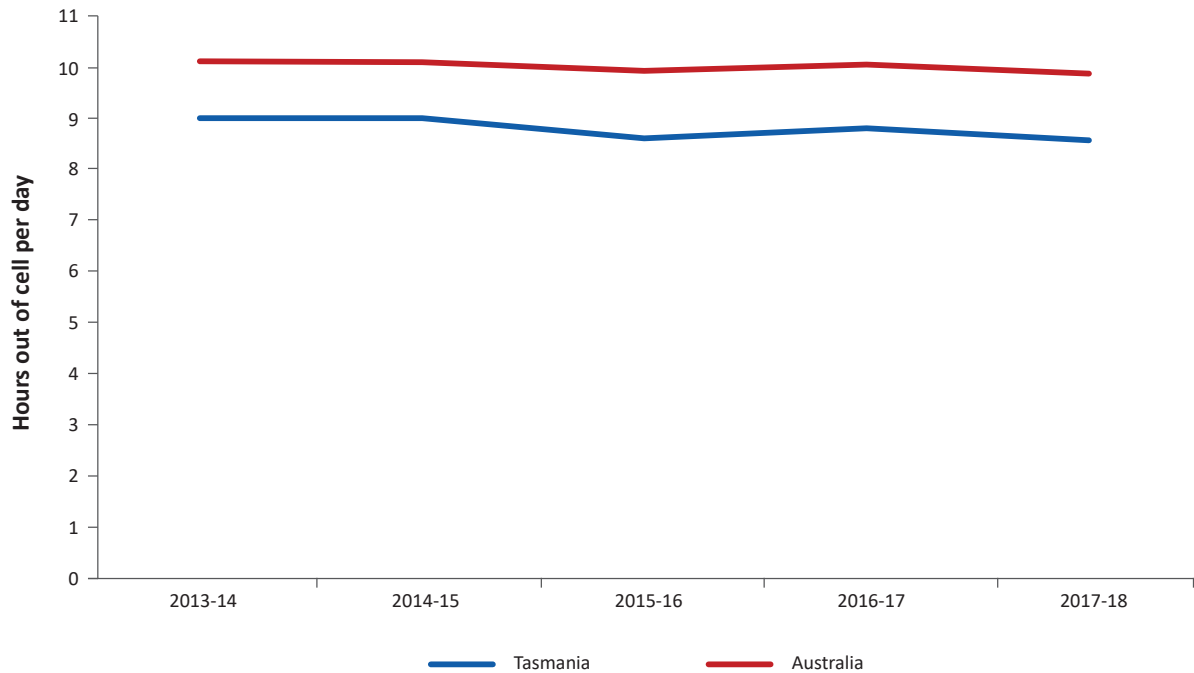
Figure 18: Inmate hours under lockdown, 2013-14 to 2018-19



Source: TAO, TPS.

- 3.32 While no national data is available on lockdowns, there is ROGS data on inmate time out of cells. Figure 19 shows a comparison for time-out-of cells per day between TPS and the Australian average.

Figure 19: Time out of cells per day, Tasmania and Australia 2013-14 to 2017-18



Source: ROGS.

- 3.33 Figure 19 shows TPS’s inmates spend less time out-of-cells than the Australian average with the gap slightly widening over the last three years. TPS advised us that lockdowns were essential, when insufficient staff are rostered to run the prisons, to ensure the safety and security of both staff and inmates.
- 3.34 TPS acknowledged these trends reflected recent operating challenges mainly due to staff shortages and increased inmate numbers. It also acknowledged lockdowns removed access to the range of services within the prison focused on rehabilitation designed to equip inmates with the skills and confidence to reintegrate into the community once released.

Figure 20: Gardening is an important rehabilitative activity at Risdon Prison



Source: TPS

- 3.35 TPS advised it began implementing a staff shortage strategy in February 2019 with the goal of minimising the impact of lockdowns. It further advised the recent addition of 24 staff since May 2019 has allowed it to reduce lockdowns. TPS intends to recruit a further 20 staff between July and October 2019 to enhance the number of staff available and subsequently reduce the number of lockdowns.

