



DEPARTMENT OF
CORRECTIONS
ARA POUTAMA AOTEAROA

ANNUAL REPORT

1 JULY 2010 – 30 JUNE 2011



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OUR VISION

Improving public safety by ensuring sentence compliance and reducing re-offending, through capable staff and effective partnerships.



OUR PRIORITIES

Public Safety

WE WILL enhance the quality of service delivery practice and deliver prison services to a recognised world leading standard.

Reducing Re-Offending

WE WILL place offenders at the centre of our efforts to achieve better outcomes while ensuring they have skills and the opportunity to have a job on release.

Better Public Value

WE WILL modernise the way we deliver services while producing operational savings.

Leadership

WE WILL partner with others to achieve better outcomes for communities and offenders and prioritise the professional development and safety of our frontline staff.



INTRODUCTION

Our Annual Report is the most important means by which we discharge our accountability to Members of Parliament and the public. It outlines how resources were used and it is a key document for the financial review of our performance and operations conducted by Select Committees under the Standing Orders of the House of Representatives.

It covers our operations during the preceding financial year from 1 July 2010 to 30 June 2011.

This Annual Report is divided into three sections:



Part A Contribution to Outcomes explains what we did to contribute to our long-term outcomes and medium-term impacts as outlined in the 2010-2013 Statement of Intent.



Part B Statement of Service Performance contains a report against the performance measures and standards for those services provided as set out in the Vote Corrections, Information Supporting the Estimates of Appropriations 2010/11.



Part C Annual Financial Statements contains the financial statements for the 2010/11 financial year prepared in accordance with the Public Finance Act 1989 and other legislative or administrative requirements and expectations.

CHIEF EXECUTIVE'S OVERVIEW

Every day of the working week nearly 8,000 people come to work at the Department of Corrections where they manage New Zealand's most difficult and challenging citizens. In December 2010, I joined this team of people.

I quickly learned that I was leading a well-performing Department that had made significant progress over the last few years. By concentrating on getting our systems and procedures right, we have significantly improved our performance and are effectively and efficiently delivering on the Government's priorities. We have performed well against our priorities, demonstrating strong leadership to improve public safety and reduce re-offending, while never losing sight of the importance of providing better public value and showing fiscal responsibility.

Corrections is an exciting place to be. We're building on our foundation of strong performance and leadership to create lasting change.

Public safety will always be our main priority. Over the last 12 months we have demonstrated our commitment to keeping the people of New Zealand safe through a variety of new initiatives as well as in our day-to-day work. Careful planning saw the smooth introduction of smokefree prisons in July 2011, making our prisons healthier and safer places for our staff, visitors and prisoners. Delivering on the second year of our Community Probation Services' 'Change Programme' resulted in the improved management of community-based sentences and orders.

In order to keep the public safe, we need to focus on reducing re-offending and ensuring that people leave our services as better citizens than when they came in. To support this goal, we increased the number of prisoners who received drug and alcohol treatment. We ensured more prisoners than ever before were undertaking prisoner employment activities in prison. Rehabilitative programmes such as drug treatment units, and prisoner employment, have had good results in reducing rates of re-offending. The introduction of a Case Management approach to offender management is providing a more targeted approach to addressing offending behaviour, both within prisons and in the community. The development of the Whare Oranga Ake units at Spring Hill Corrections Facility and Hawke's Bay Regional Prison sharpened our focus on supporting sustainable employment and accommodation for prisoners on release, and on facilitating constructive whānau and community engagement in the last months of their imprisonment. The most recent figures for offenders managed in 2009/10 indicate a fall in reconvictions and imprisonment rates amongst offenders who commenced a community-based sentence.

We are committed to creating lasting change through innovation. Private sector innovation and expertise was introduced to the prison system through the contract management of Mt Eden Corrections Facility. The short-listing of three private-sector consortia to deliver a new 960-bed men's prison at Wiri through a Public Private Partnership will provide further opportunities for innovation.

Over the past year Corrections' services were tested by the devastating earthquakes in Canterbury. Although the earthquakes had a significant impact on all our frontline operations in both prisons and the community, we responded quickly to a large scale, complex and challenging situation. I am enormously proud of the efforts of my staff during this testing time. The support we were able to offer to the community helped strengthen our partnerships with the people of Canterbury, government and non-government agencies. We also learned many lessons about how to work more effectively together and we will apply these lessons widely across Corrections and the Justice Sector.

The past year held a number of challenges, but also produced many successes. Today, the Department of Corrections is a well-performing organisation and we are in a strong position to continue to improve public safety, reduce re-offending and deliver better public value.



Ray Smith
Chief Executive

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PART A: CONTRIBUTION TO OUTCOMES

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NATURE AND SCOPE OF FUNCTIONS

The Department of Corrections administers the corrections system in a way designed to improve public safety and contribute to the maintenance of a fair and just society.

The Department manages:

- > offenders serving sentences and orders in the community
- > offenders serving custodial sentences
- > those remanded in custody.

The Department:

- > ensures that sentences and orders are administered in a safe, secure, humane and cost effective manner. Its facilities are operated in accordance with rules set out in the Corrections Act 2004 and regulations based, among other standards, on the United Nations Standard Minimum Rules for the Treatment of Prisoners.
- > provides rehabilitation programmes to help offenders address and resolve the factors related to their offending; education and employment opportunities to improve skills and gain employment on release from prison; and services to help prisoners reintegrate back into society
- > takes into account the cultural background, ethnic identity, faith and language of offenders to assist in their rehabilitation and reintegration and in carrying out sentence planning and offender management
- > provides the Judiciary with reports on offenders to assist judges in making sentencing decisions. It provides administrative services and information to the New Zealand Parole Board (NZPB) to assist its decisions on whether, when, and under what conditions, offenders should be released.
- > notifies victims of crime, registered by Police on the Victims Notification Register, of information requirements as set out in the Victims' Rights Act 2002. The Department also refers registered victims to specialist support organisations where appropriate.

Sections 5 and 6 of the Corrections Act 2004 set out in more detail the purpose of the corrections system and principles under which we must operate.

MANAGING IN A CHANGEABLE OPERATING ENVIRONMENT

The social and economic environment will always provide both challenges and opportunities for this Department. Most of the factors outlined below have had an effect on our working environment through the year and will continue to do so for some time.

After several years of steady growth in both community-based offender and prisoner numbers, volumes in the last 18 months appear to have stabilised, and may even be showing signs of decline. Particular growth has been evident, however, in the number of youth and female offenders being managed, with the number of females being apprehended for violent offending increasing. Despite a bulge in the population of young people, who are in the most crime-prone age bracket, the average age of prisoners has continued to increase as a result of longer periods served, and re-offenders cycling through the system. Offenders who are gang members are re-offending at higher rates than non-gang affiliated offenders, and will continue to be a focus for intervention.

Māori offenders continue to have a disproportionately high level of representation across all stages of the criminal justice process when compared to other population groups, particularly through re-offending and re-imprisonment. Māori offenders continue to present with greater educational needs and histories of unemployment. Reducing re-offending by Māori offenders remains a high priority.

The widespread destruction and disruption brought about by the 4 September 2010 and 22 February 2011 earthquakes in Christchurch created significant challenges for Corrections in both the short and long term. Immediate challenges included offender management, particularly for those serving sentences in the community, as well as assisting staff and restoring facilities.

The country's economy has been recovering slowly from the global financial crisis, and there has been continued fiscal restraint across the public sector. This provides Corrections with an opportunity to pursue and introduce innovative approaches to working with offenders to improve public safety and reduce re-offending within a constrained budget.

STRATEGIC DIRECTION

The Justice Sector

Justice sector agencies work together to protect New Zealand's laws and democracy and make the country safer. The table (below) highlights some of the government agencies involved in the civil and criminal justice systems. Other independent participants include the Judiciary, parole board and a number of scientific, technical and advocacy specialists.

An agreed outcomes framework guides justice sector work. This recognises that in the criminal justice sector there is a very strong relationship between policing activities, the court process, legal representation and prison and rehabilitation services.

Three Key Performance Indicators (KPIs) have been agreed to measure the criminal justice system's effectiveness and efficiency. Justice sector agencies are developing ways to measure and report on the:

- > entry of people into the criminal justice system – to show the prevalence of crime and whether social and justice sector interventions are effective
- > time it takes for cases to proceed through the court system – to show where opportunities exist to improve the functioning and efficiency of the court system
- > rate of recidivism – to show the effectiveness of rehabilitation and reintegration services and existing sanctions.

To track progress, agency-specific and general measures of outcomes, impacts and outputs have been developed. These measures are detailed in the justice sector agencies' Statements of Intent and/or under relevant Votes in the Information Supporting the Estimates.

Corrections' role within the Justice Sector

As a key part of the justice sector, Corrections' work contributes to the justice sector end outcome of a 'safe and just society' by creating and ensuring 'safer communities' and 'civil and democratic rights and obligations are enjoyed'. It also contributes to the following justice sector intermediate outcomes:

- > impact of crime reduced
- > offenders held to account
- > crime reduced
- > trusted justice system.

In achieving the Government's priority of maintaining and improving public safety, the justice sector is expected to be innovative and to deliver services that are cost-effective, accessible and sustainable over the long term. The Justice Sector Sustainability Programme (JSSP) aims to provide an overall picture of the change programmes already underway. The JSSP will then assist justice sector agencies to work together to change or innovate in delivering a modern, effective and affordable justice system for all New Zealanders through to 2020. The Department of Corrections continues to play a key role as part of this collaborative, cross-agency approach.

JUSTICE SECTOR OUTCOMES

A SAFE AND JUST SOCIETY

Safer communities		Civil and democratic rights and obligations enjoyed	
Impact of crime reduced	Offenders held to account	Crime reduced	Trusted justice system
Accessible justice services	Internationally connected	Durable settlement of Treaty claims	Effective constitutional arrangements

CORE SECTOR AGENCIES

Ministry of Justice	New Zealand Police	Department of Corrections
Ministry of Social Development (Child, Youth & Family)	Crown Law Office	Serious Fraud Office

CROWN ENTITIES AND OTHER AGENCIES



OUR OUTCOMES FRAMEWORK

Our new outcomes explain what we aspire to achieve for society over the long term. Our work contributes to the following outcomes:

- > public safety is improved
- > re-offending is reduced.

Our new outcomes framework demonstrates how the resources we use and services we provide contribute to our outcomes. The following table illustrates how our outcomes contribute to society, the specific impacts we want our work to have and how our day-to-day activities contribute. The following sections explain in detail how we have been achieving these outcomes.¹

The table opposite shows how the 2010/11 performance measures align with the new outcomes framework.

We are also focused on delivering better public value and demonstrating strong leadership across the public service and within the community.

We recognise that if we are to reduce re-offending, we need to address the over-representation of Māori in the offender population – to succeed overall we must succeed with Māori offenders. Where applicable and relevant, performance measures have been disaggregated by ethnicity, with rates reported as a proportion of the overall ethnic population. This breakdown allows us to measure how well the Department is succeeding with Māori.

The Department is required by legislation to include additional specific information relating to certain aspects of the Corrections system. Appendices 2 to 5 on pages 89 to 102 report against our legislative requirements.

¹ In the 2011-14 Statement of Intent the Department changed its outcome framework and output measures. In this Annual Report we report against the new framework. Several of our previous outcomes are now impacts. The diagram in Appendix 1 illustrates the relationship between the old outcomes and the new outcomes and impacts.

Outcomes

Public safety is improved

Measures:

- The proportion of prisoners released on their lawfully required release date
- The rate of successful completion of sentences and orders

Re-offending is reduced

Measure:

- Recidivism Index (reconviction, re-imprisonment and seriousness measure)

Impacts

Integrity of sentences and orders is maintained and offenders are held to account

Measures:

- Prisoner escapes
- Positive drug tests by prisoners

The Judiciary and Parole Board make informed decisions

Measures:

- All offenders notified as per NZPB requirements
- All victims notified as per NZPB requirements
- All cases to be heard by the NZPB scheduled no later than 16 weeks from the date of the hearing

Risks of harm to others are minimised

Measures:

- Serious prisoner assaults on staff
- Serious prisoner/prisoner assaults

Offenders' health and wellbeing is maintained

Measures:

- Unnatural deaths of prisoners
- Other incidents of threat-to-life self-harm by prisoners
- Complaints by prisoners to the Corrections Inspectorate (general and about health services)

Offenders have the skills and support to lead law-abiding lives

Measures:

- Rehabilitation Quotient scores for individual programmes
- Skills gained by prisoners (nationally recognised qualifications, New Zealand Qualifications Framework credits and literacy gains)

Outputs

Prison-based custodial services

Measures:

- Rate of prisoner escapes
- Rate of prisoner assaults
- Rate of unnatural deaths of prisoners
- Rate of self-harm incidents by prisoners
- Percentage of prisoners with positive drug tests

Sentences and Orders in the community

Measures:

- Percentage of offenders who have complied with their sentence or order, or who have been held to account

Policy advice and ministerial services

Measures:

- Volume, quality and timeliness of work

Management of third party custodial services

Measures:

- Execute the contract for Contract Management of Prisons
- Commence the transition for Contract Management of Prisons
- Complete the development and approval of Wiri Prison
- Stage two Public-Private Partnerships business case

Rehabilitation and reintegration

Measures:

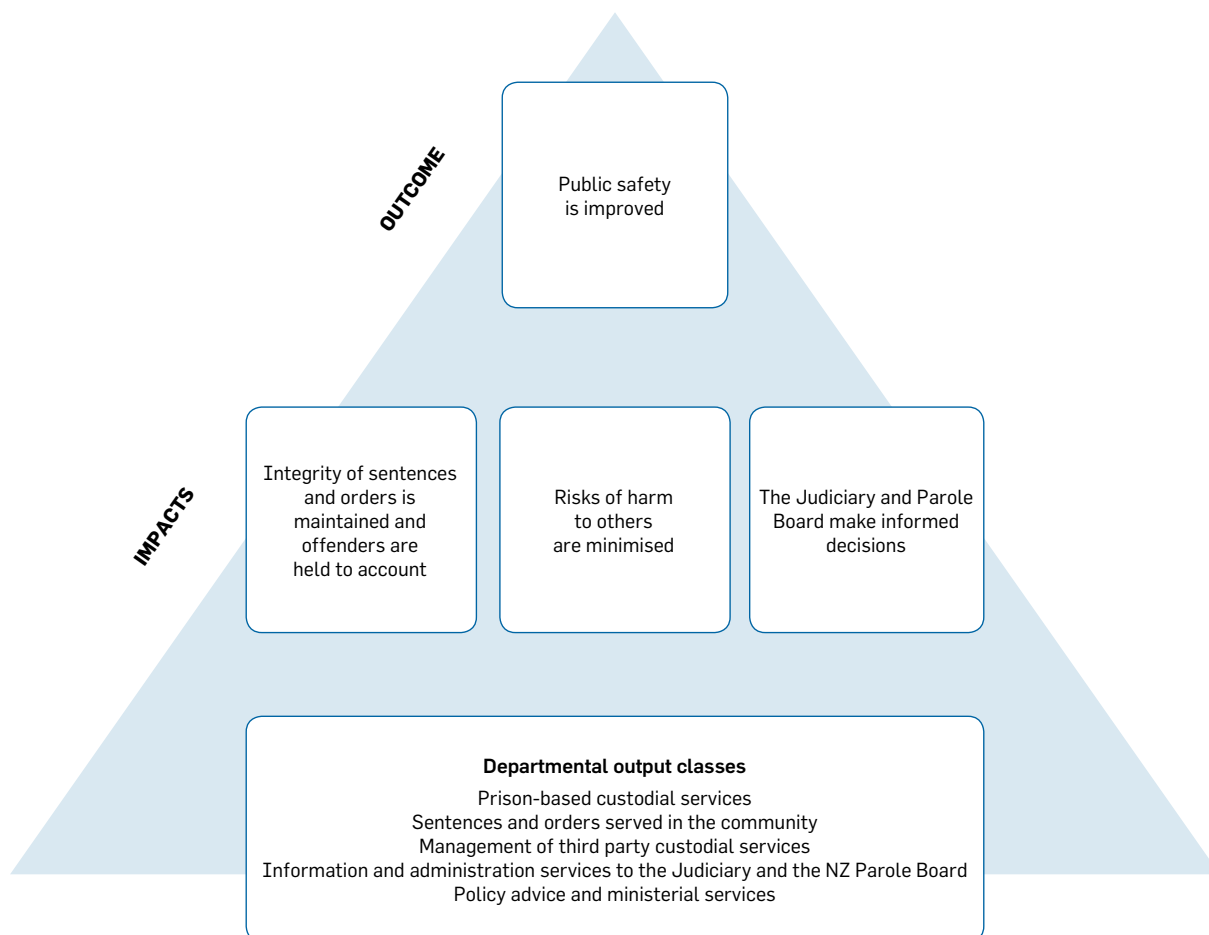
- Number of prisoners commencing non-work related education
- Average number of prisoners employed
- Average hours worked
- Starts and completions for rehabilitation and reintegration interventions
- Average number of credits achieved under the NZQF
- Total number of psychological hours and reports provided

Information and administration services to the Judiciary and the NZPB

Measures:

- Reports (timeliness) to Judiciary and Parole Boards
- Justified complaints from victims
- Percentage of NZPB cases scheduled no later than 16 weeks from date of hearing

OUTCOME: PUBLIC SAFETY IS IMPROVED



Our bottom line is keeping communities safe by ensuring offenders complete the sentences and orders handed down by our justice system and are held to account if they don't.

For New Zealanders to trust their justice system, public safety must be maintained. This means that:

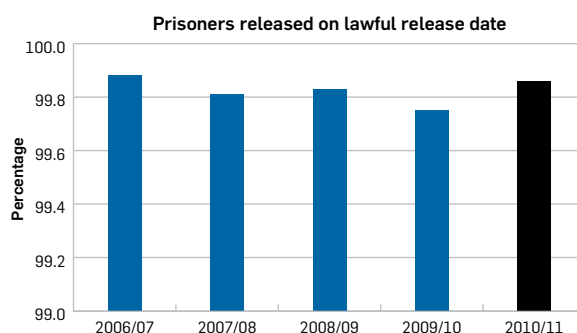
- > offenders serve the sentences and orders that they are sentenced to by the courts
- > Corrections manages sentences and orders in ways that meet the legislative requirements
- > the Judiciary and the Parole Board base their decisions about offenders on good quality information.

We demonstrate our success through:

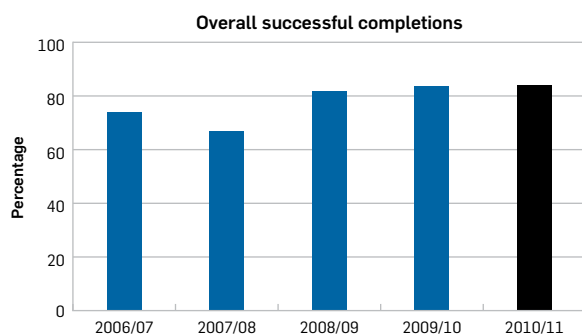
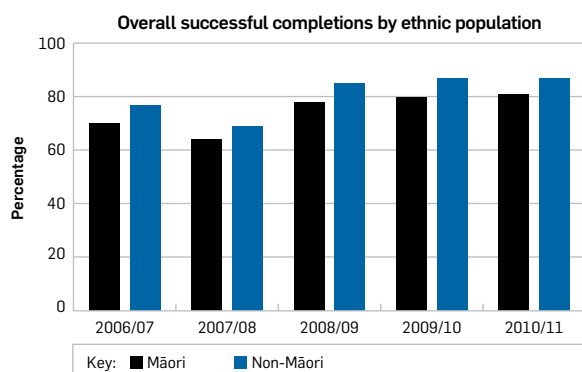
- > the rate of successful completions of sentences and orders
- > all prisoners being released on their lawfully-required release date.

OUTCOME MEASURES: Public safety is improved

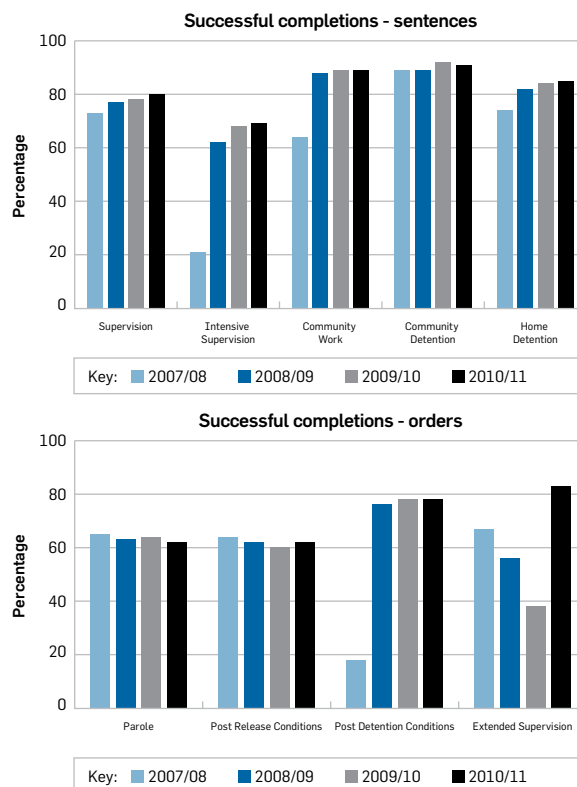
It is the Department's responsibility to ensure offenders complete the correct sentence handed down by our justice system and are held to account if they don't. The percentage of sentenced prisoners released on their lawfully required release date was 99.86 percent.²



The Department maintained the progress seen in previous years on increasing the overall successful completion rate of sentences and orders.³ There continued to be a focus on ensuring that offenders were held to account and that enforcement action was being taken when and where necessary. Encouragingly, completion rates for Māori offenders increased slightly this year, although more work remains to be done to increase the completion rate to that of non-Māori offenders.



The successful completion rate for individual sentences and orders in the 2010/11 financial year (84 percent) continued to show improvements across the majority of sentences and orders being served in the community.



IMPACT: The integrity of sentences and orders is maintained and offenders are held to account

We improve public safety by ensuring offenders comply with and complete their sentences and orders, and holding them to account if they fail to meet the imposed requirements.

Over the past year the Department has made big improvements to the way offenders are managed in the community. We have continued to fundamentally redesign probation practices, including all supporting structures, systems and tools, through the Community Probation Services' Change Programme 2009-2012. The Integrated Practice Framework was further implemented in November last year for the management of offenders on Extended Supervision Orders and Release on Conditions, and offenders on Intensive Supervision and Supervision in June 2011. The new practice framework sets clear mandatory standards that staff must follow each and every time with each and every offender.

² Prisoners are released on their required release date when the Department has not held them longer than legally entitled or released them sooner than required (unless they are released on an order by the New Zealand Parole Board or granted compassionate release).