TASMANIA PRISON SERVICE IS IMPROVING ITS APPROACH TO ROSTERING

- 3.36 Prisons are a 24-hour, 365 days per year operation and the management of any prison requires staffing on a 24-hour rotational basis to ensure continuous supervision of inmates. Improvements to current rostering in TPS requires taking into account costs, meeting employee preferences, distributing shifts equitably and satisfying industrial relations requirements.
- 3.37 TPS acknowledged the numerous ad-hoc modifications and ‘bolt-ons’ made to its internally developed rosters over time meant they were outdated and no longer suited to operational needs. To address this, in 2018 TPS engaged consultants to undertake a full review of its rostering model. The consultants developed updated rosters based on a significant increase to TPS’s establishment. To date, these have been rolled out to the four smaller facilities, with implementation at RPC (the largest site) now scheduled for January 2020.
- 3.38 The rostering model review highlighted TPS’s operating models and previous rosters were out of date and required updating. The existing rosters and operating models had been in place for many years without major review and were designed during periods of lower inmate numbers and movements. The consultants analysed the incidence of leave and absences over a seven-month period between 1 August 2017 and 28 February 2018 to calculate ‘relief factors’¹² and the non-effective rate to assist with determining shift numbers to cover both planned and unplanned leave.
- 3.39 TPS advised its goal was to develop a set of rosters that would enable the prison to operate at maximum capacity without the need for overtime. It is acknowledged this assumed appropriate management tools were in place to minimise the impact of sick leave and workers compensation absences, which historically, was not the case.
- 3.40 In this context, TPS advised the revised rostering model provided a basis for determining what the correctional head count should be to aid planning around recruitment. After modelling various staffing scenarios, TPS favoured the option involving the minimal use of overtime, which the consultants estimated equated to a need for around 60 additional COs (see 3.56). It is too early for us to say whether the new rostering arrangements are having a positive impact as they have only recently been put in place.

2018 ROSTERING REVIEW

- 3.41 The 2018 rostering model review outlined the significant impact of absenteeism and difficulties in filling rosters. The review identified an estimated absenteeism rate per staff member of around 562.3 hours each year, equating to a relief factor of 1.396 and non-effective rate of 28.4%. This was almost identical to the non-effective rate of 28.5% assumed by TPS under its former 2016 revised correctional staffing model.
- 3.42 The analysis of leave outlined the scale of absenteeism:
- around 14.4 to 16.2 staff, on average, were unavailable during weekdays due to unplanned absences and around 10.9 staff during weekends. This equated to around 10% of rostered posts affected by absences throughout the week
 - the number of spare hours already scheduled into rosters were insufficient and did not correlate with actual absences, with weekends impacted the most.
- 3.43 In addition, a number of COs have accumulated high levels of leave, which could be due to staff not able to take their full leave entitlements so as to cover absenteeism, as demonstrated by:
- as at April 2018, 199 COs had leave accruals in excess of the 152-hour entitlement – almost two-thirds of TPS’s workforce
 - accumulated excess leave by employees of 41 349 hours, equivalent to 29 FTE.

12. Relief factor is the number of additional COs needed to ensure uninterrupted CO coverage.

3.44 Whilst we acknowledge staffing to higher absence levels may normalise expectations of tolerable absences and potentially lead to overstaffing, the converse is equally true and, as evidenced, leads to an overreliance on overtime to operate the prison resulting in an inefficient prison system.

OUTDATED OPERATING MODELS ARE IMPEDING RESOURCE PLANNING

3.45 TPS not only develops rosters for the number of staff required at different times at different locations it also develops Custodial Operating Models (operating models), which detail required workplace practices, such as inmate management, inmate security and staffing requirements. Our work identified these operating models were out of date. TPS had 13 operating models for its various facilities across the prison system. We examined 11 of these operating models and although they were to be reviewed every 12 months, we found most had not been reviewed since initially developed. In many cases this was over a decade ago. TPS confirmed the models were outdated and had not been revised to reflect current rosters, work practices, or the significant growth in inmate numbers over recent years.

3.46 Consequently, TPS’s resource planning was not based on up-to-date workplace practices and the associated staffing required. This has the potential to add to the issues concerning appropriate resourcing and having a robust approach to workforce planning.

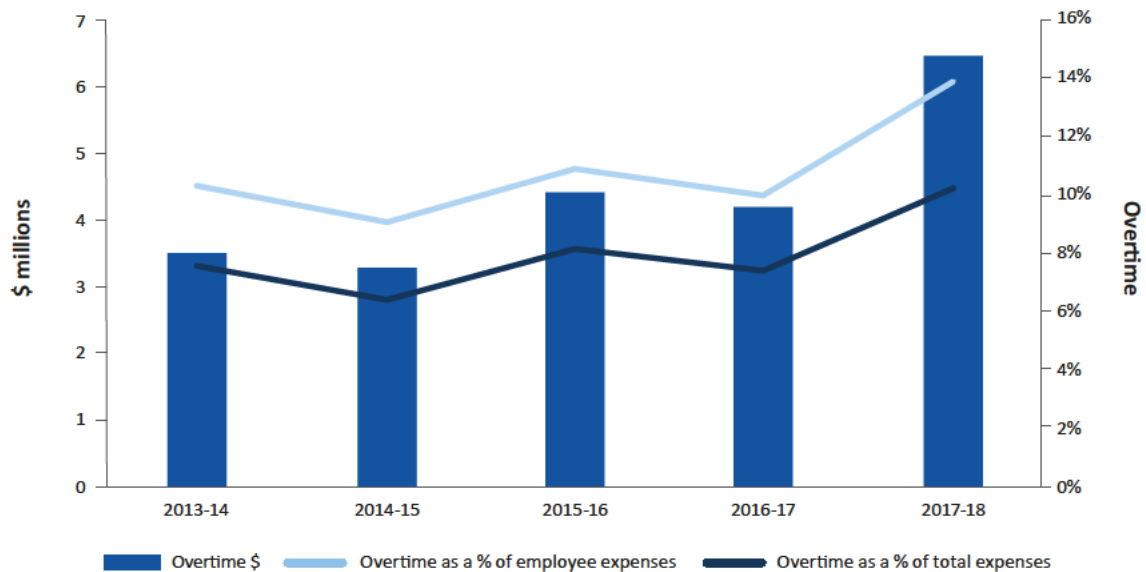
3.47 TPS, to support a more planned approach to staffing, has yet to develop clear standards and benchmarks for determining the minimum number and nature of staff resources required to operate the prison safely and efficiently and how these resources should change in response to variations in inmate numbers. TPS acknowledged addressing these issues is a necessary next step following its current roster review initiative.

3.48 TPS therefore regards its current roster improvement initiative as an important foundational step requiring periodic review and refinement in conjunction with more regular reviews of its operating models in future.

EXTENT AND CAUSES OF OVERTIME

3.49 Overtime has been trending upwards since 2013-14 both in dollar terms and in percentage terms compared to total employee and total employee expenses. Figure 21 shows the cost of overtime for the period 2013-14 to 2017-18 together with it as a percentage of employee and total expenses.

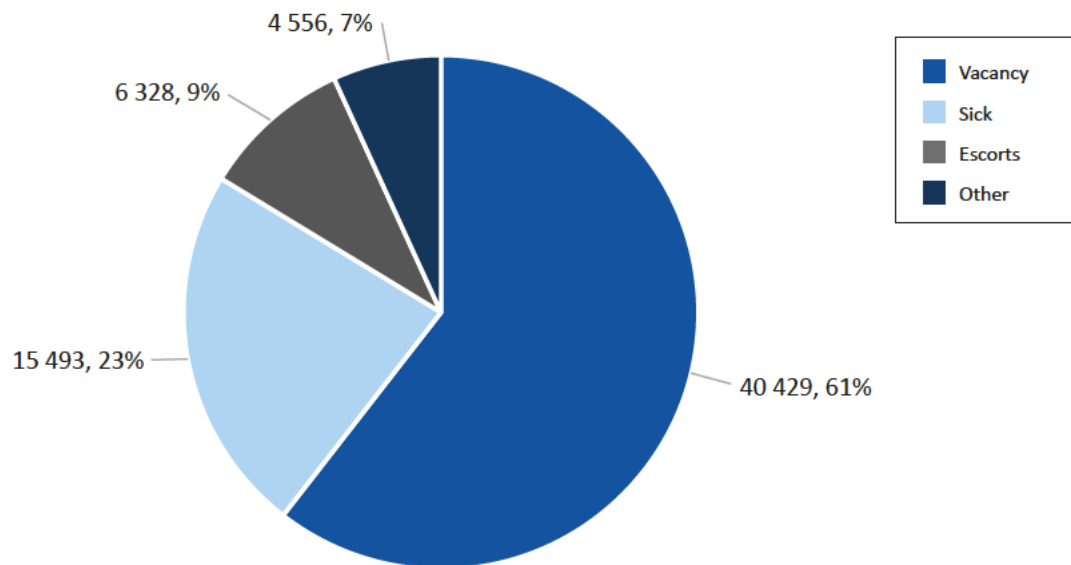
Figure 21: Cost of overtime between 2013-14 to 2017-18