³ Community based sentences or orders are deemed to have been completed when the sentence or order reaches its end date, or for community work, when all hours are completed. Completion of the sentence or order can be achieved regardless of whether or not the offender has been charged with a breach of their sentence or order conditions during the term of their sentence or order.

Beyond the mandatory standards, probation officers use a supporting decision framework to make professional judgements and decisions about the management of an offender based on that offender's likelihood of re-offending and risk of causing harm to others.

Since the implementation of the framework, the Department has achieved consistently high performance in complying with its mandatory standards. This year the Department achieved overall average compliance with parole mandatory standards of 97 percent.

Private sector innovation and expertise was introduced at Mt Eden Corrections Facility, exposing the corrections system to new ideas and thinking. The contract was awarded to Serco at the end of 2010 and Serco took over full responsibility for the prison from August 2011.

A new prison is proposed to be built at Wiri as a Public-Private Partnership (PPP) prison. The Department has short-listed three private-sector consortia to deliver a new 960-bed men's prison through a PPP and commenced the final interactive tender process. Using a PPP to build and operate the new prison at Wiri is expected to provide operational cost savings in excess of 10 percent during the 25 year life of the proposed contract. In addition, it is expected that transferring operational efficiencies achieved at the PPP prison across the wider prison network will result in further savings.

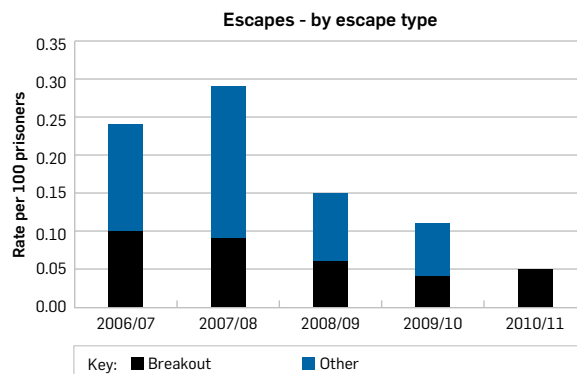
In order to ensure prisons were managed as optimally as possible, the new prison site management structure came into effect on 1 September 2010. This established the structure required to use the Department's resources more efficiently and effectively when managing offenders, and also drove a revamp of the procedures in the Prison Services Operations Manual.

This year the Department committed to addressing the negative influence that prisoners who are gang members have within prisons. We also progressed legislative and regulatory improvements to the efficiency and effectiveness of our operations.

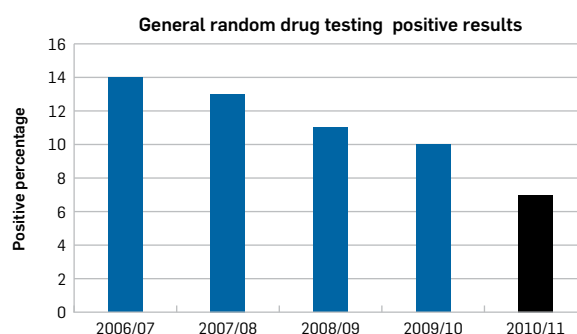
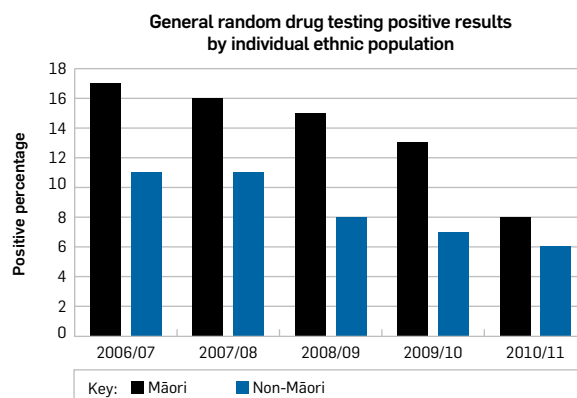
IMPACT MEASURES

The integrity of sentences and orders is maintained when corrections facilities have few escapes and minimal crime within prison (such as introduced contraband). We have continued to establish and maintain even more secure prison environments. Rates of escape from prison are at an all time low. The rate of escapes per 100 prisoners for the 2010/11 financial year was 0.05, a significant reduction when compared to 0.11 in the previous year. This year there were four escapes from custody, with only two from a prison site. For the first time since the Department was established there were no 'other' escapes, a significant achievement, particularly when

seen in the light of an average of ten 'other' escapes per year, over the past ten years.⁴ The Department continues to treat all escapes from custody seriously and every escape is fully investigated.



The stability, safety and security of prison regimes are improved by controlling or limiting the availability of contraband, notably drugs. This year the Department succeeded in reducing the availability of drugs in prison to its lowest ever level. The percentage of positive random drug tests for prisoners in this financial year was seven percent, a significant reduction compared to 2009/10 (10 percent). An especially encouraging result has been the steep decline in Māori offenders testing positive for drugs. This year's result was eight percent, down from 13 percent in 2009/10; a more substantial drop than for the overall offender population.



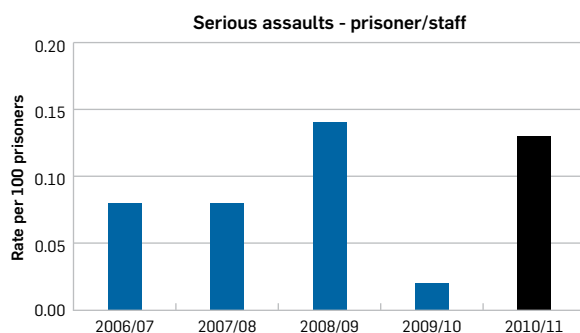
⁴ An 'other' escape is where low security prisoners walk away from their place of supervision and escape while under the supervision of officers during escorted outings including escorts to and from court.

IMPACT: Risks of harm to others are minimised

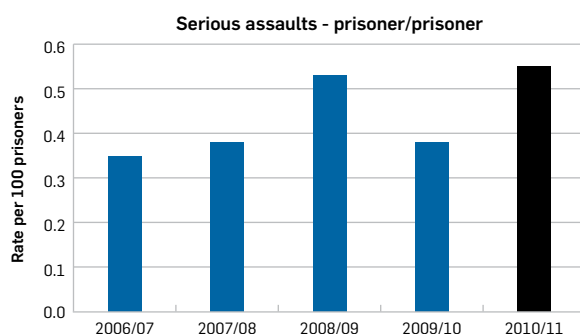
We manage offenders in ways that minimise their risk of harm to others. This means managing prisoners to prevent assaults on staff and other prisoners.

IMPACT MEASURES

There were 11 serious prisoner assaults on staff during the 2010/11 financial year. This equates to 0.13 serious assaults per 100 prisoners and represents a substantial reduction from the rate of 0.81 recorded in 1997/98, the first year that the Department captured serious assault figures.



There were 48 serious prisoner on prisoner assaults in the 2010/11 financial year. This equates to 0.55 serious assaults per 100 prisoners and represents a substantial reduction from the rate of 1.66 serious prisoner/prisoner assaults per 100 prisoners recorded in 1997/98.



Despite the significant overall decline in serious assaults seen since 1997/98, we recognise that this year's figures represent an increase when compared to the last financial year. The Department is taking the following measures to address this concern:

- > investing in our staff's ability to anticipate and resolve problems early through the active management of prisoners, as well as continuing to provide training for staff in de-escalation techniques, interpersonal skills and tactical communication.

- > providing additional personal protective equipment. This year, the operational trial of two different types of pepper spray commenced at ten pilot sites to gauge whether pepper spray improved staff safety when managing planned control and restraint incidents.
- > ensuring that prisoners are housed safely and securely through measures such as voluntary and directed segregation. In the coming year the Department will implement a revised segregation policy that will ensure better protection for those prisoners who are most vulnerable.

Analysis is ongoing to establish where there are further opportunities for us to minimise the risk of harm that prisoners pose to others.

IMPACT: The Judiciary and Parole Board make informed decisions

Proposed legislative amendments are expected to improve the Parole Board's decision-making processes and reduce delays in granting parole where appropriate. Policy work is also well advanced on a proposal that would prevent unnecessary parole hearings, reduce stress for registered victims and improve efficiency of Parole Board processes.

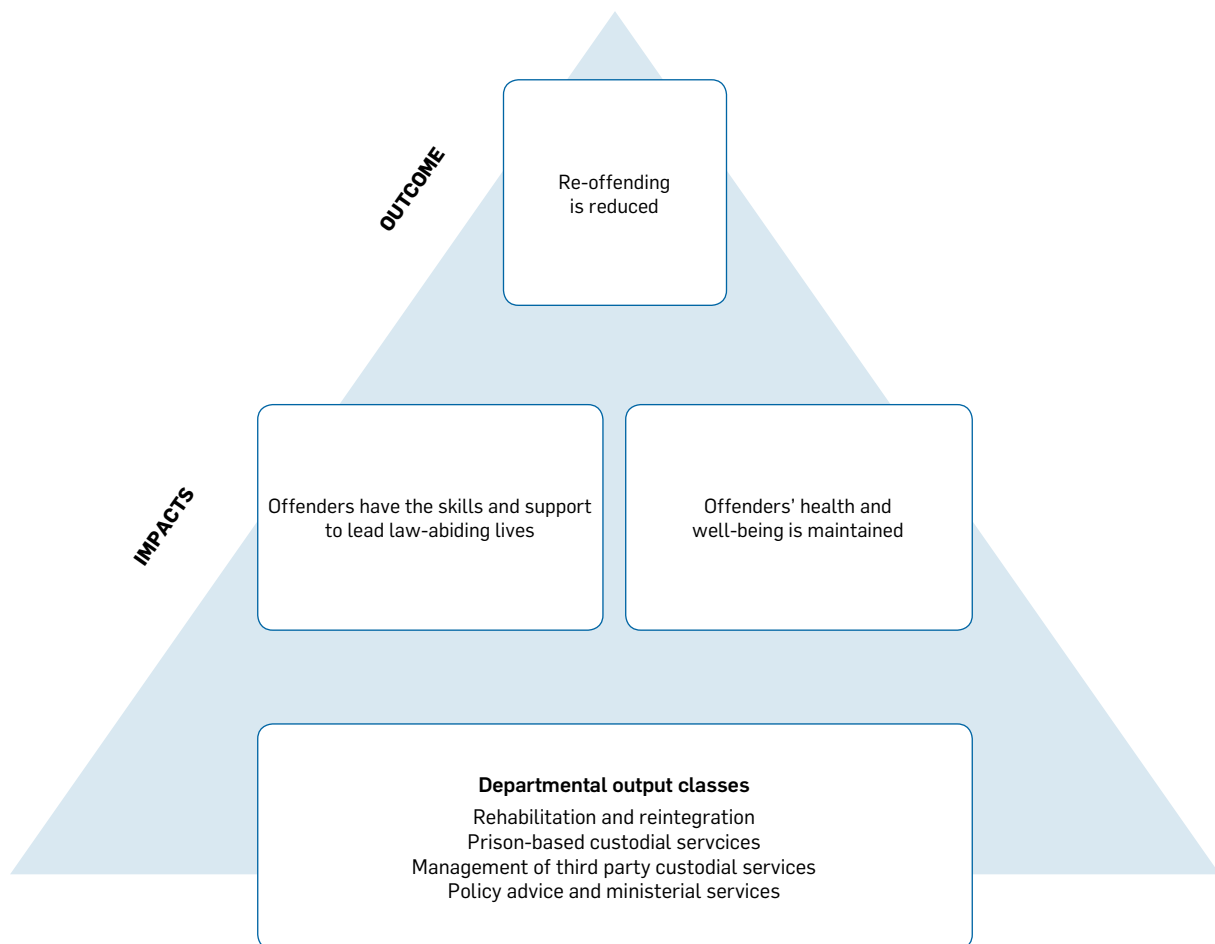
We continue to work with agencies in the justice sector towards reducing the drivers of crime, specifically in relation to improvements in the management of low level offenders. An area of particular importance is providing more opportunities for restorative justice, as well as pre- and post- release support in finding employment.

IMPACT MEASURES

The Department continued to ensure victims were notified about hearings, releases and other requested information relating to offenders. All registered victims were notified according to requirements, and there were no justified complaints about notifications from registered victims.

The Judiciary and Parole Board make decisions that are, in part, based on information provided by Corrections staff in reports at Court and Parole Board hearings. All cases to be heard by the Parole Board were scheduled no later than 16 weeks from the date of the hearing, and all offenders were notified as per Parole Board requirements. A high percentage of the probation reports, psychological reports and parole progress reports required for the Parole Board and Judiciary were provided within the agreed timeframes, with variances from the budget standard of only one or two percent. Further details about these impact measures can be found on pages 27-29.

OUTCOME: RE-OFFENDING IS REDUCED



Reducing re-offending means fewer victims. It adds significantly to the well-being of our communities when offenders become productive members of our society. This is our ultimate goal.

To reduce overall crime in New Zealand, Corrections has worked with individual offenders to provide them with skills so that they are much less likely to re-offend. Motivating and assisting offenders to adopt an offence-free lifestyle leads to less crime in the community and fewer people in prison or on community based sentences and orders.

We have placed offenders at the centre of our efforts to achieve better outcomes and strived to ensure every offender has the opportunity to have a job on release.

Re-offending is reduced when offenders:

- > undertake rehabilitation which helps them to address behaviours which contributed to their offending
- > acquire employment-relevant skills, qualifications and experience that lead to sustainable employment on release from prison
- > address reintegrative needs to enable them to reintegrate back into the community
- > have their health and well-being looked after, and are managed fairly and decently.

OUTCOME MEASURES: Re-offending is reduced

Progress towards reducing re-offending is primarily assessed in two ways: the first approach measures re-offending rates across the entire population of offenders managed in a year. The second involves more sophisticated methods to assess the specific impact of rehabilitative interventions on re-offending.

Rehabilitation outcomes

A range of programmes and services are delivered by the Department to enable offenders to lead law-abiding lives. This year, the Department is able to report results from a new rehabilitation evaluation methodology. This is designed to measure the impacts of the Department's rehabilitation services that are experienced by many of the offenders, such as employment and training (details of the methodology are provided in Appendix 2).

Results for the most recent annual cohort of offenders are given in Tables 1 – 3. Figures represent percentage-point changes in rates of either re-imprisonment or reconviction between “treated” and “untreated” offender groups. For example, a re-imprisonment score of 10 would indicate a ten percentage point difference between treated and untreated groups (where the rate of re-imprisonment amongst untreated offenders was 35 percent and the corresponding rate for the programme's “graduates” was 25 percent).

Figures in the tables indicate generally positive impacts achieved on re-offending through offenders' participation in rehabilitative activities. Drug Treatment Units continue to produce positive outcomes. Although this year's figures are slightly down on last year's, this may in part reflect the overall reductions seen in rates of re-imprisonment. This year was the first year we have been in a position to report results for Corrections Inmate Employment and those results have been positive. While moderate in size, the reductions in re-imprisonment and reconviction rates were statistically significant. In future years reporting on more fine-grained outcome information will be possible, which will enable the Department to progressively improve the delivery of this type of intervention.

The results in Table 1 are based on outcomes recorded within 12 months, for those released from prison or commencing community-based sentences, during the 2009/10 (1 April – 31 March) year.

**TABLE 1: REHABILITATION EFFECT SIZES
(12 MONTHS FOLLOW-UP)**

Intervention	Re-imprisonment (percentage point reduction)	Reconviction (percentage point reduction)
PRISON		
Medium-intensity programme	2.4	14.8*
Drug treatment units	3.0	12.4*
Māori therapeutic programme (prison)	3.5	15.0*
Short motivational programme ⁵	16.6*	21.0*
Corrections Inmate Employment training	2.5*	8.2*
COMMUNITY		
Medium-intensity programme	2.5	15.5*
Short motivational programme	4.9	2.0
Domestic violence	3.7	1.5
Alcohol & drug programmes	1.0	5.5

NOTE: Asterisks show where the difference between treated and untreated offenders was statistically significant.

Longer follow-up periods indicate the extent to which gains made from programme exposure are maintained over longer periods. The following table gives results based on outcomes, over 24 months, for offenders released from prison or commencing community-based sentences, during the 2008/09 year.

5 Provisional results only, due to a very small sample size.

**TABLE 2: REHABILITATION EFFECT SIZES
(24 MONTHS FOLLOW-UP)**

Intervention	Re-imprisonment (percentage point reduction)	Reconviction (percentage point reduction)
PRISON		
Medium-intensity programme	0.0	5.0
Drug treatment units	11.0*	10.0*
Māori therapeutic programme	3.0	0.0

NOTE: Asterisks show where the difference between treated and untreated offenders was statistically significant.

A longer, 60 month follow-up period is used for sex offender treatment because differences in reconviction rates between treated and untreated offenders do not emerge clearly until a reasonably long period of time has elapsed since release. The smaller percentage-point differences observed between treated vs untreated sex offenders is also a reflection of the relatively low base rates of new sexual offending.

**TABLE 3: REHABILITATION EFFECT SIZES
(60 MONTHS FOLLOW-UP)**

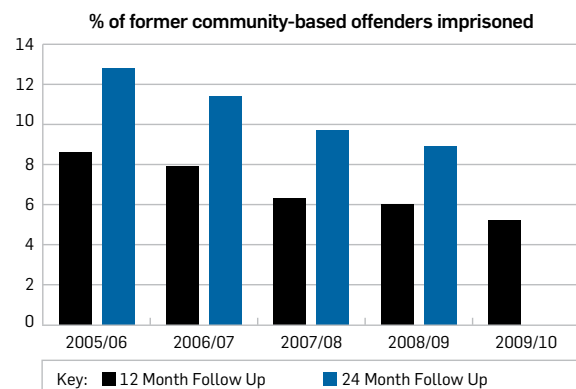
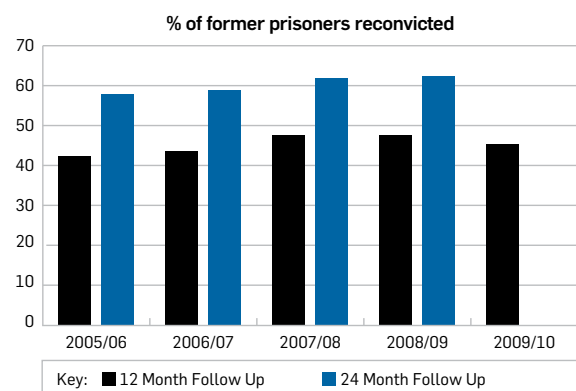
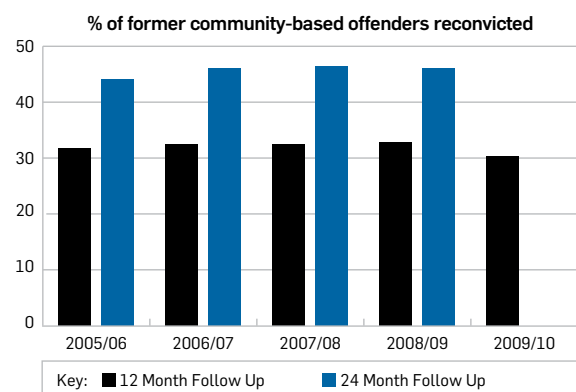
Intervention	Re-imprisonment (percentage point reduction)	Reconviction (percentage point reduction)
PRISON		
Sex offender special treatment unit	4.0	5.0

In interpreting the figures in the above table, it must be borne in mind that the main methodology used this year is relatively new, and will be further modified and refined in the coming year. More importantly, the methodology has been developed to enable outcome evaluation across a wider range of programmes and services and achieving this comes with some cost to the precision obtained through one-to-one matching of offenders (a treated offender matched with an untreated offender of equivalent risk).

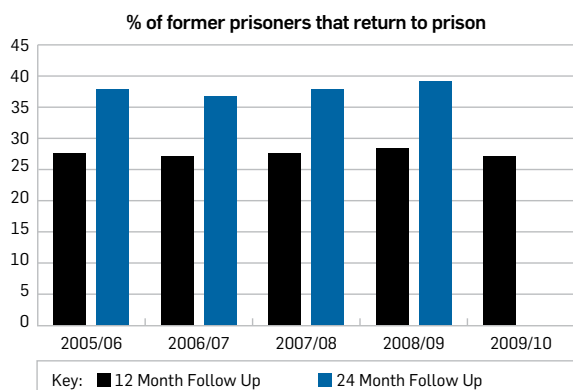
Overall re-offending rate changes

The Recidivism Index (RI) methodology assesses overall rates of reconviction and re-imprisonment, giving the percentage of all offenders managed within a single year who are subsequently re-convicted or re-imprisoned.⁶

The most recent RI figures for offenders managed in 2009/10 (with 12 months follow-up), indicate a continued fall in re-imprisonment rates amongst offenders who commenced a community-based sentence, and also a fall in reconviction rates for this group. There is also a moderate decrease in reconvictions and re-imprisonments for offenders released from prison.



⁶ A full explanation for the RI methodology can be found on pages 36 – 42 of the Department's 2004/05 Annual Report, and detailed results and analysis of the results discussed here are included at Appendix 2.



The declines in reconviction rates are encouraging, particularly amongst released prisoners, as they occur after a sequence of slight annual increases in some rates. Earlier increases were understood to reflect sentencing law changes introduced in October 2007, which diverted a proportion of lower-risk offenders from prison, with the result that average risk levels of the prison population increased. The fall in rates of reconvictions amongst community-managed offenders is likely to reflect a number of enhancements made to community offender management practices in recent years. Improvements in the quality of rehabilitative services across both populations is also expected to have contributed to the general declines in numbers returning to the system. The next section outlines these improvements in more depth.

Further details on reconviction rates are available in Appendix 2 (pages 89-94). Table 5 in the appendix provides rates as recorded within 12 months, for those released from prison or commencing community-based sentences, during the 2009/10 (1 April – 31 March) year. Table 6 provides rates over 24 months for those released from prison or commencing community-based sentences, during the 2008/09 year.

IMPACT: Offenders have the skills and support to lead law-abiding lives

Offenders typically have life-long problems, such as addiction, mental health issues, early school dropout, poor literacy, lack of employment skills and dysfunctional family relationships.

The establishment of Rehabilitation and Reintegration Services (RRS) has resulted in a more effective, offender focused service. On 1 April 2011, RRS implemented the first phase of case management. Case managers work with offenders to assess their needs in a holistic way and plan a programme of rehabilitative interventions that will improve skill development and help them address and overcome offending behaviour. By ensuring that offenders have access to seamless case management and programmes and services which help them address their re-offending, RRS will have an effect on re-offending levels. A key feature will be strengthening the effectiveness of the Department's Māori interventions.

The Integrated Practice Framework, implemented as part of the Community Probation Services' Change Programme, is now better supporting staff to manage community based offenders and to reduce their likelihood of re-offending. A new Dynamic Risk Assessment for Offender Re-entry (DRAOR) has also been introduced to enable probation officers to more effectively assess an offender's likelihood of re-offending and risk of causing harm to others. Probation officers spend more of their time working with those offenders who are medium or high risk and less time with those offenders who have a low likelihood of re-offending or risk of causing harm to others.