Source: Justice

3.50 The rostering model review identified vacancy¹³ coverage was the main reason for overtime in 2017. Figure 22 shows overtime hour usage between 1 January 2017 to 31 December 2017.

Figure 22: Overtime hour usage between 1 January 2017 to 31 December 2017



Source: TPS.

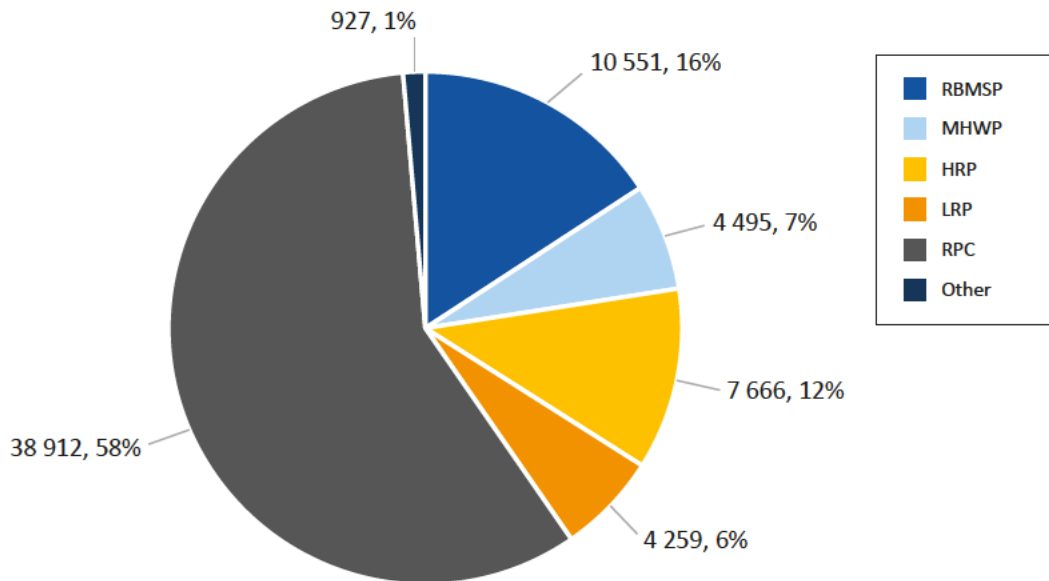
3.51 Figure 22 shows:

- 61% of overtime hours were due to covering vacancies equating to around 40,429 hours, or almost 29 FTE
- the other major categories were sick leave and the reassignment of staff to escort inmates, which accounted for 23% and 9.5% of overtime hours respectively.

3.52 The review also examined overtime usage by work area for the same period. Figure 23 shows overtime usage between 1 January 2017 to 31 December 2017 by facility. We were advised overtime is allocated where the relieving staff member is allocated to even though the original staffing gap may actually be in another facility. Therefore, the overtime cost can be incorrectly allocated to the wrong facility. This means the cost of overtime is potentially not accurately reported. Despite these inaccuracies, we have included information used for the review. TPS has confirmed this information is not accurate, for the reasons outlined above, and we would recommend TPS improves the way it monitors overtime and how it is attributed to prison facilities.

13. Shifts with no staff allocated due to illness or lack of staff.

Figure 23: Overtime hours usage by work area 1 January 2017 to 31 December 2017



Source: TPS, TAO.