To further reduce re-offending amongst community-based offenders, the Department established Tai Aroha, a specialised intensive programme for offenders in the community. Tai Aroha is aimed at reducing offenders' risk of serious re-offending and increasing offenders' capacity to live in a socially responsible manner.

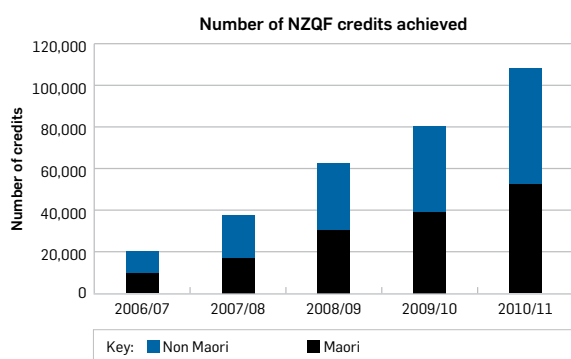
To promote prisoner access to the right rehabilitative programmes we have been addressing site configuration planning, ensuring that "the right prisoner, at the right place, at the right time, is doing the right thing". The project will identify where rehabilitative programmes, employment and other activities are best placed across multiple prison sites to ensure maximum availability to prisoners.

Due to concerns about the high correlation between gang membership and re-offending, this year the Department has been developing an approach to reduce the likelihood of re-offending by gang members on release from custody.

The Department has also made a substantial commitment to increasing the availability of drug and alcohol treatment programmes for prisoners. Two new short term drug treatment units have opened at Otago Corrections Facility and Auckland Prison. One further unit, in the Māori Focus Unit at Whanganui Prison, will be completed shortly and is scheduled to open by the end of 2011. The new drug treatment units deliver a programme that is shorter and more intensive than the existing programmes, meaning that prisoners serving shorter sentences who have traditionally not been eligible for places on the six month drug treatment programmes now have more opportunities to reduce their likelihood of re-offending.

IMPACT MEASURES

More prisoners than ever before are getting the opportunity to work and/or train across a more diverse range of employment activities. Providing employment-related education and experience so that prisoners can find work on release is a key factor in reducing the likelihood of re-offending. Overall, the Department made good progress against the 2009-2012 Prisoner Skills and Employment Strategy, with increased participation in Corrections Inmate Employment (CIE) and increased levels of New Zealand Qualifications Framework credits. On average in 2010/11, 2,865 prisoners were engaged in CIE employment at any one time. This employment-delivered training is targeted to achieve qualifications and, due to CIE instructors being better qualified, gave prisoners the advantage of receiving embedded literacy and numeracy training. This improved service was reflected in the 35 percent increase in the number of New Zealand Qualifications Framework (NZQF) credits, with 108,080 credits achieved in the 2010/11 financial year. CIE has also expanded its employment opportunities for higher security prisoners.



The Department aligns all prisoner training to the NZQF, meaning that the qualifications earned through CIE are the same as qualifications achieved by the general public at local polytechnics and on apprenticeships.

In 2010/11 CIE provided work to prisoners in over 140 industry units in prisons, covering industries as diverse as farming, horticulture, laundry, pre-cast concrete, building and catering. The allocation of credits across the various activity types shows a high proportion of Māori achievement in particular areas of training, including trade and technical training, processing, joinery and grounds maintenance. CIE also provides opportunities for prisoners to work for local employers through release to work. This helps to prepare prisoners for successful reintegration into their communities.

In addition to these activities the Department has increased prisoner participation in trade and technical training (polytechnic training delivered at prisons), self directed learning, literacy and numeracy, computer training, driver licence training, Te Reo training and schooling to National Certificate of Educational Achievement level. This ongoing approach will ensure the Department reaches the Government's commitment to see a further 1,000 prisoners gaining skills and work experience under the 2009-2012 Prisoner Skills and Employment Strategy. In support of this approach, the Department is proposing to help certain prisoners to become self employed, and as a result acquire employment experience and skills.

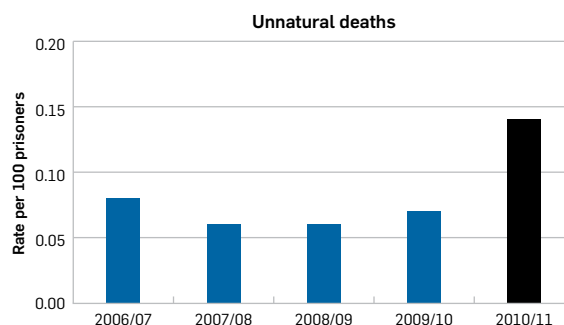
The establishment of the two Whare Oranga Ake units will assist in the reintegration of Māori prisoners. These two kaupapa Māori reintegration facilities have been established to help prisoners to participate in their community on release, and reduce the rate and/or seriousness of re-offending. Whare Oranga Ake will support prisoners in re-connecting with their culture and identity, and in addressing identified reintegrative needs, particularly employment and/or training, accommodation, community linkages and whānau relationships.

IMPACT: Offenders' health and wellbeing maintained

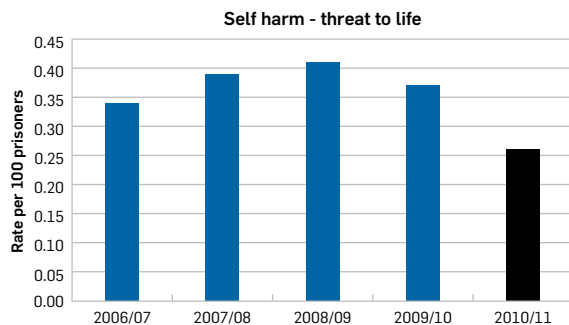
On 1 July 2011, all 20 prisons across New Zealand became smoke free. In preparing for this, our staff supported 5,500 prisoners to give up smoking through a variety of methods. Making prisons smoke free environments makes them safer places by reducing fire risks and also improves staff and prisoners' health.

IMPACT MEASURES

The rate of unnatural deaths in custody for the 2010/11 financial year was 0.14 per 100 prisoners, reflecting an increase from last year. There have been a total of 12 unnatural deaths; seven remand and five sentenced prisoners. All deaths in custody are subject to a Coroner's inquest.



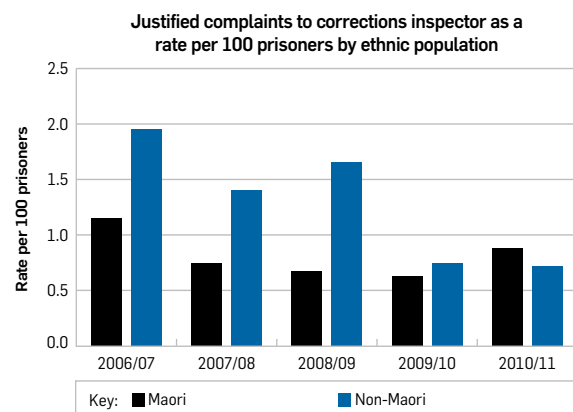
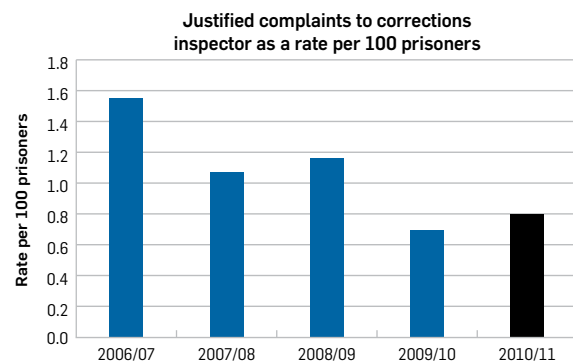
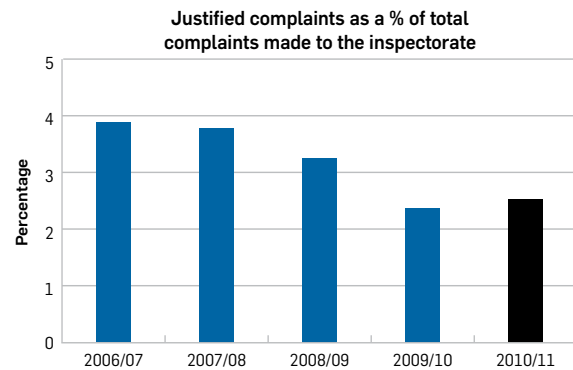
The rate of self-harm threat-to-life incidents for the 2010/11 financial year was 0.26 per 100 prisoners; a decrease when compared to last year. Self-harm threat-to-life incidents are where self-inflicted harm has occurred which does not result in death, but the intention may have been to cause a fatal outcome.



We are committed to improving the management of prisoners at risk of harm. During the 2010/11 year, Prison Services introduced a new 'at risk' assessment process and completed a review of all at risk clothing and bedding, with changes to be implemented during 2011/12. In addition, Prison Services, in conjunction with other agencies, will publish a comprehensive Suicide Prevention Strategy during the 2011/12 financial year.

The Corrections Inspectorate provides independent assurance that offenders' legitimate needs are met. It is a dedicated complaints resolution, investigation and assurance body reporting directly to the Chief Executive independently from operational line management. The Inspectorate received 2,765 complaints for the 2010/11 financial year. Of the complaints received 70 (or 2.5 percent) were justified, a slight increase on the previous year, however the overall trend is declining. Further detail can be found in Appendix 4.

Of the 70 justified complaints for the 2010/11 financial year, 30 percent relate to prisoner property, 26 percent relate to staff conduct/attitude, and 14 percent to prisoner discipline. The remaining 30 percent is made up of nine other categories. The rate of justified complaints per 100 prisoners was 0.80, a slight increase on last year. There have been no justified complaints relating to the provision of health services.



ASSESSING ORGANISATIONAL HEALTH AND CAPABILITY

To protect public safety and reduce re-offending we provided an organisational environment, culture and workforce that was closely aligned and equipped to deliver our outcomes.

The Way Forward was a three year programme of change that began in 2009 with the aim of improving Corrections' business performance and work practices. Underlying the comprehensive structural and operational changes was a fundamental cultural change. The Way Forward programme of work comprised several major programmes and projects, which were monitored and reported on as a single portfolio of initiatives.

The majority of the projects in The Way Forward programme will continue and be reported on as individual projects as part of the Creating Lasting Change strategy, and others have been closed or converted to business as usual.

The efficiency gains and value creation programme has been subsumed within the Expenditure Review, planned for the 2011/12 financial year. The review is about finding ways to provide better public value while, at the same time, ensuring the Department continues to improve its services and meet its targets of reducing re-offending and improving public safety.

The Department has established a risk and assurance framework that informs business improvement activities and the strategic planning process. This project encompassed the Department's risk management framework and the supporting assurance frameworks, how they are implemented, and how the information gathered from their resulting control activities is combined, analysed and communicated to management and fed into the business improvement processes within the Department. The Executive Team engages in regular risk management workshops and has developed a risk appetite statement and related assessment scales.

During the past financial year we have enhanced training and development, recruitment, selection and induction of staff to ensure that we have sufficient staff and capability to provide our services. This has included alignment to the Community Probation Services' Change Programme and a five year enhancing capability plan for Prison Services, along with a programme to develop senior leadership and succession planning.

At 30 June 2011 the Department employed a total of 7,285 full-time equivalent (FTE) employees; a reduction of 524 FTEs from the 30 June 2010. This was in part due to large numbers of staff being employed by the new private prison provider at Mt Eden Corrections Facility. Staff retention rates remain positive with the staff turnover rate of 8.83 percent. This continues the overall downward trend experienced over the last six years and is below the public service average. The average length of service per employee has increased to 7.76 years.

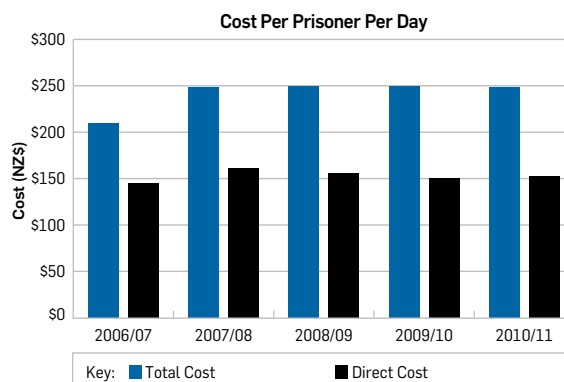
The number of FTEs (682) engaged in activity identified as core government administration was 35 percent below the cap of 1,047 FTEs, reflecting the outsourcing of some functions and a continuing focus on efficiency and effectiveness of back-office functions. The Department's cap on back-office functions is based on the establishment as at July 2009.

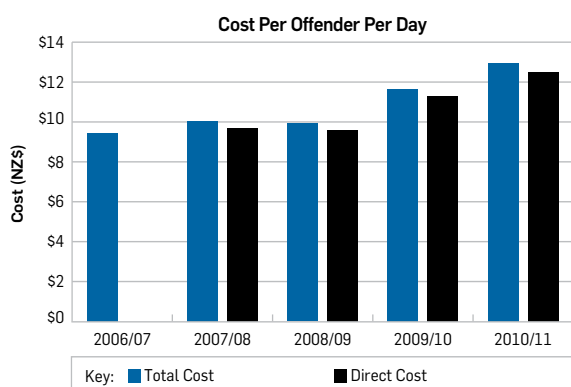
This year the Department designed and developed a new uniform based on a comprehensive review of the uniform worn by custodial staff, as part of a wider programme to develop the professionalism, capability and safety of custodial staff.

The number of work-related injuries per 100 full-time equivalent staff that gave rise to claim was 8.33 and continues a consistent reduction in the rate of injuries from 10.57 per 100 full-time equivalent staff in 2006.

COST EFFECTIVENESS

The cost per prisoner per day is for 2010/11 was \$248.83. The costs have increased since 2006/07 primarily due to the significant capital investment needed to build additional prison facilities and to upgrade existing facilities to increase capacity in line with the forecast rise in the prison population. Direct costs overall have declined in previous years as a result of efficiency gains and value creation.





The cost per offender per day has increased in comparison to last year, to \$12.95.

CAPITAL AND ASSET MANAGEMENT INTENTIONS

The Department ensured that it had adequate facilities and capacity to provide the services it is funded to deliver.

Since the Department's last report decisions taken by Government on prison procurement, combined with movements in the forecast demand for prisoner accommodation, have considerably reduced the Department's anticipated requirements for capital expenditure over the next ten years.

The Department is embarking on 'Creating Lasting Change', a new five year strategy, which, together with an Expenditure Review and the Department's involvement in the Justice Sector Sustainability Programme, aims to eliminate the requirement for additional capacity through to 2020.

This year the Department has focused on ensuring that its sites were compliant with Building Warrant of Fitness requirements. Where buildings have been modified they have been brought up to existing standards to retain compliance certification. No buildings presently leased or owned by the Department are known to be uncertified.

The Canterbury earthquakes in September 2010 and February 2011 impacted the management of offenders in the region. Prison facilities were significantly affected by the September earthquake, with the intermittent loss of utilities. The primary concern was the risk posed by the Department's inability to respond to a fire due to the loss of fire suppression capability. In response, and following close liaison with police and the military, 747 prisoners were moved to other prisons with no significant incidents.

Community Probation Services managed community-based offenders at 10 sites throughout Christchurch prior to the Christchurch earthquakes. Only three of the 10 sites remained operational immediately following the 22 February 2011 earthquake. With the need to continue monitoring offenders, camper vans were sourced and fitted with IT equipment so staff had a base to work from. The Community Probation Services' offender management report filing work was temporarily diverted to the national office until the end of March 2011. Facilities pressures in the Community Probation Service were alleviated by the opening of the new Ensors Road Service Centre in June, but the impact of the earthquake has provided ongoing challenges for our staff members. Subsequent earthquakes and aftershocks did not significantly affect our facilities.

INFORMATION TECHNOLOGY

We continue to ensure our information technology systems meet our business needs. We have improved key applications to support business operations.

The audio-visual links project was a key development in information technology over the past year. Audio-visual conferencing technology allows one or more people to participate remotely in court proceedings. For prisoners, this means appearing in court using an audio-visual link without leaving prison. The expanded use of audio-visual links by courts has potential benefits across the justice sector, including reduction in costs, improvements in safety and security, and an overall improvement in the administration of justice.

STRENGTHENING PARTNERSHIPS

We have sought to develop and strengthen mutually beneficial relationships with a wide range of partners in order to enhance the provision of services across the public service and achieve government outcomes, particularly justice sector outcomes.

The Department has continued the process of establishing Rehabilitation and Reintegration Services (RRS) as a single service for the delivery of all programmes and services. RRS cannot achieve the goal of reducing re-offending alone, so is working with partners, suppliers and other agencies that support offenders to live offence-free in their communities.

We have engaged with the wider Māori community and local service providers to establish two Whare Oranga Ake units. Mana whenua groups at both sites, Ngāti Poporo at Hawke's Bay Regional Prison and Ngāti Naho at Spring Hill Corrections Facility, were engaged early in the project. Mana whenua groups have also provided support through the council consent process. The two sites are both operational and were opened in July 2011 by the Associate Minister of Corrections.



PART B: STATEMENT OF SERVICE PERFORMANCE

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STATEMENT OF RESPONSIBILITY

In terms of the Public Finance Act 1989, section 45C, I am responsible, as Chief Executive of the Department of Corrections, for the preparation of the Department's financial statements and statement of service performance, and for the judgements made in these statements.

I have the responsibility of establishing, and I have established, a system of internal control designed to provide reasonable assurance as to the integrity and reliability of financial reporting.

In my opinion, these financial statements and statement of service performance fairly reflect the financial position and operations of the Department for the year ended 30 June 2011.

Signed



Ray Smith

Chief Executive

30 September 2011

Countersigned



Sean Mahony

Chief Financial Officer

30 September 2011

INDEPENDENT AUDITOR'S REPORT

AUDIT NEW ZEALAND

Mana Arotake Aotearoa

TO THE READERS OF DEPARTMENT OF CORRECTIONS' FINANCIAL STATEMENTS AND THE NON-FINANCIAL PERFORMANCE INFORMATION FOR THE YEAR ENDED 30 JUNE 2011

The Auditor-General is the auditor of Department of Corrections (the Department). The Auditor-General has appointed me, Clint Ramoo, using the staff and resources of Audit New Zealand, to carry out the audit of the financial statements and the non-financial performance information of the Department on her behalf.

We have audited:

- > the financial statements of the Department on pages 47 to 86, that comprise the statement of financial position, statement of commitments, statement of contingent liabilities and contingent assets as at 30 June 2011, the statement of comprehensive income, statement of changes in taxpayers' funds, statement of departmental expenses and capital expenditure against appropriations, statement of unappropriated expenditure and statement of cash flows for the year ended on that date and the notes to the financial statements that include accounting policies and other explanatory information; and
- > the non-financial performance information of the Department that comprises the statement of service performance on pages 27 to 45 and the report about outcomes on pages 10 to 19.

OPINION

In our opinion:

- > the financial statements of the Department on pages 47 to 86:
 - comply with generally accepted accounting practice in New Zealand; and
 - fairly reflect the Department's:
 - financial position as at 30 June 2011;
 - financial performance and cash flows for the year ended on that date;
 - expenses and capital expenditure incurred against each appropriation administered by the Department and each class of outputs included in each output expense appropriation for the year ended 30 June 2011; and
 - unappropriated expenses and capital expenditure for the year ended 30 June 2011. [and]
- > the non-financial performance information of the Department on pages 10 to 19 and pages 27 to 45:
 - complies with generally accepted accounting practice in New Zealand; and
 - fairly reflects the Department's service performance and outcomes for the year ended 30 June 2011, including for each class of outputs:
 - its service performance compared with the forecasts in the statement of forecast service performance at the start of the financial year; and
 - its actual revenue and output expenses compared with the forecasts in the statement of forecast service performance at the start of the financial year.

Our audit was completed on 30 September 2011. This is the date at which our opinion is expressed.

The basis of our opinion is explained below. In addition, we outline the responsibilities of the Chief Executive and our responsibilities, and we explain our independence.

BASIS OF OPINION

We carried out our audit in accordance with the Auditor-General's Auditing Standards, which incorporate the International Standards on Auditing (New Zealand). Those standards require that we comply with ethical requirements and plan and carry out our audit to obtain reasonable assurance about whether the financial statements and the non-financial performance information are free from material misstatement.

Material misstatements are differences or omissions of amounts and disclosures that would affect a reader's overall understanding of the financial statements and the non-financial performance information. If we had found material misstatements that were not corrected, we would have referred to them in our opinion.

An audit involves carrying out procedures to obtain audit evidence about the amounts and disclosures in the financial statements and the non-financial performance information. The procedures selected depend on our judgement, including our assessment of risks of material misstatement of the financial statements and the non-financial performance information, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Department's preparation of the financial statements and the non-financial performance information that fairly reflect the matters to which they relate. We consider internal control in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the Department's internal control.

An audit also involves evaluating:

- > the appropriateness of accounting policies used and whether they have been consistently applied;
- > the reasonableness of the significant accounting estimates and judgements made by the Chief Executive;
- > the appropriateness of the reported non-financial performance information within the Department's framework for reporting performance;
- > the adequacy of all disclosures in the financial statements and the non-financial performance information; and
- > the overall presentation of the financial statements and the non-financial performance information.

We did not examine every transaction, nor do we guarantee complete accuracy of the financial statements and the non-financial performance information. We have obtained all the information and explanations we have required and we believe we have obtained sufficient and appropriate audit evidence to provide a basis for our audit opinion.

RESPONSIBILITIES OF THE CHIEF EXECUTIVE

The Chief Executive is responsible for preparing:

- > financial statements and non-financial performance information that:
 - comply with generally accepted accounting practice in New Zealand;
 - fairly reflect the Department's financial position, financial performance, cash flows, expenses and capital expenditure incurred against each appropriation and its unappropriated expenses; and
 - fairly reflect its service performance and outcomes

The Chief Executive is also responsible for such internal control as is determined is necessary to enable the preparation of financial statements and non-financial performance information that are free from material misstatement, whether due to fraud or error.

The Chief Executive's responsibilities arise from the Public Finance Act 1989.

RESPONSIBILITIES OF THE AUDITOR

We are responsible for expressing an independent opinion on the financial statements and the non-financial performance information and reporting that opinion to you based on our audit. Our responsibility arises from section 15 of the Public Audit Act 2001 and the Public Finance Act 1989.

INDEPENDENCE

When carrying out the audit, we followed the independence requirements of the Auditor-General, which incorporate the independence requirements of the New Zealand Institute of Chartered Accountants.

In addition to the audit we have carried out four independent probity and quality assurance reviews over three tender processes and the selection process for the private-public partnership. These areas are compatible with those independence requirements.

Other than the audit and these assignments, we have no relationship with or interests in the Department.



C. Ramoo

Audit New Zealand

On behalf of the Auditor-General
Wellington, New Zealand

INFORMATION AND ADMINISTRATIVE SERVICES TO THE JUDICIARY AND THE NEW ZEALAND PAROLE BOARD

This appropriation is limited to the provision of information about offenders to victims of crime, the Judiciary and the New Zealand Parole Board, and the provision of administrative, financial and secretariat services to the New Zealand Parole Board.

OUTPUT CLASS STATEMENT

For the year ended 30 June 2011

	2009/10	2010/11		
	Actual	Actual	Main Estimates	Supp. Estimates
	\$000	\$000	\$000	\$000
REVENUE				
Crown	53,851	65,576	63,084	65,583
Departmental	366	514	454	507
Total Revenue	54,217	66,090	63,538	66,090
Total Expenses	54,132	62,109	63,538	66,090
Net Surplus	85	3,981	–	–

OUTPUT: INFORMATION SERVICES TO JUDICIARY

This output focuses on the preparation of reports that provide sentencing judges with information about offenders, to assist with the sentencing process. This service includes attendance at court, prosecutions, and attendance at sentencing resulting from Community Probation Service initiated proceedings. This output supports the Judiciary to make informed decisions.

	2009/10	2010/11		
Performance Measures	Actual	Budget Standard	Actual Standard	Variance (%)
Probation Officer full-time equivalents required to complete court related tasks:				
– Probation reports	219	179	206	15%
– Court attendance	68	60	74	23%
Percentage of reports provided to court at least two working days before sentencing:				
– Probation reports	93%	95%	94%	(1%)
– Psychological reports	99%	100%	98%	(2%)
Percentage of reports provided to the Judiciary that meet agreed standards				
– Probation reports	New measure for 2011/12	New measure for 2011/12 ⁷	94%	–

⁷ As this is a new external performance measure for 2011/12, no budget standards were set for the 2010/11 year. However the Department had data available for the 2010/11 year, and the actual figures are provided. This applies to all subsequent new measures for 2011/12.

	2009/10	2010/11		
Activity Information	Actual	Budget Standard	Actual Standard	Variance (%)
Number of reports provided to courts:				
– Probation reports	59,334	46,673	58,017	24%
– Psychological reports	111	150	118	(21%)
Number of court attendance hours	92,888	91,017	101,895	12%
Number of court applications submitted for Extended Supervision Order conditions	New measure for 2010/11	34	37	9%

COMMENTS:

The number of Probation Officer full-time equivalents required to complete court related tasks exceeded the budget standard due to actual volumes being greater than the 2009 volumes which the Department was funded for.

The number of psychological reports to court was 21 percent less than the standard expected; these reports are demand driven and are outside of the control of the Department.

OUTPUT: INFORMATION SERVICES TO THE NEW ZEALAND PAROLE BOARD (NZPB)

This output focuses on ensuring reports provide information to the NZPB to assist with decisions regarding a prisoner's release from prison. The Department also provides progress reports to the NZPB on offender compliance with the conditions of their parole orders. This output supports the NZPB to make informed decisions.

	2009/10	2010/11		
Performance Measures	Actual	Budget Standard	Actual Standard	Variance (%)
Number of Probation Officer full-time equivalents required to complete the NZPB reports and Extended Supervision Order applications	40	33	41	24%
Percentage of reports provided to agreed timeframes pursuant to the NZPB requirements (see note 1):				
– Psychological reports	99%	100%	100%	0%
– Parole progress reports	51%	95%	93%	(2%)
Activity Information	Actual	Budget Standard	Actual Standard	Variance (%)
Number of reports prepared and provided to the NZPB:				
– Parole assessment reports	5,928	5,290	6,626	25%
– Probation reports	465	476	508	7%
– Psychological reports	1,112	1,258	1,216	(3%)
Number of the NZPB Applications submitted for Extended Supervision Order conditions	32	32	34	6%

COMMENTS:

The number of Probation Officer full-time equivalents required to complete the NZPB reports and Extended Supervision Order applications was over the budget standard expected due to the increase in the number of probation reports prepared and provided to the NZPB.

The number of parole assessment reports is 25 percent over the budget standard expected, largely due to the increased number of offenders appearing in front of the NZPB. The number of reports provided to the NZPB is demand driven and is dependent on the number of requests from the NZPB.

OUTPUT: INFORMATION AND ADMINISTRATIVE SERVICES TO VICTIMS

This output focuses on the administration of victim notification services. The Department has a responsibility to notify eligible victims about specific events, as detailed in the Victims' Rights Act 2002. The New Zealand Police refer details of eligible victims to the Department.

	2009/10	2010/11		
Performance Measures	Actual	Budget Standard	Actual Standard	Variance (%)
Number of justified complaints about notification services received from registered victims	Nil	Nil	Nil	0%
Percentage of all registered victims who are notified as per Department and legislative requirements	100%	100%	100%	0%
Activity Information	Actual	Budget Standard	Actual Standard	Variance (%)
Number of referrals from the New Zealand Police	537	600	731	22%

COMMENTS:

The number of referrals from the New Zealand Police was 22 percent over the standard expected. The referrals are driven by the New Zealand Police; as such the Department has no direct control over the number of referrals received. The Department has received no justified complaints during the 2010/11 financial year and has notified all registered victims as per Department and legislative requirements.

OUTPUT: ADMINISTRATIVE SERVICES TO THE NEW ZEALAND PAROLE BOARD (NZPB)

The Department provides administrative services to the New Zealand Parole Board.

OUTPUT CLASS STATEMENT

For the year ended 30 June 2011

	2009/10	2010/11		
Performance Measures	Actual	Budget Standard	Actual Standard	Variance (%)
Percentage of all cases scheduled to be heard by the NZPB that are scheduled no later than 16 weeks from the date of the hearing	100%	100%	100%	0%
Percentage of offenders who are notified as per the NZPB requirements (see note 2)	New measure for 2010/11	100%	100%	0%
Percentage of victims who are notified as per the NZPB requirements (see note 3)	New measure for 2010/11	100%	98%	(2%)
Activity Information	Actual	Budget Standard	Actual Standard	Variance (%)
Number of NZPB hearings where administrative support was provided	8,597	8,500	9,058	7%

MANAGEMENT OF THIRD PARTY CUSTODIAL SERVICES

This appropriation is limited to preparing for and managing contracts for the provision of custodial services by third parties.

OUTPUT CLASS STATEMENT

For the year ended 30 June 2011

	2009/10	2010/11		
	Actual \$000	Actual \$000	Main Estimates \$000	Supp. Estimates \$000
REVENUE				
Crown	1,000	24,956	12,900	24,946
Departmental	–	–	–	10
Total Revenue	1,000	24,956	12,900	24,956
Total Expenses	734	24,261	12,900	24,956
Net Surplus	266	695	–	–

OUTPUT: WIRI PRISON PUBLIC-PRIVATE PARTNERSHIPS

This output covers the Public-Private Partnership (PPP) project and the subsequent contract management of the prison for the provision of custodial services.

	2009/10	2010/11		
Performance Measures	Actual	Budget Standard	Actual Standard	Variance (%)
Complete the development and approval of Wiri Prison Stage Two Public-Private Partnerships business case	New measure for 2010/11	Achieved	Achieved November 2010	Nil
Complete and issue the Expression of Interest	New measure for 2010/11	Achieved	Achieved November 2010	Nil
Complete and issue the Request for Proposal	New measure for 2010/11	Achieved	Achieved March 2011	Nil

OUTPUT: CONTRACT MANAGEMENT OF PRISONS

This output covers the contract management of an existing prison for the provision of custodial services.

	2009/10	2010/11		
Performance Measures	Actual	Budget Standard	Actual Standard	Variance (%)
Execute the contract for Contract Management of Prisons (see note 4)	New measure for 2010/11	Achieved	Achieved January 2011	Nil
Commence the transition for Contract Management of Prisons (see note 5)	New measure for 2010/11	Achieved	Achieved February 2011	Nil

COMMENTS:

The performance measures for this output will be significantly different for the 2011/12 year as the contract management of prisons moves from the establishment phase into an operational phase.

POLICY ADVICE AND MINISTERIAL SERVICES

This appropriation is limited to the provision of ministerial services, the development of policies and the provision of policy advice.

OUTPUT CLASS STATEMENT

For the year ended 30 June 2011

	2009/10	2010/11		
	Actual	Actual	Main Estimates	Supp. Estimates
	\$000	\$000	\$000	\$000
REVENUE				
Crown	5,463	5,025	5,141	5,016
Departmental	43	42	46	51
Total Revenue	5,506	5,067	5,187	5,067
Total Expenses	5,109	4,868	5,187	5,067
Net Surplus	397	199	–	–

OUTPUT: POLICY ADVICE

The Department provides advice and develops policies that contribute to service delivery, including policies that improve outcomes for Māori and Pacific peoples, and the development of effective criminal justice sector legislation. Services also include the development of standards, the analysis of trends in the offender population, and the evaluation of the impact of programmes to reduce re-offending.

	2009/10	2010/11		
Performance Measures	Actual	Budget Standard	Actual Standard	Variance (%)
Percentage of advice provided according to the work programme agreed with the Minister of Corrections	100%	95%	100%	5%
Percentage of advice delivered to the Minister of Corrections that meets agreed standards	99%	95%	100%	5%
Percentage of policy advice delivered to the Minister of Corrections within agreed timelines	100%	95%	100%	5%

OUTPUT: MINISTERIAL SERVICES

The Department provides responses to ministerial correspondence and parliamentary questions.

	2009/10	2010/11		
Performance Measures	Actual	Budget Standard	Actual Standard	Variance (%)
Percentage of all responses to parliamentary questions that are completed within five working days	98%	100%	100%	0%
Percentage of responses to ministerial draft correspondence that are completed within:				
– 15 working days	94%	95%	97%	2%
– 20 working days	New measure for 2010/11	100%	99%	(1%)
Percentage of ministerial draft correspondence that is signed without changes	92%	90%	86%	(4%)
Activity Information	Actual	Budget Standard	Actual Standard	Variance (%)
Number of written responses prepared	895	850	867	2%

PRISON-BASED CUSTODIAL SERVICES MCOA⁸

CUSTODY OF REMAND PRISONERS

This output class is limited to the provision of custodial services for remand prisoners (people awaiting trial, and offenders convicted but not yet sentenced).

CUSTODY OF SENTENCED PRISONERS

This output class is limited to the provision of custodial services for offenders sentenced to imprisonment.

The overall average prison population for the 2010/11 financial year was 8,712 prisoners, two percent under the 2009-2017 Criminal Justice Forecast⁹ (prison population); this peaked at 8,853 prisoners on 1 November 2010, an all time high.

The average remand prison population for the 2010/11 financial year was 1,890 prisoners, seven percent under the 2009-2017 Criminal Justice Forecast. The number of prisoners held in custody on remand is influenced by rates of arrest and decisions of the Judiciary and as such is outside the direct control of the Department.

The average sentenced prison population for the 2010/11 financial year was 6,822 prisoners, similar to the 2009-2017 Criminal Justice Forecast.

OUTPUT CLASS STATEMENT: CUSTODY OF REMAND PRISONERS

For the year ended 30 June 2011

	2009/10	2010/11		
	Actual	Actual	Main Estimates	Supp. Estimates
	\$000	\$000	\$000	\$000
REVENUE				
Crown	148,756	175,548	171,253	175,358
Departmental	1,252	1,463	1,451	1,653
Total Revenue	150,008	177,011	172,704	177,011
Total Expenses	145,430	168,782	172,704	177,011
Net Surplus	4,578	8,229	–	–

OUTPUT CLASS STATEMENT: CUSTODY OF SENTENCED PRISONERS

For the year ended 30 June 2011

	2009/10	2010/11		
	Actual	Actual	Main Estimates	Supp. Estimates
	\$000	\$000	\$000	\$000
REVENUE				
Crown	548,129	567,304	576,938	567,045
Departmental	4,404	5,126	4,741	5,385
Total Revenue	552,533	572,430	581,679	572,430
Total Expenses	542,663	556,598	581,679	572,430
Net Surplus	9,870	15,832	–	–

⁸ Multi-class output appropriation.

⁹ The 2009-2017 Criminal Justice Forecast was used to set the budget standards for the 2010/11 financial year.

OUTPUT CLASS: CUSTODY OF REMAND PRISONERS

This output provides custodial services for remand prisoners (people awaiting trial, and offenders convicted but not yet sentenced) and ensures offenders complete the correct imposed order and comply with the specific restrictions and requirements of their order, are not harmed, and are treated fairly and have their legitimate needs met.

Performance Measures	2009/10	2010/11		
	Actual	Budget Standard	Actual Standard	Variance (%)
Rate of escapes per 100 remand prisoners:				
- Breakout (see note 6) (Number of breakout escapes)	New measure for 2010/11	≤ 0.10 (2)	0.11 (2)	10%
- Other (see note 7) (Number of other escapes)	New measure for 2010/11	≤ 0.05 (1)	0.00 (0)	0%
Rate of serious assaults per 100 remand prisoners (see note 8):				
- Prisoner/Prisoner (Number of serious prisoner/prisoner assaults)	New measure for 2010/11	≤ 0.60 (12)	1.11 (21)	85%
- Prisoner/Staff (Number of serious prisoner/staff assaults)	New measure for 2010/11	≤ 0.10 (2)	0.26 (5)	160%
Rate of unnatural deaths per 100 remand prisoners (see note 9) (Number of unnatural deaths)	New measure for 2010/11	≤ 0.15 (3)	0.37 (7)	147%
Rate of self-harm threat-to-life incidents per 100 remand prisoners (see note 10) (Number of self-harm threat-to-life incidents)	New measure for 2010/11	≤ 1.00 (20)	0.69 (13)	0%
Activity Information	Actual	Budget Standard	Actual Standard	Variance (%)
Average number of remand prisoners held	1,828	2,027	1,890	(7%)
The maximum number of remand prisoners held	New measure for 2010/11	2,130	2,024	(5%)

COMMENTS:

The rate of serious assaults per 100 remand prisoners for both prisoners and staff and the rate of unnatural deaths per 100 remand prisoners are all well above the budget standard expected. These incidents are being analysed to determine any contributing factors; where relevant these will be addressed to improve staff and prisoner safety.

We are committed to improving the management of prisoners who are identified of being at risk of harm. During the past year we have introduced a new 'at risk' assessment process and completed a review of all at risk clothing and bedding. These changes will be introduced during 2011/12. We will also be publishing a comprehensive Suicide Prevention Strategy.

OUTPUT CLASS: CUSTODY OF SENTENCED PRISONERS

This output provides custodial services for offenders sentenced to imprisonment and ensures offenders complete the correct imposed sentence and comply with the specific restrictions and requirements of their sentence, are not harmed, and are treated fairly and have their legitimate needs met.

Performance Measures	2009/10	2010/11		
	Actual	Budget Standard	Actual Standard	Variance (%)
Rate of escapes per 100 sentenced prisoners:				
- Breakout (see note 6) (Number of breakout escapes)	New measure for 2010/11	≤ 0.09 (6)	0.03 (2)	0%
- Other (see note 7) (Number of other escapes)	New measure for 2010/11	≤ 0.16 (11)	0.00 (0)	0%
Rate of serious assaults per 100 sentenced prisoners (see note 8):				
- Prisoner/Prisoner (Number of serious prisoner/prisoner assaults)	New measure for 2010/11	≤ 0.31 (20)	0.40 (27)	29%
- Prisoner/Staff (Number of serious prisoner/staff assaults)	New measure for 2010/11	≤ 0.09 (6)	0.09 (6)	0%
Rate of unnatural deaths per 100 sentenced prisoners (see note 9) (Number of unnatural deaths)	New measure for 2010/11	≤ 0.06 (4)	0.07 (5)	17%
Rate of self-harm threat-to-life incidents per 100 sentenced prisoners (see note 10) (Number of self-harm threat-to-life incidents)	New measure for 2010/11	≤ 0.50 (34)	0.15 (10)	0%
Activity Information	Actual	Budget Standard	Actual Standard	Variance (%)
Average number of sentenced prisoners held	6,587	6,860	6,822	0%
The maximum number of sentenced prisoners held	New measure for 2010/11	7,206	7,009	(3%)

COMMENTS:

The rate of serious prisoner/prisoner assaults per 100 sentenced prisoners and the rate of unnatural deaths per 100 sentenced prisoners are both above the budget standard expected. These incidents are being analysed to determine any contributing factors; where relevant these will be addressed to improve staff and prisoner safety.

We are committed to improving the management of prisoners who are identified of being at risk of harm. During the past year we have introduced a new 'at risk' assessment process and completed a review of all at risk clothing and bedding. These changes will be introduced during 2011/12. We will also be publishing a comprehensive Suicide Prevention Strategy.

OUTPUT: HEALTH

This is a shared output across both remand and sentenced prisoners where the Department provides for health assessments and primary health care for prisoners in custody.

	2009/10	2010/11		
Performance Measures	Actual	Budget Standard	Actual Standard	Variance (%)
Total number of consultations with healthcare staff throughout the period	230,479	244,187	245,709	1%
Percentage of eligible prisoners that receive a specialist health assessment	New measure for 2010/11	≥ 80%	86%	0%
The percentage of justified complaints by prisoners relating to the provision of health services	New measure for 2011/12	New measure for 2011/12	0%	–
The percentage of all remand and newly sentenced prisoners who are screened by a health professional within 24 hours of reception	New measure for 2011/12	New measure for 2011/12	92%	–
Activity Information	Actual	Budget Standard	Actual Standard	Variance (%)
Number of prisoners who receive a health screening upon reception	23,801	27,107	31,835	17%

COMMENTS:

The number of prisoners who received a health screening upon reception is above the standard expected due to the number of prisoner movements required following the Christchurch earthquakes. It is a requirement that all prisoners receive a health screening upon reception into prison, including internal transfers between prisons.

OUTPUT: CRIME PREVENTION

This is a shared output across both remand and sentenced prisoners where the Department uses drug testing as a deterrent against the use of drugs by prisoners whilst in prison. This is complemented by other drug control activities, such as check points, dogs, and cell searches.

	2009/10	2010/11		
Performance Measures	Actual	Budget Standard	Actual Standard	Variance (%)
Number of crime prevention activities conducted, including:				
Number of drug and alcohol tests:				
– General random tests	3,915	3,926	4,036	3%
– Other tests (see note 11)	New measure for 2010/11	7,686	7,171	(7%)
Number of phone calls monitored	New measure for 2010/11	21,000	44,236	111%
Percentage of all individual phone calls monitored which have content of an intelligence value	New measure for 2010/11	≥ 60%	61%	0%
The positive percentage rate of general random drug tests for remand prisoners	New measure for 2011/12	New measure for 2011/12	13%	–
The positive percentage rate of general random drug tests for sentenced prisoners	New measure for 2011/12	New measure for 2011/12	6%	–

COMMENTS:

The number of phone calls monitored is substantially above the standard expected for the year; this was a new measure introduced for the 2010/11 financial year and the standard was set using conservative estimates at the time.

OUTPUT: PRISONER TRANSPORTATION

Remand and sentenced prisoners are escorted safely, securely and humanely, as required by the Judiciary.

Activity Information	2009/10	2010/11		
	Actual	Budget Standard	Actual Standard	Variance (%)
Number of prisoners escorted:				
- Court	47,373	58,101	45,790	(21%)
- Other (see note 12)	New measure for 2010/11	17,200	17,222	0%

COMMENTS:

The number of prisoners escorted to court was below the standard expected. The demand for this service is outside the control of the Department and is influenced by the rates of arrest and decisions of the Judiciary.

OUTPUT: EXTERNAL SUPERVISION

Remand and sentenced prisoners are supervised safely, securely and humanely, as required by the Judiciary.

Activity Information	2009/10	2010/11		
	Actual	Budget Standard	Actual Standard	Variance (%)
Number of prisoners externally supervised:				
- Court	23,624	19,770	25,084	27%
- Other	New measure for 2010/11	2,700	661	(76%)

COMMENTS:

There has been a substantial increase in the number of prisoners externally supervised in court, with a 27 percent increase above the standard expected. The demand for this service is outside the control of the Department and is influenced by the rates of arrest and decisions of the Judiciary. This growth represents the flow of work through the court system, as highlighted in the output Information Services to the Judiciary.

The number of prisoners externally supervised in other locations was well below the standard expected. This was a new measure and expected volumes were overestimated.

REHABILITATION AND REINTEGRATIVE SERVICES

This appropriation is limited to the provision of prisoner education, prisoner employment, rehabilitative programmes, reintegrative services and psychological services, all designed to address the underlying causes of criminal re-offending.

OUTPUT CLASS STATEMENT

For the year ended 30 June 2011

	2009/10	2010/11		
	Actual	Actual	Main Estimates	Supp. Estimates
	\$000	\$000	\$000	\$000
REVENUE				
Crown	66,495	96,967	110,473	97,824
Departmental	605	1,327	1,119	1,231
Other		40,206	25,998	35,998
Total Revenue	67,100	138,500	137,590	135,053
Total Expenses	64,585	130,402	137,590	135,053
Net Surplus	2,515	8,098	–	–

The Department has made improvements to the Rehabilitation and Reintegration services' performance measures to ensure that the Department is well placed to demonstrate the impact of these services on our outcomes. These new output measures will be introduced in the 2011/12 financial year and will be reported on in the Department's 2011/12 Annual Report. The new output performance measures and expected budget standards are attached at Appendix 6 (page 103).

OUTPUT: EDUCATION

The Department seeks to improve the education standards of prisoners through the provision of foundation learning (literacy, numeracy, English for Speakers of Other Languages) and secondary school and tertiary education that improves education skills and a prisoner's ability to gain employment after release.

	2009/10	2010/11		
Performance Measures	Actual	Budget Standard	Actual Standard	Variance (%)
The number of prisoners commencing non-work related education ¹⁰	3,501	2,643	2,667 ¹¹	1%

¹⁰ This measure was previously (2009/10) worded as: The number of prisoners commencing literacy and numeracy training.

¹¹ In 2009/10 and 2010/11 this figure combined literacy, numeracy, schooling and other forms of education. The variation between 2009/10 and 2010/11 is a result of variable reporting of some of these other educational activities. From 2011/12 the figure will only report on literacy and numeracy programmes (a government priority), meaning that the number for 2011/12 will be lower, but will also be more robust.

OUTPUT: PRISONER EMPLOYMENT

The Department provides employment, work-based training and assessment of New Zealand Qualifications Framework (NZQF) credits to prisoners in employment activities.