- 3.53 The consultants highlighted the high level of vacancies in the roster as a major issue noting:
- 16%, or 49 correctional staff, were not available to perform their full duties either because they were incapacitated or assigned to 'suitable duties'¹⁴
 - two staff were on long-term sick leave and medically restricted
 - rosters had numerous gaps in coverage for existing agreed posts every four weeks.
- 3.54 Consequently, the consultants estimated an additional 8 683 hours per week was needed to fully cover existing roster lines, without using overtime, equating to an extra 15 FTE above existing levels, bringing the total FTE to 318. Therefore, if overtime is to be reduced, extra COs will need to be recruited.

A PROGRAMMED APPROACH TO IMPROVEMENTS IS NEEDED TO MAXIMISE THE BENEFITS OF INCREASED STAFFING

- 3.55 The consultants developed a business case outlining four options to aid selection of an optimum staffing model. The different options developed are summarised in Table 3.

Table 3: Roster options for new staffing model

Option	Head count	Ordinary hours	Overtime hours	Total True Labour Cost (\$m)	Total hours
Current (2017)	304	431 700	66 800	35.4	498 600
Option 1	319	452 660	44 140	34.6	496 800
Option 2	352	499 000	43 900	37.7	542 900
Option 3	364	515 800	19 100	36.4	534 900
Option 4	364	515 800	26 100	37.0	542 000

Source: TPS. Note: Consultants used head count rather than FTE for the above options, but there is only a marginal difference between the two terms as there are only one or two part time COs.

14. Suitable duties is for employees who are on a return to work plan and who are subject to any medical limitations. This usually involves modifying an employee's duties, providing alternative ones or changing work hours while on the plan.

- 3.56 Option 3 was the preferred option approved by Justice as it minimised the use of overtime and greater operational flexibility with increased COs. This resulted in a significant increase of 60 COs to its approved establishment and recruitment target, lifting it from 304 to 364 COs.
- 3.57 TPS acknowledged achieving its target would likely require two to three years. TPS would need to adopt a focused monitoring regime in which its annual recruitment targets and activities are dynamically adjusted in response to emerging demand, staff attrition, absenteeism and recruitment outcomes. TPS advised it was presently working on developing the strategy, monitoring tools and KPIs needed to support these efforts.
- 3.58 TPS's roster review represents an important recent improvement initiative with significant potential. However, inherent limitations risk limiting its impact. Specifically, the revised rosters are still based on:
- Aspirational assumptions relating to workers compensation and sick leave absences that depend on TPS addressing its management and operational weaknesses contributing to these absences. No absence management strategy is currently in place to achieve significant reductions.
 - An historical analysis of shift patterns and related hours rather than a comprehensive review of operating models. Consequently, there is insufficient assurance new rosters reflect the operating practices and resources needed to safely, efficiently and effectively operate the prison.
- 3.59 Consequently, it is too early to assess the effectiveness of the new staffing model. This will ultimately depend upon TPS effectively executing its recruitment strategy and achieving a more strategic, integrated and effective approach to workforce planning, absence management, demand modelling, budgeting, and financial management. We consider it important for TPS to operate a programmed approach to developing and implementing its various improvement strategies with strong governance and appropriate resourcing.

WORKFORCE PLANNING AND THE OVERALL APPROACH TO DELIVERING IMPROVEMENTS IS NOT YET SUFFICIENTLY RIGOROUS OR STRATEGIC

- 3.60 TPS's approach to workforce planning was impacted by outdated staffing and operating models, rosters and recruitment practices, which it acknowledges were no longer fit for purpose. TPS acknowledges this is a key improvement area to deliver a more holistic approach to its staffing.
- 3.61 An historical absence of effective workforce planning, including demand modelling and financial management, prevented TPS from reliably planning and budgeting for the type of workforce it needs both now and in the future. An absence of effective workforce planning also impeded TPS from determining the best way to adjust and deploy its workforce in response to changes in demand to assure it continues to operate the prison safely, efficiently and effectively.
- 3.62 TPS needs to consider its strategic approach to recruitment and retention of staff, succession planning, training and development together with how to implement strategies to reduce sickness absence, reliance on overtime and improved use of resources through rostering.
- 3.63 To bring together TPS's various improvement initiatives will take time and require a strong-programmed approach. Improvement initiatives will need to be brought together to ensure they are mutually supportive, make best use of available resources and are effectively implemented.