	2009/10	2010/11		
Performance Measures	Actual	Budget Standard	Actual Standard	Variance (%)
Average number of prisoners employed:				
– Corrections Inmate Employment (including Release to Work)	2,721	3,058	2,865	(6%)
– Prison-based work	1,596	1,800	1,822	1%
– Community Service activities	60	68	80	18%
	2009/10	2010/11		
Performance Measures	Actual	Budget Standard	Actual Standard	Variance (%)
Average hours worked per seven-day week by:				
– Prisoners learning industry-based skills through Corrections Inmate Employment (including Release to Work)	33	35	34	(3%)
– Prisoners employed in prison-based work	28	24	26	8%
Average number of credits achieved by prisoners learning industry-based skills under the National Qualifications Framework ¹² through Corrections Inmate Employment	27	24	38	58%

COMMENTS:

The average number of prisoners employed in Community Service activities was 18 percent over the standard expected due to the Department's focus on getting prisoners to work in the community and support community projects.

The instructors have undergone training during the year which has improved their delivery of tuition to prisoners. Coupled with innovative and new training methods, this has meant that the average number of credits achieved by prisoners is substantially over the budget standard expected by 58 percent.

¹² Now known as the New Zealand Qualifications Framework.

OUTPUT: REHABILITATION PROGRAMMES

The Department delivers a number of rehabilitative programmes to both prisoners and offenders. These programmes include targeted interventions in relation to offending.

The Department uses a Bi-cultural Therapy Model that increases responsiveness to Māori needs by enabling both Tikanga Māori and psychology for self-development and positive whānau relationships.

Performance Measures	2009/10	2010/11		
	Actual	Budget Standard	Actual Standard	Variance (%)
Total number of offenders who start a rehabilitation programme:				
– Prison-based	New measure for 2010/11	3,546	3,632	2%
– Community-based	New measure for 2010/11	4,704	5,659	20%
Total number of Māori offenders/prisoners who received treatment under the Bi-cultural Therapy Model	322	350	386	10%
Percentage of prisoners who complete a rehabilitation programme	80%	85%	80%	(6%)
Percentage of offenders who complete a community funded programme	52%	64%	53%	(17%)
Percentage of prisoners who complete a Special Treatment Unit programme	78%	82%	80%	(2%)
Percentage of medium risk offenders who complete a rehabilitation programme	72%	70%	74%	6%
Percentage of offenders who complete a Tikanga Māori programme	87%	65%	95%	46%

COMMENTS:

The number of community-based offenders who started a rehabilitation programme is 20 percent over the budget standard expected due to an increase in the demand experienced for these programmes.

There has been an increase in the number of Māori offenders/prisoners who are receiving treatment under the Bi-cultural Therapy Model. The Department has new providers delivering this type of treatment and has focused on finding appropriate referrals.

The percentage of offenders who completed a community funded programme is 17 percent below the expected standard. These programmes are provided by external parties in the community and, while the completion rate is lower than expected, it should be noted that as a direct result of referrals significant numbers of victims of domestic violence are linked into the appropriate support services. The lower than expected completion rate reflects the low tolerance of non-compliance which aligns with the approach taken across government in addressing domestic violence.

The percentage of offenders completing a Tikanga Māori programme is significantly (46 percent) higher than the expected standard due to an increased number of offenders commencing the programme and the support provided to offenders to better understand and appreciate their past and look towards a more positive future.

OUTPUT: REINTEGRATIVE SERVICES

Reintegrative services are provided to offenders and their families/whānau in order to facilitate the transition from prison to the community or to assist offenders serving sentences in the community to fulfil the conditions of their sentence or order. Reintegrative needs may include accommodation and employment, financial management, relationship management, community support, victim related issues and health care.

Performance Measures	2009/10	2010/11		
	Actual	Budget Standard	Actual Standard	Variance (%)
Total number of prisoners who start a reintegration programme	997	844	1,074	27%
Percentage of prisoners who complete a reintegration programme	85%	90%	85%	(6%)
Total number of offenders participating in a Supported Accommodation service	202	200	192	(4%)
Total number of offenders who start a programme in a Community Residential Centre	16	28	26	(7%)
Psychological consultation hours provided to offenders who participated in a programme at a Community Residential Centre	New measure for 2010/11	900	1,209	34%
Contracted reintegrative support service hours provided by Prisoners' Aid and Rehabilitation Societies	52,266	48,000	51,035	6%
Number of offenders who received reintegrative support service hours by Prisoners' Aid and Rehabilitation Societies	11,905	12,500	11,503	(8%)

COMMENTS:

The number of prisoners commencing a reintegration programme is 27 percent over the budget standard expected due to the Department's focus on providing prisoners with living and parenting skills prior to release from prison. These programmes are between four and five weeks in duration and provide prisoners with skills that facilitate their reintegration into the community upon release.

The number of psychological consultation hours provided to offenders who are participating in a programme at a Community Residential Centre is 34 percent over the budget standard. This is due to the hours provided to the new Tai Aroha intensive programme in order to support the establishment and delivery of this programme, which works with offenders who have multiple treatment needs. This trend is expected to continue.

OUTPUT: PSYCHOLOGICAL SERVICES

Specialist psychologist treatment services are provided to offenders serving both custodial and community-based sentences. This includes the provision of reports resulting from the referral, assessment and treatment of offenders serving custodial sentences, and of professional training and supervision relating to the delivery of responsivity/motivational and rehabilitative programmes.

Performance Measures	2009/10	2010/11		
	Actual	Budget Standard	Actual Standard	Variance (%)
Total number of psychological consultation hours provided	37,658	36,140	37,196	3%
Total number of psychological reports provided	2,879	3,433	3,408	(1%)
Percentage of psychological reports provided to standard (see note 13)	New measure for 2010/11	95%	100%	5%

SENTENCES AND ORDERS SERVED IN THE COMMUNITY

This appropriation is limited to the management and delivery of sentences and orders served in the community.

The number of new sentences and orders commencing in the 2010/11 financial year was 74,878.¹³ The average offender population serving sentences and orders for the 2010/11 financial year was 44,685.¹⁴

OUTPUT CLASS STATEMENT

For the year ended 30 June 2011

	2009/10	2010/11		
	Actual	Actual	Main Estimates	Supp. Estimates
	\$000	\$000	\$000	\$000
REVENUE				
Crown	171,589	193,949	183,549	193,553
Departmental	2,702	1,541	1,752	1,937
Other		11	–	–
Total Revenue	174,291	195,501	185,301	195,490
Total Expenses	171,330	188,459	185,301	195,490
Net Surplus	2,961	7,042	–	–

OUTPUT: HOME DETENTION SENTENCES

This output covers sentences imposed by the courts which require the offender to reside at an approved address under strict conditions and with strict monitoring, including electronic monitoring. The Department ensures that offenders complete the correct imposed sentence and comply with the restrictions and requirements of their sentence.

	2009/10	2010/11		
Performance Measures	Actual	Budget Standard	Actual Standard	Variance (%)
Total number of Probation Officer full-time equivalents required to manage offenders on Home Detention sentences	168	232	265	14%
The percentage of offenders who have complied with their Home Detention sentence, or who have been held to account	New measure for 2011/12	New measure for 2011/12	95%	–
Activity Information	Actual	Budget Standard	Actual Standard	Variance (%)
Total number of offenders commencing a Home Detention sentence	3,472	3,420	3,774	10%
Average number of Home Detention sentences being served	2,597	3,483	3,001	(14%)

COMMENTS:

The number of Probation Officer full-time equivalents required to manage offenders on Home Detention was 14 percent higher than the budget standard due to the number of offenders commencing a new Home Detention sentence being 10 percent higher than expected.

The average number of offenders serving a Home Detention sentence was lower than expected due to shorter sentence lengths being imposed for Home Detention sentences by the Judiciary.

¹³ This includes a further 2,924 new starts for Post-detention Conditions (an order considered a subset of Home Detention), three new starts for Compassionate Release and four new starts on Home Detention orders during 2010/11.

¹⁴ This includes a further one offender on a Home Detention order.

OUTPUT: COMMUNITY-BASED SENTENCES

This output covers the management of offenders serving Community-based sentences, being: Community Work, Intensive Supervision, Community Detention and Supervision. The Department ensures that offenders complete the correct imposed sentence and comply with the restrictions and requirements of their sentence.

	2009/10	2010/11		
Performance Measures	Actual	Budget Standard	Actual Standard	Variance (%)
Total number of Probation Officer full-time equivalents required to manage offenders on Community-based sentences	594	528	603	14%
Activity Information	Actual	Budget Standard	Actual Standard	Variance (%)
Total number of offenders commencing a Community-based sentence	62,108	63,168	61,721	(2%)
Average number of Community-based sentences being served	36,801	42,530	35,856	(16%)

COMMENTS:

The number of probation officer full-time equivalents required to manage offenders on community-based sentences was 14 percent higher than the budget standard due to actual volumes being greater than the 2009 volumes which the Department was funded for.

The average number of offenders serving community-based sentences was lower than expected, in particular with regards to community work sentences.

OUTPUT: POST-RELEASE ORDERS

This output covers the management of offenders who have Post-release conditions as imposed by the courts at the time of sentencing for prisoners with short sentences. It also covers Parole Orders imposed by the NZPB and Extended Supervision orders imposed by the courts, with additional special conditions set by the NZPB to actively manage the long term risks posed by high risk child-sex offenders in the community. The Department ensures that offenders complete the correct imposed order and comply with the restrictions and requirements of their order.

	2008/09	2009/10		
Performance Measures	Actual	Budget Standard	Actual Standard	Variance (%)
Total number of Probation Officer full-time equivalents required to manage offenders on Post-release orders	186	217	201	(7%)
Average number of Post-release orders subject to residential restrictions	237	282	242	(14%)
The percentage of offenders who have complied with their Post-release order, or who have been held to account	New measure for 2011/12	New measure for 2011/12	96% ¹⁵	–
Activity Information	Actual	Budget Standard	Actual Standard	Variance (%)
Total number of offenders commencing a Post-release order	6,177	7,702	6,452	(16%)
Average number of Post-release orders being served	5,613	7,193	5,827	(19%)

COMMENTS:

The average number of Post-release orders subject to residential restrictions is lower than the standard expected. This is due to the lower number of offenders commencing parole orders.

The volume of offenders commencing a parole order has declined and is dependent on the number of prisoners who appear before the NZPB and are released. The reduction in the number of offenders commencing a Post-release order has also impacted the average number of Post-release orders being served, with 19 percent variance against the budget standard.

The average number of Post-release orders subject to residential restrictions is demand driven and dependent on the decisions of the NZPB; residential restrictions may be imposed by the NZPB as a special condition.

¹⁵ For Extended Supervision [ES] and Release on Conditions [RoC] the data is for the period November 2010 to June 2011, as this measure can only be reported against for those sentences/orders that have transitioned to the new Integrated Practice Framework [IPF]. The IPF for ES and RoC was implemented in November 2010. The parole results are available for the full year (July 2010 – June 2011).

NOTES TO PERFORMANCE MEASURES

Note #	Reference/Performance measure	Definition
1	Percentage of reports provided to agreed timeframes pursuant to the NZPB requirements	<ul style="list-style-type: none"> Psychological reports are prepared for the NZPB at least five weeks prior to the hearing date Probation reports are provided to the NZPB at least 10 days prior to the hearing date
2	Percentage of offenders who are notified as per the NZPB requirements	<ul style="list-style-type: none"> Offenders are notified of an impending hearing no later than 14 days from the date of the hearing Offenders are notified of a NZPB decision no later than 14 days following receipt of the signed decision
3	Percentage of victims who are notified as per the NZPB requirements	<ul style="list-style-type: none"> Victims are notified of an impending hearing no later than 28 days from the hearing Victims are notified of a NZPB decision no later than 14 days following receipt of the signed decision
4	Execute the contract for Contract Management of Prisons	Have in place by 31 January a contract with the preferred bidder for the Contract Management of Prisons
5	Commence the transition for Contract Management of Prisons	Following the contract signing, transition of the current facilities over to Serco commenced. This transition included handing over facilities, prisoner population build up and ensuring the Department and Serco work together to complete the transition prior to 1 August 2011
6	Breakout escape	Where a prisoner has breached security measures and the prisoner has physically left the area contained by the outermost perimeter fence or, if there is no such fence, prison buildings, police cell, court complex or other place of custodial control
7	Other escape	Where low security prisoners walk away from their place of supervision and escapes while under the supervision of officers during escorted outings including escorts to and from court
8	Serious assault	An act of physical violence that involves either: sexual assault of any form and degree, bodily harm requiring medical intervention by medical staff followed by overnight hospitalisation in a medical facility or bodily harm requiring ongoing medical intervention
9	Unnatural death	Unnatural deaths include apparent suicide, homicide, drug overdose and accident
10	Self-harm threat-to-life	Intentional acts of harm which would most probably have led to death if there was no immediate intervention
11	Number of drug and alcohol tests – 'other' drug tests	Include tests under the following test types: Voluntary Participant (manual), Reasonable Cause (manual), Identified Drug User Voluntary Participant (manual), Temporary Release (random) and Identified Drug User (random)
12	Number of prisoners escorted (other)	Includes inter-prison transfers and health related escorts
13	Percentage of psychological reports provided to standard	<ul style="list-style-type: none"> Report is completed to formal standards as set out in the Prison Services Operations Manual Report is concise, logical and grammatically correct The source and referral reason are clearly stated All relevant and appropriate information is included Sources of information are well-documented (and verified) Report contains a clear statement of appropriate recommendations Report documents appropriate care for rights of offenders, as specified in the Prison Services Operations Manual Report is signed by the indicated parties or written explanation is given if signatures are missing.





PART C: ANNUAL FINANCIAL STATEMENTS

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STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 June 2011

2010 Actual	Notes	2011 Actual	2011 Main Estimates	2011 Supp. Estimates
\$000		\$000	\$000	\$000
REVENUE				
1,037,526	Crown	1,129,325	1,123,338	1,129,325
10,058	Departmental revenue	10,013	9,563	10,774
40,316	Other revenue	48,300	25,998	35,998
305	Dividends	312	–	–
–	Earthquake related income	11	–	–
1,088,205	Total operating revenue	1,187,961	1,158,899	1,176,097
EXPENDITURE				
502,318	Personnel costs	520,320	550,177	542,203
276,757	Operating costs	323,501	321,875	348,984
129,839	Depreciation and amortisation	122,277	124,796	126,633
149,719	Capital charge	158,278	162,051	158,277
–	Earthquake related expenditure	11,103	–	–
1,058,633	Total output expenses	1,135,479	1,158,899	1,176,097
29,572	Net surplus	52,482*	–	–
OTHER COMPREHENSIVE INCOME				
–	Revaluation gains on land and buildings	60,163	–	–
(2,186)	Fair value through other comprehensive income	–	–	–
(2,186)	Total other comprehensive income	60,163	–	–
27,386	Total comprehensive income attributable to the Crown	112,645	–	–

* Net surplus includes \$8.405 million of revaluation gains in relation to biological assets, \$3.100 million of unbudgeted revenue and under spending in personnel costs and operating expenditure where an in-principle transfer of up to \$37.000 million to 2011/12 has been agreed.

The accompanying notes form part of these financial statements.
For information on major variances against budget refer to Note 27 (page 86).

STATEMENT OF CHANGES IN TAXPAYERS' FUNDS

For the year ended 30 June 2011

2010 Actual \$000	Notes	2011 Actual \$000	2011 Main Estimates \$000	2011 Supp. Estimates \$000
2,029,498	Taxpayers' funds at 1 July	2,128,523	2,140,709	2,128,523
	Changes in taxpayers' funds during the year			
	<i>Transfers from statement of comprehensive income</i>			
29,572	Add net surplus	52,482	–	–
–	Increase in revaluation reserves	60,163	–	–
(2,186)	Net write-back of revaluation losses related to previous year	–	–	–
27,386	Total Comprehensive Income	112,645	–	–
	Adjustment for flows to and from the Crown			
281,082	Add capital contributions from the Crown during the year	100,876	100,876	100,876
(179,871)	Less capital returned to the Crown during the year	(36,340)	(22,840)	(36,340)
(29,572)	Provision for the surplus attributable to the Crown and in-principle expense transfer	(52,482)	–	–
71,639	Total adjustments for flows to and from the Crown	12,054	78,036	64,536
2,128,523	Taxpayers' funds at 30 June	2,253,222	2,218,745	2,193,059

Taxpayers' funds include remeasurements for Land, Buildings and Biological Assets.

The accompanying notes form part of these financial statements.
For information on major variances against budget refer to Note 27 (page 86).

STATEMENT OF FINANCIAL POSITION

As at 30 June 2011

2010 Actual		Notes	2011 Actual	2011 Main Estimates	2011 Supp. Estimates
\$000			\$000	\$000	\$000
ASSETS					
Current assets					
204,297	Cash and cash equivalents	7	216,331	71,975	147,605
2,381	Prepayments	8	1,792	3,025	3,025
6,397	Debtors and other receivables	9	48,889	6,976	6,976
9,920	Inventories	10	5,471	6,231	6,231
222,995	Total current assets		272,483	88,207	163,837
Non-current assets					
5,590	Investments	11	5,590	5,563	5,590
2,027,537	Property, plant and equipment	12	2,122,846	2,190,399	2,101,277
40,180	Intangible assets	13	32,674	50,961	37,644
41,131	Biological assets	14	49,347	37,735	41,131
2,114,438	Total non-current assets		2,210,457	2,284,658	2,185,642
2,337,433	Total assets		2,482,940	2,372,865	2,349,479
LIABILITIES					
Current liabilities					
89,033	Creditors and other payables	15	90,929	75,779	76,779
66,613	Employee entitlements	16	66,424	65,723	66,523
11,280	Provisions	17	7,775	–	–
29,572	Provision for surplus attributable to the Crown and in-principle transfer	18	52,482	–	–
196,498	Total current liabilities		217,610	141,502	143,302
Non-current liabilities					
12,412	Employee entitlements	16	12,108	12,618	13,118
12,412	Total non-current liabilities		12,108	12,618	13,118
208,910	Total liabilities		229,718	154,120	156,420
TAXPAYERS' FUNDS					
1,603,094	General funds	18	1,667,630	1,691,130	1,665,363
525,429	Reserves	18	585,592	527,615	527,696
2,128,523	Total taxpayers' funds		2,253,222	2,218,745	2,193,059
2,337,433	Total liabilities and taxpayers' funds		2,482,940	2,372,865	2,349,479

The accompanying notes form part of these financial statements.
For information on major variances against budget refer to Note 27 (page 86).

STATEMENT OF CASH FLOWS

For the year ended 30 June 2011

2010 Actual	Notes	2011 Actual	2011 Main Estimates	2011 Supp. Estimates
\$000		\$000	\$000	\$000
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash provided from:				
<i>Supply of outputs to</i>				
1,041,254	Receipts from Crown	1,087,499	1,123,338	1,129,325
10,695	Receipts from Departments	9,866	9,563	10,282
37,215	Receipts from Other revenue	38,542	25,998	35,911
(1,714)	Change in GST payable (net)*	10,796	–	2,994
Cash disbursed to:				
(500,656)	Payments to Employees	(519,732)	(546,077)	(537,487)
(259,032)	Payments to Suppliers	(313,163)	(328,917)	(372,211)
(149,719)	Payments for Capital charge	(158,278)	(162,051)	(158,277)
178,043	Net cash flows from operating activities	155,530	121,854	110,537
CASH FLOWS FROM INVESTING ACTIVITIES				
Cash provided from:				
305	Receipts from interest and dividends	312	–	–
145	Receipts from sale of investments	–	–	–
1,157	Receipts from sale of property, plant and equipment, biological and intangible assets	2,063	1,000	1,605
Cash disbursed to:				
(202,064)	Purchase of property, plant and equipment and biological assets**	(172,450)	(228,637)	(195,583)
(7,787)	Purchase of intangible assets**	(8,385)	(17,300)	(8,215)
(208,244)	Net cash flows from investing activities	(178,460)	(244,937)	(202,193)
CASH FLOWS FROM FINANCING ACTIVITIES				
Cash provided from:				
281,082	Capital injections	100,876	100,876	100,876
Cash disbursed to:				
(179,871)	Return of capital	(36,340)	(22,840)	(36,340)
(13,398)	Return of operating surpluses	(29,572)	(19,368)	(29,572)
87,813	Net cash flows from financing activities	34,964	58,668	34,964
57,612	Net increase/(decrease) in cash	12,034	(64,415)	(56,692)
146,685	Cash at the beginning of the year	204,297	136,390	204,297
204,297	Cash at the end of the year	216,331	71,975	147,605

* The GST (net) component of operating activities reflects the net GST paid to suppliers and received from customers and the Inland Revenue Department. The GST (net) component has been presented on a net basis, as the gross amounts do not provide meaningful information for financial statement purposes.

** During the period, the Department acquired no property, plant and equipment by means of finance leases (2010: nil).

The accompanying notes form part of these financial statements.
For information on major variances against budget refer to Note 27 (page 86).

STATEMENT OF COMMITMENTS

As at 30 June 2011

2010 Actual \$000		2011 Actual \$000
CAPITAL COMMITMENTS		
Property, plant and equipment		
87,909	Less than one year	24,034
–	One to five years	–
–	More than five years	–
87,909		24,034
Intangible assets		
–	Less than one year	–
–	One to five years	–
–	More than five years	–
87,909	Total capital commitments	24,034
NON-CANCELLABLE OPERATING LEASE COMMITMENTS		
Office accommodation		
11,918	Less than one year	12,055
15,731	One to five years	27,578
6,232	More than five years	8,597
33,881		48,230
Office equipment		
191	Less than one year	5,441
1	One to five years	–
–	More than five years	–
192		5,441
34,073	Total non-cancellable operating lease commitments	53,671
COMMITMENTS ARISING FROM OTHER CONTRACTS		
Offender programmes and services		
24,472	Less than one year	42,449
42,092	One to five years	127,804
–	More than five years	23,905
66,564		194,158
Facilities Management Services		
19,765	Less than one year	21,989
76,202	One to five years	64,254
–	More than five years	–
95,967		86,243
Information system support and services		
18,831	Less than one year	19,754
68,720	One to five years	51,097
2,336	More than five years	–
89,887		70,851
252,418	Total commitments arising from other contracts	351,252
374,400	Total commitments	428,957

The accompanying notes form part of these financial statements.
For information on major variances against budget refer to Note 27 (page 86).

Capital commitments

Capital commitments are the aggregate amount of capital expenditure contracted for the acquisition or construction of property, plant and equipment, and intangible assets that have not been paid for or not recognised as a liability at the balance sheet date.

Non-cancellable operating lease commitments

The Department leases premises at many locations throughout New Zealand. The annual lease rentals are subject to regular reviews, usually ranging from two years to three years. The amounts disclosed above as future commitments are based on current rental rates.

Commitments arising from other contracts

The Department has entered into non-cancellable contracts for computer maintenance, telephone exchange systems, photocopiers, and other contracts for offender programmes and services.

Operating lease commitments – Department as lessor

The Department has operating leases for some of its premises. These premises are fair valued under NZ IAS 16 – Property, Plant and Equipment as they are maintained solely to provide rental income. Revenue earned under operating leases are disclosed as board and rents and reported under Note 2: Other Revenue.

STATEMENT OF CONTINGENT LIABILITIES AND ASSETS

As at 30 June 2011

CONTINGENT LIABILITIES

2010 Actual \$000		2011 Actual \$000
3,719	Legal proceedings	3,892
1,142	Personal grievances	453
4,861	Total contingent liabilities	4,345

Legal proceedings

The Department was defending 24 (2010:35) legal proceedings claims by prisoners and related/external parties as at 30 June 2011. They cover a range of areas, including breach of the NZ Bill of Rights Act 1990, seeking compensation or other redress for perceived/alleged instances of wrongful action or decision making by the Department and individuals.

Personal grievances

The Department was also defending 21 (2010: 25) employment related claims made by staff members as at 30 June 2011.

UNQUANTIFIED CLAIMS

The Department is a participating employer in the Defined Benefit Plan Contributors Scheme (the Scheme), managed by the Board of Trustees of the National Provident Fund. The Scheme is a multi-employer defined benefit scheme. If the other participating employers ceased to participate in the Scheme, the Department could be responsible for the entire deficit of the Scheme. Similarly, if a number of employers ceased to participate in the Scheme, the Department could be responsible for an increased share of the deficit. The Department considers the risk of these events occurring to be minimal.

The Actuary of the Scheme has recommended the employer contribution should remain at two times contributor's contributions until the past service deficit is extinguished and then reduces to the employer contribution rate required to meet the net future service liability after that. The multiplication by two is inclusive of Employer Superannuation Contribution Withholding Tax.

Insufficient information is available to use defined benefit accounting and it is not possible to determine from the terms of the Scheme, the extent to which the deficit will affect future contributions by individual employers, as there is no prescribed basis for allocation.

Contingent Assets

The Department does not have any contingent assets as at 30 June 2011 (2010: nil).

STATEMENT OF DEPARTMENTAL EXPENDITURE AND CAPITAL EXPENDITURE AGAINST APPROPRIATIONS

For the year ended 30 June 2011

2010 Expenditure Actual \$000		2011 Expenditure Actual \$000	2011 Appropriation Voted \$000
VOTE: CORRECTIONS			
Departmental output expenditure			
54,132	Information and Administrative Services to the Judiciary and the New Zealand Parole Board	62,109	66,090
734	Management of Third Party Custodial Services	24,261	24,956
5,109	Policy Advice and Ministerial Services	4,868	5,067
688,093	Prison-based Custodial Services MCOA	725,380	749,441
145,430	- Custody of Remand Prisoners	168,782	177,011
542,663	- Custody of Sentenced Prisoners	556,598	572,430
57,796	Prisoner Employment	-	-
10,483	Prisoner Transportation and Courtroom Supervision	-	-
64,585	Rehabilitation and Reintegrative Services	130,402	135,053
171,330	Sentences and Orders Served in the Community	188,459	195,490
5,832	Services to the New Zealand Parole Board	-	-
1,058,094	Total departmental output expenditure	1,135,479	1,176,097
Appropriation for capital expenditure			
281,082	Corrections – Permanent Legislative Authority	203,798	203,798

Remeasurement gains are included in the Statement of Comprehensive Income under Other Income.

Refer to Part B: Statement of Service Performance for detailed performance against each output class (page 27).

Changes in Appropriation Structure

The Department has reviewed the appropriation structure to reflect its long-term objective to provide a more defined outline of core services, with logical and coherent grouping of outputs (services) and output performance measures and standards. Changes to the appropriation structure include the following:

- > The Services to the New Zealand Parole Board outputs were combined with the Information Services appropriation to form the Information and Administrative Services to the Judiciary and the New Zealand Parole Board appropriation.
- > The Prisoner Transportation and Courtroom Supervision appropriation outputs were combined with the Multi-class output appropriation (MCOA) for Prison Based Remand & Prison Based Sentenced outputs.
- > The Prisoner Employment outputs were combined with the Rehabilitation and Reintegrative Services appropriation.

The accompanying notes form part of these financial statements.
For information on major variances against budget refer to Note 27 (page 86).

STATEMENT OF UNAPPROPRIATED EXPENDITURE

For the year ended 30 June 2011

2010 Unappropriated Expenditure \$000	2011 Actual Expenditure \$000	2011 Appropriation Voted \$000	2011 Unappropriated Expenditure \$000
VOTE: CORRECTIONS			
Appropriations for output expenditure			
– Information and Administrative Services to the Judiciary and the New Zealand Parole Board	62,109	66,090	–
– Management of Third Party Custodial Services	24,261	24,956	–
– Policy Advice and Ministerial Services	4,868	5,067	–
– Prison-based Custodial Services	725,380	749,441	–
– – Custody of Remand Prisoners	168,782	177,011	–
– – Custody of Sentenced Prisoners	556,598	572,430	–
– Rehabilitation and Reintegrative Services	130,402	135,053	–
– Sentences and Orders Served in the Community	188,459	195,490	–
– Total	1,135,479	1,176,097	–

There was no unappropriated expenditure for the years ended 30 June 2010 and 30 June 2011.

STATEMENT OF TRUST MONIES

For the year ended 30 June 2011

	As at 1 July 2010 \$000	Contribution \$000	Distribution \$000	As at 30 June 2011 \$000
Prison Trust Accounts	1,275	16,096	(16,172)	1,199
	1,275	16,096	(16,172)	1,199

Prison Trust accounts represent monies held in trust at each prison on behalf of prisoners to account for prisoner earnings, reduced by purchases while in prison and other receipts/withdrawals of prisoner funds.

Trust monies are not included in the Department's reported bank balances. Trust monies are held on behalf of the prisoners in bank accounts maintained by the prisons (one bank account per prison).

*The accompanying notes form part of these financial statements.
For information on major variances against budget refer to Note 27 (page 86).*

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2011

NOTE 1: STATEMENT OF ACCOUNTING POLICIES

REPORTING ENTITY

The Department of Corrections is a government department as defined by Section 2 of the Public Finance Act 1989 and is domiciled in New Zealand.

These are the financial statements of the Department of Corrections prepared pursuant to Section 45B of the Public Finance Act 1989.

The Department of Corrections has reported trust monies which it administers.

The Department of Corrections administers the corrections system in a way designed to improve public safety, reduce re-offending and contribute to the maintenance of a fair and just society. Under the New Zealand equivalents of International Financial Reporting Standards (NZ IFRS), the Department of Corrections is classified as a Public Benefit Entity. This has affected the selection of accounting policies required or permitted under the NZ IFRS.

The financial statements of the Department of Corrections are for the year ended 30 June 2011. The financial statements were authorised for issue by the Chief Executive of the Department of Corrections on 30 September 2011.

BASIS OF PREPARATION

These financial statements have been prepared in accordance with the requirements of the Public Finance Act 1989, which includes the requirements to comply with New Zealand Generally Accepted Accounting Practice (NZ GAAP) and Treasury Instructions. They comply with NZ IFRS, and other applicable financial reporting standards, as appropriate for public benefit entities.

NEW ACCOUNTING STANDARDS AND INTERPRETATION

There have been no changes in accounting policies since the date of the last audited financial statements, other than the early adoption of NZ IAS 24 *Related Party Disclosures (Revised 2009)*. The effect of the early adoption of revised NZ IAS 24 is:

- > more information is required to be disclosed about transactions between the Department and entities controlled, jointly controlled, or significantly influenced by the Crown;
- > commitments with related parties require disclosure.
- > information is required to be disclosed about any related party transactions with Ministers of the Crown with portfolio responsibility for the Ministry. An exemption is provided from reporting transactions with other Ministers of the Crown.

Standards, amendments and interpretations issued that are not yet effective and have not been early adopted

Standards, amendments and interpretations issued but not yet effective that have not been early adopted, and which are relevant to the Department, are:

- > NZ IFRS 9 Financial Instruments will eventually replace NZ IAS 39 Financial Instruments: Recognition and Measurement. NZ IAS 39 is being replaced through the following three main phases: Phase 1 Classification and Measurement, Phase 2 Impairment Methodology, and Phase 3 Hedge Accounting. Phase 1 has been completed and has been published in the new financial instrument standard NZ IFRS 9. NZ IFRS 9 uses a single approach to determine whether a financial asset is measured at amortised cost or fair value, replacing the many different rules in NZ IAS 39. The approach in NZ IFRS 9 is based on how an entity manages its financial assets (its business model) and the contractual cash flow characteristics of the financial assets. The financial liability requirements are the same as those of NZ IAS 39, except for when an entity elects to designate a financial liability at fair value through the surplus or deficit. The new standard is required to be adopted for the year ended 30 June 2014. The Department does not expect to early adopt this standard.
- > Financial Reporting Standard (FRS)-44 New Zealand Additional Disclosures and Amendments to NZ IFRS to harmonise with IFRS and Australian Accounting Standards (Harmonisation Amendments) – These were issued in May 2011 with the purpose of harmonising Australia and New Zealand's accounting standards with source IFRS and to eliminate many of the differences between the accounting standards in each jurisdiction. The amendments must first be adopted for the year ended 30 June 2012. The Department has not yet assessed the effects of FRS-44 and the Harmonisation Amendments.

As the External Reporting Board is to decide on a new accounting standards framework for public benefit entities, it is expected that all new NZ IFRS and amendments to existing NZ IFRS with a mandatory effective date for annual reporting periods commencing on or after 1 January 2012 will not be applicable to public benefit entities. This means that the financial reporting requirements for public benefit entities are expected to be effectively frozen in the short-term. Accordingly, no disclosure has been made about new or amended NZ IFRS that exclude public benefit entities from their scope.

REPORTING PERIOD

The reporting period covers the 12 months from 1 July 2010 to 30 June 2011. Comparative figures for the year ended 30 June 2010 are provided.

MEASUREMENT BASE

The financial statements have been prepared on an historical cost basis, modified by the revaluation of certain non-current assets.

FUNCTIONAL AND PRESENTATION CURRENCY

The financial statements are presented in New Zealand dollars and all values are rounded to the nearest thousand dollars (\$'000). The functional currency is New Zealand dollars.

ACCOUNTING POLICIES

The following accounting policies, which materially affect the measurement of financial results and financial position, have been applied.

The Department does not qualify for differential reporting exemptions.

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

REVENUE

Revenue – Crown

The Department derives revenue through the provision of outputs to the Crown.

Crown revenue is recognised at the fair value of the consideration received or receivable when earned.

Revenue – Department

The Department derives revenue through the provision of goods and services to other Departments. Departmental revenue is recognised at the fair value of the consideration received or receivable when earned.

Other Revenue – External Sales of Goods and Services

The Department derives other revenue from the sale of goods and services to third parties. Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer. No revenue is recognised:

- > where there are significant uncertainties regarding recovery of the consideration due, associated goods or possible return of goods;
- > where there is continuing management involvement with goods;
- > where the amount of revenue cannot be measured reliably;
- > where it is not probable that the economic benefits associated with the transaction will flow to the Department; and
- > where the costs incurred or to be incurred in respect of the transaction cannot be measured reliably.

Revenue – Interest

Revenue from interest is recognised using the effective interest method, using the effective interest rate.

Revenue – Dividends

Revenue from dividends is recognised when the shareholder's right to receive payment is established.

DEPRECIATION AND AMORTISATION

Depreciation and amortisation are provided on a straight-line basis on all property, plant, equipment and intangible assets, other than freehold land and assets under construction, over their estimated economic useful lives. There is no allowance for residual values, except for 'motor vehicles – other', which have a residual value of 20 percent of cost. Revalued assets are depreciated or amortised on their revalued amount on a straight-line basis over their remaining useful lives.

Depreciation

The economic useful lives and associated depreciation rates of classes of assets have been estimated as follows:

Buildings		
Buildings – concrete	50 to 65 years	(2.0% to 1.5%)
Buildings – commercial	75 years	(1.3%)
Buildings – wood	25 years	(4.0%)
Buildings – fit-outs	3 to 20 years	(33.3% to 5.0%)
Hut complexes – concrete	50 years	(2.0%)
Hut complexes – wood	25 years	(4.0%)
Hut fit-outs	3 to 20 years	(33.3% to 5.0%)
Leasehold Improvements		
Leasehold improvements	10 years	(10.0%)
Plant and Equipment		
Plant and machinery	10 years	(10.0%)
Office equipment	5 years	(20.0%)
Tools and equipment	5 years	(20.0%)
Furniture and Fittings		
Furniture and fittings – office	5 years	(20.0%)
Furniture and fittings – prisoner	3 years	(33.3%)
Computer Hardware		
Information technology – network	5 years	(20.0%)
Information technology – specialised	3 to 10 years	(33.3% to 10.0%)
Information technology – PC based	3 years	(33.3%)
Motor Vehicles		
Motor vehicles – heavy duty	8 years	(12.5%)
Motor vehicles – other	5 years	(20.0%)

The useful life of buildings is reassessed following any revaluation.

Where the fixed term of a lease is for less than 10 years, excluding rights of renewal, leasehold improvements are depreciated over the unexpired period of the lease or the estimated remaining useful lives of the improvements, whichever is the shorter.

Amortisation

The economic useful lives and associated amortisation rates of classes of assets have been estimated as follows:

Computer Software		
Information technology – network	5 years	(20%)
Information technology – specialised	3 to 10 years	(33.3% to 10%)
Information technology – PC based	3 years	(33.3%)

OPERATING LEASES

Leases where the lessor effectively retains substantially all the risks and benefits of ownership of the leased items are classified as operating leases. Operating lease payments are recognised as an expense on a straight-line basis over the lease term.

CASH AND CASH EQUIVALENTS

Cash includes cash on hand and cash held in bank accounts and is measured at face value.

DEBTORS AND OTHER RECEIVABLES

Debtors and other receivables are initially measured at fair value and subsequently measured at amortised cost using the effective interest rate, less impairment changes.

Impairment of a receivable is established when there is objective evidence that the Department will not be able to collect amounts due according to the original terms of the receivable. Significant financial difficulties of the debtor, probability that the debtor will enter into bankruptcy, and default in payments are considered indicators that the debtor is impaired.

The amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted using the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the surplus or deficit.

Subsequent recoveries of amounts previously written off are credited against the surplus or deficit.

Overdue receivables that are renegotiated are reclassified as current (i.e. not past due).

INVENTORIES

Inventories held for distribution, or consumption in the provision of services, that are not supplied on a commercial basis are measured at the lower of cost (calculated using the weighted average method) and current replacement cost. Where inventories are acquired at no cost, or for nominal consideration, the cost is the current replacement cost at the date of acquisition.

The replacement cost of the economic benefits or service potential of inventory held for distribution reflects any obsolescence or any other impairment.

Inventories held for sale or use in the production of goods and services on a commercial basis are valued at the lower of cost and net realisable value. The cost of purchased inventory is determined using the weighted average cost method.

The write-down from cost to current replacement cost or net realisable value is recognised in the surplus or deficit in the period when the write-down occurs.

ASSETS HELD FOR SALE

Assets held for sale are classified as held for sale if their carrying amount will be recovered principally through a sale transaction, not through continuing use. Assets held for sale are measured at the lower of their carrying amount and fair value less costs to sell.

Any impairment losses for write-downs of assets held for sale are recognised in the surplus or deficit.

Any increases in fair value (less costs to sell) are recognised up to the level of any impairment losses that have been previously recognised.

Assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognised.

PROPERTY, PLANT AND EQUIPMENT

Land and buildings are stated at fair value as determined by an independent registered valuer. Fair value is determined using market-based evidence, except for prison buildings, which are valued at optimised depreciated replacement cost. Land and buildings are revalued at least every two years. Additions between revaluations are recorded at cost. The two-year cycle is subject to a reasonableness test on an annual basis to ensure it does not result in material differences in fair value.

The results of revaluing land and buildings are credited or debited to other comprehensive income and is accumulated to the asset revaluation reserve for that class of asset. Where a revaluation would result in a debit balance within an asset class in the revaluation reserve, the debit balance will be expensed within the surplus or deficit. Any subsequent increase on revaluation that off-sets a previous decrease in value recognised in the surplus or deficit, will be recognised first in the surplus or deficit up to the amount previously expensed, and then recognised in other comprehensive income.

All other property, plant and equipment, or groups of assets forming part of a network, which are material in aggregate, costing more than \$3,000 (GST exclusive) or deemed as valuable and/or attractive are capitalised and recorded at cost. Any write-down of an item to its recoverable amount is recognised in the surplus or deficit.

Discontinued operations, disposals, transfers and assets held for sale are shown at fair value prior to being sold or disposed.

Additions

The cost of an item of property, plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits or service potential associated with the item will flow to the Department and the cost of the item can be measured reliably.

In most instances, an item of property, plant and equipment is recognised at its cost. Where an asset is acquired at no cost, or for a nominal cost, it is recognised at fair value as at the date of acquisition.

Disposals

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount of the asset. Gains and losses on disposals are included in the surplus or deficit. When revalued assets are sold or derecognised, the amounts included in asset revaluation reserves in respect of those assets are transferred to general funds.

Subsequent Costs

Costs incurred subsequent to initial acquisition are capitalised only when it is probable that future economic benefits or service potential associated with the item will flow to the Department and the cost of the item can be measured reliably.

INTANGIBLE ASSETS

Intangible assets with finite lives are recorded at cost less any amortisation and impairment losses. Amortisation is charged to the surplus or deficit on a straight-line basis over the useful life of the asset.

Intangible assets, or groups of intangible assets forming part of a network, which are material in aggregate, costing more than \$3,000 (GST exclusive) or deemed as valuable and/or attractive are capitalised and recorded at cost. Any write-down of an item to its recoverable amount is recognised in the surplus or deficit.

The disposals and assets held for sale are shown at fair value prior to being sold or disposed.

Intangible assets are tested for impairment where an indicator arises.

Software Acquisition and Development

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software.

Costs associated with maintaining computer software are recognised as an expense when incurred. Costs that are directly associated with the development of software for internal use by the Department, are recognised as an intangible asset. Direct costs include the software development employee costs and an appropriate portion of relevant overheads.

BIOLOGICAL ASSETS

The Department recognises biological assets or agricultural produce when, and only when:

- > the Department controls the assets as a result of past events;
- > it is probable that future economic benefits associated with the asset will flow to the Department; and
- > the fair value or cost of the asset can be measured reliably.

Biological assets managed for harvesting into agricultural produce are recorded at fair value less point of sale costs, with any realised gains or losses reported in the surplus or deficit.

The Department's valuations incorporate any material point of sale costs in the valuation.

The Department's biological assets are forests and livestock.

Forests

Forestry assets are independently revalued annually at fair value less estimated point of sale costs. Fair value is determined based on the present value of expected net cash flows discounted at a current market determined post-tax rate.

Gains or losses arising on initial recognition of biological assets at fair value less estimated point of sale costs and from a change in fair value less estimated point of sale costs are recognised in the surplus or deficit.

The costs to maintain the forestry assets are included in the surplus or deficit.

Livestock

Livestock assets are recorded at fair value less point of sale costs.

Gains and losses at balance date due to changes in the per head value of livestock and changes in livestock numbers are recognised within the surplus or deficit.

Any material differences in fair value are taken to surplus or deficit.

CAPITAL CHARGE

The capital charge is recognised as an expense in the period to which the charge relates.

INVESTMENTS

Investments are classified as financial assets at fair value through surplus or deficit.

Investments are recognised initially at cost being the fair value of consideration given. All investments are subsequently carried at fair value. Any changes in fair value are recognised in the surplus or deficit in the period in which they arise.

Fair value for investments are determined as follows:

- > listed shares are valued at the quoted price at the close of business on the balance date; and
- > non-listed shares are recognised at initial cost of investment and adjusted for performance of the business since that date.

Investments arise from the Department's dealings with companies in the farming industry.

IMPAIRMENT OF NON-FINANCIAL ASSETS

Non-financial assets that have indefinite useful lives are not subject to amortisation and are tested annually for impairment. An intangible asset that is not yet available for use at balance date is tested for impairment annually.

Assets that have a finite useful life are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

Value in use is the depreciated replacement cost for an asset where the future economic benefits or service potential of the asset is not primarily dependent on the asset's ability to generate net cash inflows and where the entity would, if deprived of the asset, replace its remaining future economic benefits or service potential.

If an asset's carrying amount exceeds its recoverable amount, the asset is impaired and the carrying amount is written down to the recoverable amount. For revalued assets, the impairment loss is recognised in other comprehensive income to the extent that the impairment loss does not exceed the amount in the revaluation reserve in equity for that same class of asset. Where that results in a debit balance in the revaluation reserve, the balance is recognised in the surplus or deficit.

For assets not carried at a revalued amount, the reversal of an impairment loss is recognised in the surplus or deficit.

The Department accounts for reversals on a class basis. A reversal of an impairment loss on a revalued asset is credited to other comprehensive income and increases the asset revaluation reserve for that class of asset. However, to the extent that an impairment loss on the same class of asset was previously recognised in the surplus or deficit, a reversal of that impairment loss is also recognised in the surplus or deficit.

EMPLOYEE ENTITLEMENTS

Short-term employee entitlements

Employee entitlements which the Department expects to be settled within 12 months of balance date are measured at nominal values based on accrued entitlements at current rates of pay.

These include salaries and wages accrued up to balance date, annual leave earned but not yet taken at balance date, retiring and long service leave entitlements expected to be settled within 12 months, and sick leave.

The Department recognises a liability for sick leave to the extent that absences in the coming year are expected to be greater than the sick leave entitlements earned in the coming year. The amount is calculated based on the unused sick leave entitlement that can be carried forward at balance date, to the extent that the Department anticipates it will be used by staff to cover those future absences.

The Department recognises a liability and an expense for performance payments where contractually obliged or where there is a past practice that has created a constructive obligation.

Long-term employee entitlements

Entitlements that are payable beyond 12 months, such as long service leave and retiring leave, have been calculated on an actuarial basis based on the present value of expected future entitlements.

The calculations are based on:

- > likely future entitlements accruing to staff, based on years of service, years to entitlement, the likelihood that staff will reach the point of entitlement and contractual entitlements information; and
- > the present value of the estimated future cash flows. A discount rate of 2.84 percent to 6.24 percent (2010: 3.73 percent to 6.15 percent), and a future salary growth rate of 3 percent (2010: 3 percent) were used. The discount rates are based on the table of the latest risk-free discount rates and CPI assumptions issued by The Treasury.

SUPERANNUATION SCHEMES

Defined Contribution Schemes

Obligations for contributions to KiwiSaver, the Government Superannuation Fund, and other defined contribution superannuation schemes are recognised as an expense in the surplus or deficit as incurred.

Defined Benefit Schemes

The Department is a participating employer in the Defined Benefit Plan Contributors Scheme (the Scheme), managed by the Board of Trustees of the National Provident Fund. The Scheme is a multi-employer defined benefit scheme. Insufficient information is available to use defined benefit accounting and it is not possible to determine from the terms of the Scheme, the extent to which the surplus or deficit will affect future contributions by individual employers, as there is no prescribed basis for allocation. The scheme is therefore accounted for as a defined contribution scheme.