- 3.64 Strong governance will be required to ensure accountability for the delivery of improvements that achieve the intended benefits. If implemented effectively it can provide clarity of purpose and roles and responsibilities, strong project leadership and provide an effective forum to monitor progress. As part of a programmed approach an integrated change-management plan would help TPS ensure it has a strong focus on the delivery of improvements that are well communicated and have appropriate timelines and resources to support achieving the desired outcomes by agreed target dates.
- 3.65 The improvements required are significant and a strong governed approach with clear accountabilities will be an important step if the desired outcomes are to be achieved. To implement this approach TPS and Justice will need to consider if they have the right capacity and capability as this will be a significant undertaking.
- 3.66 The extra resourcing needed for a strongly governed and programmed approach will need to be considered in the light of the current inefficiencies in the way the service is operated. Resources are currently focussed on operational activity to ensure a safe and secure prison service. Resources will need to be either re-focussed or acquired to achieve the step-change improvements required.

LIST OF ACRONYMS AND ABBREVIATIONS

CO	Correctional Officer
FTE	Full time equivalent
Government	Tasmanian Government
LCGAC	Legislative Council Government Administration Committee
Justice	The Department of Justice
Modelling Team	Strategic Projects and Modelling Team
MHWP	Mary Hutchinson Women's Prison
NCO	Non-Correctional Officer
Operating Model	Custodial Operating Model
RBMSp	Ron Barwick Minimum Security Prison
Risdon Prison	All custodial facilities located at Risdon Vale
ROGS	Report on Government Services
RPC	Risdon Prison Complex
TAO	Tasmanian Audit Office
TPS	Tasmania Prison Service
Treasury	The Department of Treasury and Finance

AUDIT MANDATE AND STANDARDS APPLIED

Mandate

Section 23 of the *Audit Act 2008* states that:

- (1) The Auditor-General may at any time carry out an examination or investigation for one or more of the following purposes:
 - (a) examining the accounting and financial management information systems of the Treasurer, a State entity or a subsidiary of a State entity to determine their effectiveness in achieving or monitoring program results;
 - (b) investigating any matter relating to the accounts of the Treasurer, a State entity or a subsidiary of a State entity;
 - (c) investigating any matter relating to public money or other money, or to public property or other property;
 - (d) examining the compliance of a State entity or a subsidiary of a State entity with written laws or its own internal policies;
 - (e) examining the efficiency, effectiveness and economy of a State entity, a number of State entities, a part of a State entity or a subsidiary of a State entity;
 - (f) examining the efficiency, effectiveness and economy with which a related entity of a State entity performs functions –
 - (i) on behalf of the State entity; or
 - (ii) in partnership or jointly with the State entity; or
 - (iii) as the delegate or agent of the State entity;
 - (g) examining the performance and exercise of the Employer's functions and powers under the *State Service Act 2000*.
- (2) Any examination or investigation carried out by the Auditor-General under subsection (1) is to be carried out in accordance with the powers of this Act.

Standards Applied

Section 31 specifies that:

'The Auditor-General is to perform the audits required by this or any other Act in such a manner as the Auditor-General thinks fit having regard to -

- (a) the character and effectiveness of the internal control and internal audit of the relevant State entity or audited subsidiary of a State entity; and
- (b) the Australian Auditing and Assurance Standards.'

The auditing standards referred to are Australian Auditing Standards as issued by the Australian Auditing and Assurance Standards Board.



Tasmanian Audit Office

Phone (03) 6173 0900
Fax (03) 6173 0999
Email admin@audit.tas.gov.au
Web www.audit.tas.gov.au

Launceston Office

Phone (03) 6173 0971

Address Level 8, 144 Macquarie Street,
Hobart
Postal Address GPO Box 851, Hobart 7001
Office Hours 9am to 5pm Monday to Friday

Address Level 4, Henty House
1 Civic Square, Launceston

Front Cover Ron Barwick Minimum Security Prison