Termination Benefits

Termination benefits are recognised in the surplus or deficit only when there is a demonstrable commitment either to terminate employment prior to normal employment date or to provide such benefits as a result of an offer to encourage voluntary redundancy. Termination benefits settled within 12 months are reported at the amount expected to be paid. Other termination benefits are reported at the present value of the estimated future cash outflows.

ONEROUS CONTRACTS

Where the benefits to be derived from a contract are lower than the unavoidable costs of meeting the obligation under the contract, a provision is recognised. No provision has been recognised for the year ended 2011 (2010: nil). A provision would be stated at the present value of the future net cash outflows expected to be incurred in respect of the contract.

PROVISIONS

The Department recognises a provision for future expenditure of an uncertain amount or timing when:

- > there is a present obligation (either legal or constructive) as a result of a past event;
- > it is probable that an outflow of future economic benefits will be required to settle the obligation; and
- > a reliable estimate can be made of the amount of the obligation.

Provisions are not recognised for future operating losses.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognised as a finance cost.

Accident Compensation Corporation (ACC) Partnership Programme

The Department belongs to the ACC Partnership Programme whereby the Department accepts the management and financial responsibility of work-related illnesses and accidents of employees. Under the ACC Partnership Programme, the Department is effectively providing accident insurance to employees and this is accounted for as an insurance contract. The value of this liability represents the expected future payments in relation to accidents and illnesses occurring up to the balance date for which the Department has responsibility under the terms of the ACC Partnership Programme.

The liability for claims reported prior to balance date has been determined by assuming that the future experience for each current claim is consistent with historical claim information since the commencement of the programme. The liability for injuries or illnesses that have occurred up to balance date, but not yet reported or not enough reported, has been determined by reference to historical information of the time it takes to report injury or illness.

The liability is measured at the present value of the expected future payments to be made in respect of employee injuries and claims up to the reporting date using actuarial techniques.

COMMITMENTS

Future expenses and liabilities to be incurred on capital and operating contracts that have been entered into at balance date are disclosed as commitments to the extent that there are equally unperformed obligations. Commitments relating to employment contracts are not disclosed.

Cancellable commitments that have penalty or exit costs explicit in the agreement on exercising that option to cancel are included in the statement of commitments at the value of that penalty or exit cost.

CONTINGENT LIABILITIES

Contingent liabilities are disclosed at the point at which the contingency is evident and for each class of contingent liability at the balance date, a brief description of the nature of the contingent liability is provided.

Contingent liabilities are not disclosed if the possibility of an outflow of resources embodying economic resources is remote.

TAXPAYERS' FUNDS

Taxpayers' Funds is the Crown's net investment in the Department and is measured as the difference between total assets and total liabilities.

Taxpayers' Funds is disaggregated and classified as general funds and revaluation reserves.

FOREIGN CURRENCY

Foreign currency transactions are converted into New Zealand dollars at the exchange rate at the date of the transaction.

FINANCIAL INSTRUMENTS

The Department is party to financial instruments as part of its normal operations. These financial instruments include bank accounts; debtors and other receivables; creditors and other payables; and investments. All financial instruments are recognised in the Statement of Financial Position and all revenues and expenses in relation to financial instruments are recognised in the surplus or deficit.

Except for those items covered by a separate accounting policy, all financial instruments are shown at their estimated fair value.

TAXATION

Income Tax

Government departments are exempt from income tax as Public Authorities. Accordingly, no charge for income tax has been provided for.

Goods and Services Tax (GST)

The Statement of Financial Position is exclusive of GST except for creditors and other payables and debtors and other receivables, which are GST inclusive. All other financial statements are GST exclusive. Where GST is not recoverable as input tax, then it is recognised as part of the related asset or expense.

The net amount of GST payable to, or recoverable from, the Inland Revenue Department at balance date is included in creditors and other payables and debtors and other receivables.

Commitments and contingent liabilities are disclosed exclusive of GST. The movement in GST paid or received is recognised as a separate cash flow line item.

BUDGET FIGURES

The budget figures are those included in the Information Supporting the Estimates of Appropriations for the Government of New Zealand for the year ending 30 June 2011, which are consistent with the financial information in the Main Estimates. In addition, the financial statements also present the updated budget information from the Supplementary Estimates. The budget figures have been prepared in accordance with NZ GAAP, using accounting policies that are consistent with those adopted in preparing these financial statements.

CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

In preparing these financial statements, the Department has made estimates, assumptions and critical judgements in applying accounting policies concerning the future. These estimates, assumptions, and critical judgements in applying accounting policies may differ from the subsequent actual results. Estimates, assumptions and critical judgements in applying accounting policies are continually evaluated and are based on historical experience and other factors, including expectations or future events that are believed to be reasonable under the circumstances.

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are disclosed below:

Employee entitlements – retiring and long service leave

Note 16 provides an analysis of the exposure in relation to estimates and uncertainties surrounding retirement and long service leave liabilities.

Revaluation of Property, Plant and Equipment

At each revaluation, the useful lives and residual values of the Department's land and buildings are reviewed. Assessing the appropriateness of useful lives and residual values of land and buildings requires consideration of a number of factors such as the physical condition of land and buildings, expected period of use of land and buildings by the Department, and expected proceeds from the disposal of land and buildings.

Reassessment of the useful lives or residual values will impact on the depreciable amount of land and buildings, therefore impacting on the depreciation expense recognised in the surplus or deficit, and the carrying amount of land and buildings in the Statement of Financial Position.

NOTES

The notes that accompany the financial statements form part of the financial statements.

COST ACCOUNTING POLICIES

The Department has determined the costs of outputs using the cost allocation system outlined below.

COST ALLOCATION

Costs that are driven by prisoner or offender related activities are recognised as direct costs and assigned to outputs. Direct costs are charged to outputs based on actual consumption or activity analysis. Pre-established ratios have been used in some instances which are reviewed at regular intervals.

Indirect costs are driven by organisational support functions and are not directly related to prisoner or offender activities. Indirect costs are allocated to outputs based on appropriate resource consumption and/or activity analysis.

Examples of cost groupings and suitable drivers:

Cost Type	Driver
National office personnel costs	Direct established positions
Community Probation Services area office overheads	Programme/sentence delivery hours
Prison site overheads	Prisoner capacity
Prison site and regional rehabilitation overheads	Planned program hours

CHANGES IN COST ACCOUNTING POLICIES

There have been no changes in cost accounting policies since the date of the last audited financial statements.

NOTE 2: OTHER REVENUE

2010 Actual		2011 Actual	2011 Main Estimates	2011 Supp. Estimates
\$000		\$000	\$000	\$000
34,207	Sale of goods	36,412	24,498	34,498
342	External revenue – services	–	–	–
1,691	Board and rents	2,708	1,500	1,500
2,812	Revaluation Gains ¹⁶	8,405	–	–
622	Profit on sale of assets	775	–	–
642	Miscellaneous	–	–	–
40,316	Total other revenue	48,300	25,998	35,998

NOTE 3: PERSONNEL COSTS

2010 Actual		2011 Actual	2011 Main Estimates	2011 Supp. Estimates
\$000		\$000	\$000	\$000
482,845	Salaries and wages	499,072	535,296	526,322
484	Government Superannuation Fund contribution expense	630	550	550
11,122	State Sector Retirement Savings Scheme and KiwiSaver employer contribution	9,516	9,229	10,229
5,731	Restructuring Costs	11,593	–	–
947	Annual leave	(1,591)	5,102	5,102
1,092	Retirement and long service leave	451	–	–
97	Sick leave	649	–	–
502,318	Total personnel costs	520,320	550,177	542,203

¹⁶ The Department had revaluation gains due to price movements in forestry of \$6.064 million (2010: a gain of \$1.460 million) and livestock of \$2.341 million (2010: a gain of \$0.605 million). The Department incurred a quantity movement loss from livestock and forestry of \$0.189 million (2010: a gain of \$0.539 million).

NOTE 4: OPERATING COSTS

2010 Actual		2011 Actual	2011 Main Estimates	2011 Supp. Estimates
\$000		\$000	\$000	\$000
16,476	Operating lease rentals	17,077	17,575	16,300
307	Audit fees for annual audit	344	328	376
130	Fees to auditors for other services	133	–	–
77,003	Facilities maintenance	73,398	63,186	72,588
40,944	Offender management costs	42,982	73,157	72,983
14,020	Computer costs	20,733	13,559	17,709
25,127	Contract management	37,021	31,444	32,398
36,020	Administration	45,374	38,332	54,353
152	Receivables written off during period	59	(13)	0
(639)	ACC Partnership Programme	254	–	–
14,126	Inventory expenses	10,849	4,936	9,207
50,507	Other operating costs	58,541	79,371	69,993
–	Biological assets revaluation	189	–	–
105	Investment revaluation	–	–	–
2,479	Net Loss on sale or disposal of property, plant and equipment	16,547	–	3,077
276,757	Total operating costs	323,501	321,875	348,984

The fees to auditors for other services were for independent quality assurance engagements for:

- > the Tender Processes for the Provision of Prison Management Services and Reintegration Support Services.
- > the Selection Process for a PPP Partner.

NOTE 5: DEPRECIATION AND AMORTISATION

2010 Actual		2011 Actual	2011 Main Estimates	2011 Supp. Estimates
\$000		\$000	\$000	\$000
DEPRECIATION				
101,654	Buildings	94,522	95,913	97,166
2,493	Leasehold improvements	2,540	3,248	2,927
4,373	Plant and equipment	4,430	4,330	4,397
1,525	Furniture and fittings	574	1,280	590
5,549	Computer hardware	5,466	5,078	5,737
3,859	Motor vehicles	4,318	4,205	4,289
119,453	Depreciation charge	111,850	114,054	115,106
AMORTISATION				
10,386	Computer software	10,427	10,742	11,527
10,386	Amortisation charge	10,427	10,742	11,527
129,839	Total depreciation and amortisation charge	122,277	124,796	126,633

NOTE 6: CAPITAL CHARGE

The Department pays a capital charge to the Crown on its taxpayers' funds as at 30 June and 31 December each year. The capital charge rate for the year ended 30 June 2011 was 7.5 percent per annum (2010: 7.5 percent).

NOTE 7: CASH AND CASH EQUIVALENTS

2010 Actual \$000	2011 Actual \$000
204,297 Cash and bank balances	216,331
204,297 Total cash and cash equivalents	216,331

The Department is required to maintain a positive balance in New Zealand dollar bank accounts at all times. The Department has three departmental bank accounts with Westpac New Zealand Limited.

NOTE 8: PREPAYMENTS

2010 Actual \$000	2011 Actual \$000
CURRENT PORTION	
2,381 Prepayments	1,792
2,381 Total prepayments	1,792

The Department classifies prepayments that are expected to be realised within 12 months as current.

NOTE 9: DEBTORS AND OTHER RECEIVABLES

2010 Actual \$000	2011 Actual \$000
CURRENT PORTION	
– Debtor Crown	41,826
– Crown debtors	41,826
3,287 Trade debtors – external	3,833
154 Employee advances	161
(43) Less provision for impairment	(77)
3,398 Trade debtors – external and employees	3,917
2,999 Trade debtors – other government entities	3,146
2,999 Trade debtors – other government entities	3,146
6,397 Total debtors and other receivables	48,889

The carrying value of trade debtors approximates their fair value.

The Crown debtor relates to \$41.826 million (GST inclusive) funding providing for an in-principle expenditure transfer from 2010/11 to 2011/12. The Department does not make loans to employees other than minor salary/travel advances. There were no loans outstanding to related parties.

There is minimal credit risk with respect to receivables outside the Department, as the Department has a spread of external customers. The Department's standard terms of credit are that payment is due on the 20th of the month following the date of invoice. No further extension of credit is permitted.

The Department classifies debtors that are expected to be realised within 12 months as current, other than those debtors which are considered doubtful.

The ageing profile of debtors and other receivables at year end is detailed below:

	\$000 Gross	2010 \$000 Impairment	\$000 Net	\$000 Gross	2011 \$000 Impairment	\$000 Net
Not past due	5,374	–	5,374	42,538	–	42,538
Past due 1-30 days	897	–	897	5,488	–	5,488
Past due 31-60 days	(2)	–	(2)	628	–	628
Past due 61-90 days	171	(43)	128	29	–	29
Past due > 91 days	–	–	–	283	(77)	206
	6,440	(43)	6,397	48,966	(77)	48,889

As at 30 June 2010 and 2011, all overdue receivables were assessed for impairment and appropriate provisions applied. Movements in the provision for impairment of debtors and other receivables are as follows:

2010 Actual \$000	2011 Actual \$000
95 Balance at 1 July	43
(52) Additional provisions made during the year	34
43 Balance at 30 June	77

The provision for impairment of debtors has been calculated based on expected losses for the Department's pool of debtors. Expected losses have been determined based on analysis of the Department's losses in previous periods, and review of specific debtors.

Those specific debtors that are insolvent are fully provided for. As at 30 June 2011 the Department has identified no debtors (2010: nil) that are insolvent.

NOTE 10: INVENTORIES

2010 Actual \$000	2011 Actual \$000
8,488 Inventory held for the provision of goods and services	4,813
1,432 Finished goods	658
9,920 Total inventories	5,471

The Department's inventory consists of supplies that are available for prisoner purchases, operational supplies and inventory held for the use in prisoner employment. No inventories are pledged as security for liabilities.

The Department classifies inventories that are expected to be realised within 12 months as current.

NOTE 11: INVESTMENTS

2010 Actual \$000		2011 Actual \$000
NON-CURRENT PORTION		
5,590	Investments	5,590
5,590	Total investments	5,590

Investments arise from the Department's dealings with companies in the farming industry. These investments are classified as financial instruments and valued at fair value through the surplus or deficit.

The Department classifies investments that are expected to be realised within 12 months as current.

NOTE 12: PROPERTY, PLANT AND EQUIPMENT

The most recent valuation of freehold land and buildings was performed by an independent valuer, Darroch Valuations, and the valuation is effective as at 30 June 2011. This valuation was certified by K Stewart FPINZ FNZIV.

The total fair value of freehold land and buildings valued by Darroch Valuations at 30 June 2011 totalled \$1,990 million.

The land holdings of the Department are subject to general Treaty of Waitangi claims. No reduction in value has been recognised in these financial statements but there may be restrictions on the Department disposing of the holdings except under Treaty claims procedures.

The Department classifies property, plant and equipment expected to be sold in the next 12 months as assets held for sale.

The Department constructs prison buildings, which are classified as assets under construction. Assets under construction are capitalised at the in-service date.

The Department reports transfers and disposals together for presentation purposes only.

The Department currently holds residential properties that were purchased in the 1960s. The core intention of these properties are for staff working in prisons located in rural areas. The rental income that is received from these properties is incidental, as opposed to being held for rental income or capital gains. The net carrying amount of these properties is \$8.857 million (2010: \$3.782 million). There are no restrictions over the title of the Department's property, plant and equipment, nor any property, plant and equipment pledged as security for liabilities.

	Land	Buildings	Leasehold Improvements	Plant & Equipment	Furniture & Fittings	Computer Hardware	Motor Vehicles	Total
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Cost or valuation								
Balance 1 July 2009	215,376	1,566,979	14,627	41,531	11,897	44,468	41,347	1,936,225
Additions	658	81,630	907	4,779	1,354	4,964	6,347	100,639
Disposals/transfers	(23)	53,392	1,619	(370)	(3,168)	(4,896)	(4,003)	42,551
Cost or valuation at 30 June 2010	216,011	1,702,001	17,153	45,940	10,083	44,536	43,691	2,079,415
Add: Movements								
Additions	-	85,933	3,344	5,255	131	3,314	8,361	106,338
Revaluation increase/(decrease)	672	(136,988)	-	-	-	-	-	(136,316)
Disposals/transfers	(575)	123,381	(7,930)	(2,738)	(3,313)	168	(5,967)	103,026
Cost or valuation at 30 June 2011	216,108	1,774,327	12,567	48,457	6,901	48,018	46,085	2,152,463
Accumulated depreciation and impairment losses								
Balance 1 July 2009	-	(339)	(7,215)	(25,558)	(8,624)	(33,678)	(24,945)	(100,359)
Depreciation expense	-	(101,654)	(2,493)	(4,373)	(1,525)	(5,549)	(3,860)	(119,454)
Disposals/transfers	-	-	665	1,438	1,260	6,287	3,413	13,063
Accumulated depreciation and impairment losses at 30 June 2010	-	(101,993)	(9,043)	(28,493)	(8,889)	(32,940)	(25,392)	(206,750)
Add: Movements								
Depreciation expense	-	(94,522)	(2,540)	(4,430)	(574)	(5,466)	(4,318)	(111,850)
Disposals/transfers	-	36	6,278	2,536	3,292	1,437	5,010	18,589
Revaluation increase	-	196,479	-	-	-	-	-	196,479
Accumulated depreciation and impairment losses at 30 June 2011	-	-	(5,305)	(30,387)	(6,171)	(36,969)	(24,700)	(103,532)

	Land \$000	Buildings \$000	Leasehold Improvements \$000	Plant & Equipment \$000	Furniture & Fittings \$000	Computer Hardware \$000	Motor Vehicles \$000	Total \$000
Carrying amounts per asset class								
At 30 June 2010	216,011	1,600,008	8,110	17,447	1,194	11,596	18,299	1,872,665
At 30 June 2011	216,108	1,774,327	7,262	18,070	730	11,049	21,385	2,048,931
Add: Assets under construction								
At 30 June 2010								154,872
At 30 June 2011								73,915
Total carrying amounts								
At 30 June 2010	216,011	1,600,008	8,110	17,447	1,194	11,596	18,299	2,027,537
At 30 June 2011	216,108	1,774,327	7,262	18,070	730	11,049	21,385	2,122,846

* Transfers refer to movements between assets under construction and property, plant and equipment.

NOTE 13: INTANGIBLE ASSETS

	Acquired Software \$000	Internally Generated Software \$000	Total Intangible Assets \$000
Cost or valuation			
Balance 1 July 2009	31,973	55,896	87,869
Additions	1,270	5,882	7,152
Disposals/transfers	4,922	6,002	10,924
Cost or valuation at 30 June 2010	38,165	67,780	105,945
Add: Movements			
Additions	1,318	1,542	2,860
Disposals/transfers	325	(10,850)	(10,525)
Cost or valuation at 30 June 2011	39,808	58,472	98,280
Accumulated depreciation and impairment losses			
Balance 1 July 2009	(26,869)	(29,161)	(56,030)
Amortisation expense	(3,156)	(7,229)	(10,385)
Disposals/transfers	–	14	14
Impairment losses	–	–	–
Accumulated depreciation and impairment losses at 30 June 2010	(30,025)	(36,376)	(66,401)
Add: Movements			
Amortisation expense	(3,274)	(7,153)	(10,427)
Disposals/transfers		5,401	5,401
Impairment losses			
Accumulated depreciation and impairment losses at 30 June 2011	(33,299)	(38,128)	(71,427)
Carrying amounts			
At 30 June 2010	8,140	31,404	39,544
At 30 June 2011	6,509	20,344	26,853
Add: Assets under construction			
At 30 June 2010	385	251	636
At 30 June 2011	1,167	4,654	5,821
Total carrying amounts			
At 30 June 2010	8,525	31,655	40,180
At 30 June 2011	7,676	24,998	32,674

The Department develops and maintains internally generated software, which are classified as assets under construction and capitalised at the in-service date.

There are no restrictions over the title of the Department's intangible assets, nor are any intangible assets pledged as security for liabilities.

NOTE 14: BIOLOGICAL ASSETS

	Forests	Livestock	Total Biological Assets
	\$000	\$000	\$000
Cost or valuation			
Balance 1 July 2009	28,037	9,698	37,735
Purchases	–	717	717
Gains arising from changes in fair value less estimated point of sale costs	3,539	6,756	10,295
Sales/harvest	(1,134)	(6,482)	(7,616)
Cost or valuation at 30 June 2010	30,442	10,689	41,131
Add: Movements			
Purchases	–	58	58
Gains arising from changes in fair value less estimated point of sale costs	6,064	7,206	13,270
Sales/harvest	(77)	(5,035)	(5,112)
Cost or valuation at 30 June 2011	36,429	12,918	49,347
Movement	5,987	2,229	8,216
Change due to movement quantity (note 4)	(77)	(112)	(189)
Change due to movement in fair value (note 2)	6,064	2,341	8,405
Carrying amounts			
At 30 June 2010	30,442	10,689	41,131
At 30 June 2011	36,429	12,918	49,347

There are no restrictions over the title of the Department's biological assets, nor are any biological assets pledged as security for liabilities.

FORESTS

The Tongariro forest land is owned by the Crown. The Department manages the forest as part of its prisoner employment training programme. The Tongariro forest area is as follows:

Forest	Legal description	Legal area
Tongariro	Land rated as commercial forest	4,512 ha
	Land rated as reserve	1,332 ha
Total legal area		5,844 ha

The valuation of forests was undertaken by an independent registered valuer, PF Olsen and Company Limited, on 30 June 2011. T Vos, registered forestry consultant (NZIF), completed this valuation.

The forest valuation was determined using the expectation value approach adopting the following valuation assumptions:

- > a discount rate of 7 percent (2010: 7 percent) has been applied to post-tax cash flows;
- > land values, improvements, protection or amenity planting have been excluded;
- > the tree crop has been valued on a liquidation basis;
- > an inflation rate of 3 percent (2010: 3 percent) has been applied;
- > annual and forest operations costs are based on current industry costs for similar forests; and
- > log prices are derived from average prices published by the Ministry of Agriculture and Forestry.

LIVESTOCK

The Department farms sheep, cattle, deer and pigs at various locations in both the North and South Islands. At 30 June 2011, livestock on hand comprised 15,619 sheep (2010: 16,261); 1,755 beef cattle (2010: 1,749); 4,325 dairy cattle (2010: 4,329); 2,661 deer (2010: 2,542) and 6,585 pigs (2010: 6,752).

The valuation of livestock is valued based on the active market price and was undertaken by various independent livestock valuers.

FINANCIAL RISK MANAGEMENT STRATEGIES

The Department is not materially exposed to financial risks arising from changes in commodity prices. The Department reviews its outlook for timber and livestock prices regularly in considering the need for active financial risk management.

NOTE 15: CREDITORS AND OTHER PAYABLES

2010 Actual \$000		2011 Actual \$000
CURRENT PORTION		
30,816	Trade creditors	31,859
55,211	Accrued expenditure	45,268
3,006	GST payable	13,802
89,033	Total creditors and other payables	90,929

Creditors and other payables are non-interest bearing and are normally settled on 30-day terms, therefore the carrying value of creditors and payables approximates their fair value.

The Department classifies creditors and other payables that are expected to be settled within 12 months as current.

NOTE 16: EMPLOYEE ENTITLEMENTS

2010 Actual \$000		2011 Actual \$000
Current liabilities		
46,027	Annual leave	44,436
19,336	Retirement and long service leave	20,090
1,250	Sick leave	1,898
66,613	Total current portion	66,424
Non-current liabilities		
12,412	Retirement and long service leave	12,108
12,412	Total non-current portion	12,108
79,025	Total provision for employee entitlements	78,532

Employee entitlements expected to be settled within 12 months of balance date, are measured at nominal values based on accrued entitlements at current rates of pay.

These include annual leave earned to, but not yet taken, at balance date, retiring and long service leave entitlements expected to be settled within 12 months, and sick leave.

The Department classifies employee entitlements as current that:

- > are expected to be settled within 12 months after the balance date; and
- > the Department does not have an unconditional right to defer settlement of the liability for at least 12 months after the balance date.

The present value of the retirement and long service leave obligations depend on a number of factors that are determined on an actuarial basis using a number of assumptions. Two key assumptions used in calculating this liability include the discount rates and the salary inflation factor. Any changes in these assumptions will impact on the carrying amount of the liability.

The revaluation of long service leave and retirement leave as at 30 June 2011 was conducted by independent valuer G R Lee (BSc FIA), a member of the New Zealand Society of Actuaries, of Aon New Zealand. Aon New Zealand revalues the Department's non-current employment entitlements on a quarterly basis.

The major assumptions used in the 30 June 2011 valuation are that future salary growth rates are 3 percent (2010: 3 percent) per annum and discount rates ranged from 2.84 percent to 6.24 percent (2010: 3.73 percent to 6.15 percent) per annum.

In determining the appropriate discount rates, the valuer used the weighted averages of returns on government stock of different terms to maturity that match, as closely as possible, the estimated future cash outflows. The salary growth assumption is consistent with the results of the Aon Economists' Survey.

NOTE 17: PROVISIONS

2010 Total Provisions Actual \$000		2011 Restructuring Actual \$000	2011 Employee Accidents Actual \$000	2011 Total Provisions Actual \$000
Current provisions				
8,578	Balance at 1 July	3,072	8,208	11,280
5,994	Additional provisions made during the year	–	7,775	7,775
(3,292)	Charged against provision for the year	(3,072)	(8,208)	(11,280)
11,280	Current provisions	–	7,775	7,775
–	Non-current provisions	–	–	–
11,280	Total provisions	–	7,775	7,775

EMPLOYEE ACCIDENTS

The provision relates to the estimation of the ACC Partnership Programme's Outstanding Claims Liability and ACC Levies:

2010 Actual \$000		2011 Actual \$000
3,732	Outstanding Claims Liability	3,986
4,476	Outstanding ACC Levies Provision	3,789
8,208	Total outstanding claims liability and ACC levies	7,775

An external independent actuarial valuer, Mark Weaver from Melville Jessup Weaver (Fellow of the NZ Society of Actuaries) has calculated the outstanding claims liability and the valuation is effective 30 June 2011. The actuary has attested he is satisfied as to the nature, sufficiency and accuracy of the data used to determine the outstanding claims liability. There are no qualifications contained in the actuary's report. The key assumptions used in determining the value of outstanding claims are detailed in the paragraphs below.

The estimate as at 30 June 2011 is \$3.986 million, compared to a result as at 30 June 2010 of \$3.732 million.

The principal assumptions made were:

- > the development pattern of claims payments is the same for all loss periods i.e. the future claims pattern will reflect that which occurred in the past;
- > the assumed loss ratio of 0.55 percent (2010: 0.60 percent) of liable earnings was determined by considering the observed loss ratios for developed loss quarters;
- > the discount rates were based on government bond yields published by the Reserve Bank of New Zealand; and
- > the Department will remain in the ACC Partnership Programme for the foreseeable future. If the Department were to exit immediately, a risk margin of 12.80 percent (2010: 11.70 percent) would be added by ACC.

The estimated ACC Partnership Programme outstanding claims liability as at 30 June 2011 included a provision for future claims handling expenses of 10 percent (2010: 7.50 percent) of expected future claims costs.

The Department's largest ever claim incurred has an estimated total cost of \$0.808 million (discounted \$0.551 million).

This claim has no precedent in the Department's experience in terms of size. As such, the Bornhuetter-Ferguson (BF) method will not include any provision for future payments of this magnitude and a specific provision was made for this claim.

The Department manages its exposure arising from the programme by promoting a safe and healthy working environment by:

- > implementing and monitoring health and safety policies;
- > induction training on health and safety;
- > actively managing work place injuries to ensure employees return to work as soon as practical;
- > recording and monitoring work place injuries and near misses to identify risk areas and implementing mitigating actions; and
- > identification of work place hazards and implementation of appropriate safety procedures.

The value of the liability is not material for the Department's financial statements, therefore any changes in assumptions will not have a material impact on the financial statements.

NOTE 18: TAXPAYERS' FUNDS

Taxpayers' Funds comprise General Funds, Revaluation Reserves and Fair Value Through Other Comprehensive Income Reserves.

2010 Actual \$000		2011 Actual \$000	2011 Main Estimates \$000	2011 Supp. Estimates \$000
GENERAL FUNDS				
1,501,883	Balance at 1 July	1,603,094	1,613,094	1,600,827
29,572	Net operating surplus	52,482	–	–
281,082	Capital contribution from the Crown	100,876	100,876	100,876
(179,871)	Capital returned to the Crown	(36,340)	(22,840)	(36,340)
130,783	Total movement in general funds	117,018	78,036	64,536
(29,572)	Provision for the surplus attributable to the Crown and in-principle transfer	(52,482)	–	–
1,603,094	Balance at 30 June	1,667,630	1,691,130	1,665,363
REVALUATION RESERVES				
525,348	Balance at 1 July	523,162	525,348	525,429
(2,186)	Revaluation gains/(losses)	60,163	–	–
523,162	Balance at 30 June	583,325	525,348	525,429
FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME RESERVE				
2,267	Balance at 1 July	2,267	2,267	2,267
2,267	Balance at 30 June	2,267	2,267	2,267
525,429	Revaluation Balance	585,592	527,615	527,696
2,128,523	Total Taxpayers' Funds at 30 June	2,253,222	2,218,745	2,193,059

The net surplus attributable to the Crown from the delivery of outputs must be repaid by 31 October each year. The Department has no restricted reserves.

REVALUATION RESERVES

2010 Actual \$000		2011 Actual \$000
	Asset Revaluation Reserve	
	Land	
137,380	Revaluation reserves at 1 July	137,380
–	Revaluation gains	672
137,380	Balance as at 30 June 2011	138,052
	Buildings	
387,968	Asset revaluation reserves at 1 July	385,782
–	Revaluation gains	59,491
(2,186)	Net write-back of assets	–
385,782	Balance as at 30 June 2011	445,273
523,162	Total Asset revaluation reserves at 30 June 2011	583,325
	Fair Value Through Equity Reserve	
2,267	Asset revaluation reserves at 1 July	2,267
2,267	Balance as at 30 June 2011	2,267
525,429	Total revaluation reserves at 30 June 2011	585,592

NOTE 19: RECONCILIATION OF NET SURPLUS TO NET CASH FLOW FROM OPERATING ACTIVITIES

2010 Actual		2011 Actual	2011 Main Estimates	2011 Supp. Estimates
\$000		\$000	\$000	\$000
29,572	Net surplus before other comprehensive income	52,482	–	–
	Add/(less) non-cash items			
129,839	Depreciation and amortisation	122,277	124,796	126,633
(208)	Non-current employee entitlements	(304)	–	706
(2,812)	Biological assets revaluation gain	(8,405)	–	–
91	Other non-cash items	–	–	–
126,910	Total non-cash items	113,568	124,796	127,339
	(Increase)/Decrease in Working capital			
4,781	Debtors and other receivables	(42,492)	–	(579)
(3,476)	Inventories	4,449	58	3,689
638	Prepayments	589	–	(644)
13,890	Creditors and other payables	11,419	(3,000)	(22,255)
2,702	Provisions	(3,505)	–	–
2,007	Current employee entitlements	(189)	–	(90)
20,542	Working capital movements – net	(29,729)	(2,942)	(19,879)
	Add/(less) items classified as investing or financing activities			
(305)	Dividends	(312)	–	–
(584)	Biological assets revaluation loss/(gain)	189	–	–
(40)	Investments revaluation loss	–	–	–
34	Net loss on sale or disposal of investments	–	–	–
1,914	Net loss on sale or disposal of property, plant & equipment	19,332	–	3077
1,019	Total investing activity items	19,209	–	3,077
178,043	Net cash flow from operating activities	155,530	121,854	110,537

NOTE 20: CONTINGENCIES

Contingent liabilities and assets are separately disclosed in the Statement of Contingent Liabilities and Assets.

NOTE 21: RELATED PARTY DISCLOSURE

The Department is a wholly owned entity of the Crown. The Government significantly influences the strategic direction, operating intentions and business operations of the Department as well as being its major source of revenue.

The Department has entered into the following significant transactions with the Government or other entities related to the Government during the 2010/11 fiscal year:

- > received Crown Revenue of \$1,129.3 million (excluding GST) to fund the Department's operating activities.
- > received Departmental Revenue of \$10 million from State Services Commission to fund employer contributions to KiwiSaver and SSRSS schemes.
- > paid Capital Charge of \$158.3 million to the New Zealand Government.
- > purchased goods and services on normal commercial terms, primarily for electricity and travel, from government entities totalling \$15.3 million.
- > paid employer ACC levies to Accident Compensation Corporation totalling \$2.468 million.

The Department entered into numerous transactions with other government departments, Crown agencies and state-owned enterprises on an 'arm's length' basis that are not of a material nature.

The Department has entered into the following related party transactions:

- > engineering supplies were purchased from Vulcan Steel. A shareholder/director of the company is the brother of a member of the Department's Executive Team. Purchases during the year totalled \$0.085 million (2010: \$0.051 million). There is a balance of \$0.008 million (2010: nil) outstanding at year end.
- > legal services were purchased from Minter Ellison Rudd Watts. A partner of this legal firm is the brother of a member of the Department's Executive Team. He was not involved in providing any advice to the Department. Purchases during the year totalled \$0.992 million (2010: \$1.226 million). There is a balance of \$0.024 million (2010: nil) outstanding at year end.

The Department has not entered into any commitments with these suppliers and transactions were conducted under normal commercial terms. Apart from those transactions described above, the Department has not entered into any related party transactions. The Department has determined key management personnel as the Chief Executive and the Executive Team.

The Treasury advises that the responsible Minister Judith Collins has certified that she has no related party transactions for the year ended 30 June 2011.

The personnel compensation relating to key management personnel is not disclosed as part of the related party disclosure note. Remuneration applicable to key management personnel is disclosed as part of the Key Management Personnel Compensation note.

NOTE 22: KEY MANAGEMENT PERSONNEL COMPENSATION

Key management personnel include the Chief Executive, the Deputy Chief Executive, seven General Managers (2010: seven General Managers) and 1 Director.

2010 Actual \$000		2011 Actual \$000
2,731	Salary and other short term benefits	2,639
26	Other long-term benefits	83
381	Termination benefits	–
3,138	Total key management personnel compensation	2,722

NOTE 23: POST-BALANCE DATE EVENTS

There were no post-balance date events that required adjustment to the financial statements.

NOTE 24: FINANCIAL INSTRUMENTS

The Department is party to financial instrument arrangements as part of its everyday operations. These include instruments such as bank balances, investments, debtors and trade creditors.

FAIR VALUE

The Department uses various methods in estimating the fair value of a financial instrument. Fair values are determined according to the following hierarchy:

- > Quoted market price – financial instruments with quoted market prices for identical instruments in active markets;
- > Valuation technique using market observable inputs – financial instruments with quoted prices for similar instruments in active markets or quoted prices for identical or similar instruments in inactive markets and financial instruments valued using models where all significant inputs are observable; and
- > Valuation technique with significant non-market observable inputs – financial instruments valued using models where one or more significant inputs are not observable.

The following table analyses the basis of the valuation of classes of financial instruments measured at fair value on the balance date:

	Total	Quoted market Price	Valuation technique – market observable inputs	Valuation technique – non-market observable inputs
	\$000	\$000	\$000	\$000
As at 30 June 2011				
Local Currency Financial Assets				
Cash and Cash Equivalents	216,331	216,331	–	–
Investments	5,590	5,312	278	–
Total Local Currency Financial Assets	221,921	221,643	278	–
As at 30 June 2010				
Local Currency Financial Assets				
Cash and Cash Equivalents	204,297	204,297	–	–
Investments	5,590	5,312	278	–
Total Local Currency Financial Assets	209,887	209,609	278	–

MARKET RISK

Price Risk

Price risk is the risk that the fair value of future cashflows of a financial instrument will fluctuate as a result of changes in market prices. The Department is exposed to price risk on its investments. The price risk is nominal as the investments are held by the Department as a result of dealings with the farming industry and, as such, are not expected to be traded and are not used to support any cashflows.

CURRENCY RISK

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates.

The Department does not enter into forward foreign exchange contracts, as it engages in few overseas transactions, and is therefore only nominally susceptible to foreign exchange risks.

INTEREST RATE RISK

Fair value interest rate risk is the risk that the value of a financial instrument, or the cash flows from a financial instrument, will fluctuate, due to changes in market interest rates.

Under Section 46 of the Public Finance Act 1989 the Department cannot raise a loan without Ministerial approval and no such loans have been raised. Accordingly, the Department has no interest bearing financial instruments and therefore has no exposure to interest rate risk.

CREDIT RISK

Credit risk is the risk that a third party will default on its obligations to the Department, causing the Department to incur a loss. In the normal course of business, the Department incurs credit risk from trade debtors, transactions with financial institutions and the New Zealand Debt Management Office (NZDMO).

The Department is only permitted to deposit funds with Westpac New Zealand limited, or with the NZDMO, as these entities have high credit ratings. For other financial instruments, the Department does not have significant concentrations of credit risk.

The Department's maximum credit risk exposure for each class of financial instrument is represented by the total carrying amount of cash and cash equivalents (note 7), prepayments (note 8), debtors and other receivables (note 9) presented in the Statement of Financial Position. There is no collateral held as security against these financial instruments, including those instruments that are overdue or impaired.

Credit Quality of Financial Assets

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to Standard and Poor's credit ratings (if available) or to historical information about counterparty default rates:

2010 Actual \$000		2011 Actual \$000
Counterparties with Credit Ratings		
Cash and Cash Equivalent		
204,297	AA	216,331
204,297	Total cash and cash equivalent	216,331
Investments		
5,272	AA	5,272
318	Non-rated	318
5,590	Total investments	5,590
Counterparties without Credit Ratings		
Debtors and other receivables		
6,326	Existing counterparty with no defaults in the past	48,889
71	Existing counterparty with defaults in the past	–
6,397	Total debtors and other receivables	48,889
Prepayments		
2,381	Existing counterparty with no defaults in the past	1,792
2,381	Total prepayments	1,792

LIQUIDITY RISK

Liquidity risk is the risk that the Department will encounter difficulty raising liquid funds to meet commitments as they fall due.

Management of Liquidity Risk

In meeting its liquidity requirements, the Department closely monitors its forecast cash requirements with expected cash draw downs from the NZDMO. The Department maintains a target level of available cash to meet liquidity requirements.

Contractual Maturity Analysis of Financial Liabilities

The table below analyses the Department's financial liabilities that will be settled based on the remaining period at the balance date to the contractual maturity date. The amounts disclosed are the contractual undiscounted cash flows.

2010 Actual \$000	2011 Actual \$000
Creditors and other payables (note 15)	
89,033 Less than six months	90,929
89,033	90,929

The liability for the repayment of surplus to the Crown is not a financial liability as defined by NZ IAS 32 – *Financial Instruments Presentation*, as the obligation to pay arises from statute.

SENSITIVITY ANALYSIS

As NZ IFRS 7: Financial Instruments: Disclosures does not prescribe the format for presenting sensitivity analysis, the Department has chosen to make the following disclosures.

Cash and Cash Equivalents:	No cash or cash equivalents earn interest, nor are they held in any term deposits.
Bank Overdraft:	The Department has no bank overdraft.
Secured Loans:	The Department has no secured loans.
Derivatives:	Held for Trading and Hedge Accounting: The Department has no derivatives held for trading and does not engage in hedge accounting.
Creditors and Other Payables:	The Department holds no creditors or other payables that are affected by foreign exchange rate movements.

Categories of Financial Instruments

The carrying amounts of financial assets and financial liabilities in each of the NZ IAS 39 categories are as follows:

2010 Actual \$000	2011 Actual \$000
FINANCIAL ASSETS	
Loans and receivables	
204,297 Cash and cash equivalents (note 7)	216,331
6,397 Debtors and other receivables (note 9)	48,889
210,694 Total cash and receivables	265,220
Fair value through surplus or deficit	
5,590 Investments (note 11)	5,590
5,590 Total investments	5,590
216,284 Total financial assets	270,810
FINANCIAL LIABILITIES	
Measured at amortised cost	
89,033 Creditors and other payables (note 15)	90,929
89,033 Total financial liabilities	90,929

NOTE 25: CAPITAL MANAGEMENT

The Department's capital is its taxpayers' funds, which comprise general funds and revaluation reserves. Taxpayers' funds are represented by net assets.

The Public Finance Act 1989 (The Act) requires the Department to manage its revenues, expenses, assets, liabilities, investments, and general financial dealings prudently and in a manner that promotes the current and future interests of the New Zealand public. Taxpayers' funds are largely managed as a by-product of managing revenues, expenses, assets, liabilities, investments, and general financial dealings.

The Department has in place asset management plans for major classes of assets, detailing renewal and maintenance programmes.

The Act requires the Department to make adequate and effective provision in its long-term capital expenditure and that the Department acts in accordance with financial delegations from Cabinet to the Chief Executive through the Responsible Minister. The Act also requires that the Department complies with the requirements of the State Sector Act 1988, Treasury Instructions, and any other legislation governing its operations, when incurring any capital expenditure.

The objective of managing the taxpayers' funds is to ensure the Department effectively achieves its goals and objectives for which it has been established, whilst remaining a going concern.

NOTE 26: EFFECTS OF THE CANTERBURY EARTHQUAKES

The Department has decided to adjust the fair value of property, plant and equipment to reflect the estimated cost of repairs to put the buildings back in the state that existed prior to the September earthquake.

ASSUMPTIONS MADE

The Department has had professional engineers and qualified trades people complete assessments on each of the 22 locations (7 owned by the Department) in Christchurch. Most buildings suffered minor to moderate damage. Two buildings owned by the Department suffered more extensive damage and will be demolished. The Department has not received definite estimates for all of the damage incurred. The Department has based its fair value adjustment estimate on the damage identified to date, the costs incurred to date, the available estimates of the likely costs to 'make good' and the total carrying amount of the buildings involved.

INSURANCE

Insurers have been notified of potential claims. Financial claims for material damage will follow as a detailed assessment of buildings is completed throughout 2011/12 by structural engineers. There will be further claims for business interruption which have not yet been quantified. Insurers are being briefed as assessments are completed. Once the deductible excess is reached the Department will receive progress payments from insurers on a regular basis. The Department treats an insurance recovery as a receivable when its receipt is considered virtually certain.

NATURE OF ASSETS AFFECTED

Land

There has been impairment to the land owned by the Department, particularly in Pages Road, where there is ongoing ground deformation.

Buildings

Most of the buildings occupied by the Department's staff were cleared for use within days. Some buildings within the central business district exclusion zone suffered extensive damage. An initial assessment of the buildings was undertaken by professional consultants and further assessments are continuing as stated above. Buildings most affected were the Community Probation Services facilities in Pages Road, Peterborough Street and Armagh Street. Only the building in Pages Road is owned by the Department, and the rest of the buildings are leased premises. The three prisons in Christchurch remained operational throughout the three earthquakes except for an old medical building and extensive damage to the water infrastructure at the Department's Mens' and Womens' prisons at an estimated replacement cost of \$2.5 million.

Treatment

Expenditure incurred to 30 June 2011 relating to the costs of remediating the damage caused by the earthquake has been recognised as an expense and separately disclosed in the Statement of Comprehensive Income. The net book value of derecognised assets were written off as an expense. The total earthquake related expenditure of \$11.103 million includes \$3.572 million of assets damaged beyond repair that have been written off and other business continuity expenditure, such as the temporary relocation of prisoners to allow assessments by structural engineers of prison building damage.

The Department received \$0.011 million insurance revenue in respect of a van damaged during the earthquake.

NOTE 27: MAJOR BUDGET VARIATIONS

Statement of Comprehensive Income, Statement of Financial Position, Statement of Cash Flows, and Statement of Departmental Expenditure and Appropriations

Explanations for major variances from the 2010/11 Main and Supplementary Estimates are as follows:

The increase in Crown Revenue compared with the Main Estimates relates to additional funding for:

- > The replacement of Prison Services uniforms
- > Increased KiwiSaver employer contributions

This was partly offset by a reduction in capital charge relating to lower than expected capital expenditure for Community Probation Services.

The increase in other revenue compared with the Main Estimates is due to higher than expected external revenue and associated expenditure from new or expanded Corrections Inmate Employment activities. This includes \$8.406 million of biological asset revaluation gains, unbudgeted revenue of \$1.9 million from forestry and dairy related activities and additional revenue from Board and Rents of \$1.2 million.

Personnel costs were lower than expected in the Supplementary Estimates as a result of the Department carrying vacancies through the year. This was largely due to a number of positions kept open during the transition of prison management services to a private provider and the Christchurch earthquakes.

Offender Management and Other Operating costs were lower than budgeted due to actual costs being more widely distributed across "Operating Costs" category (note 4).

Debtors and receivables are higher compared with the Supplementary Estimates because the Department did not draw down all Crown Revenue during the year and has recognised a Crown debtor for the amount that was not drawn down.

The Supplementary Estimates assumed that the Department would not have a surplus at year end; however this was not the case as a number of projects expected to be undertaken by year end were deferred, partly as a result of the Christchurch earthquakes.

The increase in cash compared to the Main and Supplementary Estimates is due to the delay in and reprioritisation of capital projects. This funding will be carried forward to the 2011/12 financial year.

Spending on Property, Plant and Equipment and net cash flows from investing activities are lower compared with the Supplementary Estimates because of the rephasing and reprioritisation of capital projects.

Spending in the Information and Administrative Services to the Judiciary and the New Zealand Parole Board output class was lower than appropriation primarily due to the lower volume of written probation reports provided than was anticipated.

Spending in the Prison-based Custodial Services-Custody of Remand Prisoners multi class output appropriation (MCOA) was lower than appropriation and was mainly volume driven. The average remand prisoner population was seven percent lower than budget. The lower than expected remand population also resulted in less expenditure on drug tests and health screens in remand prisons.

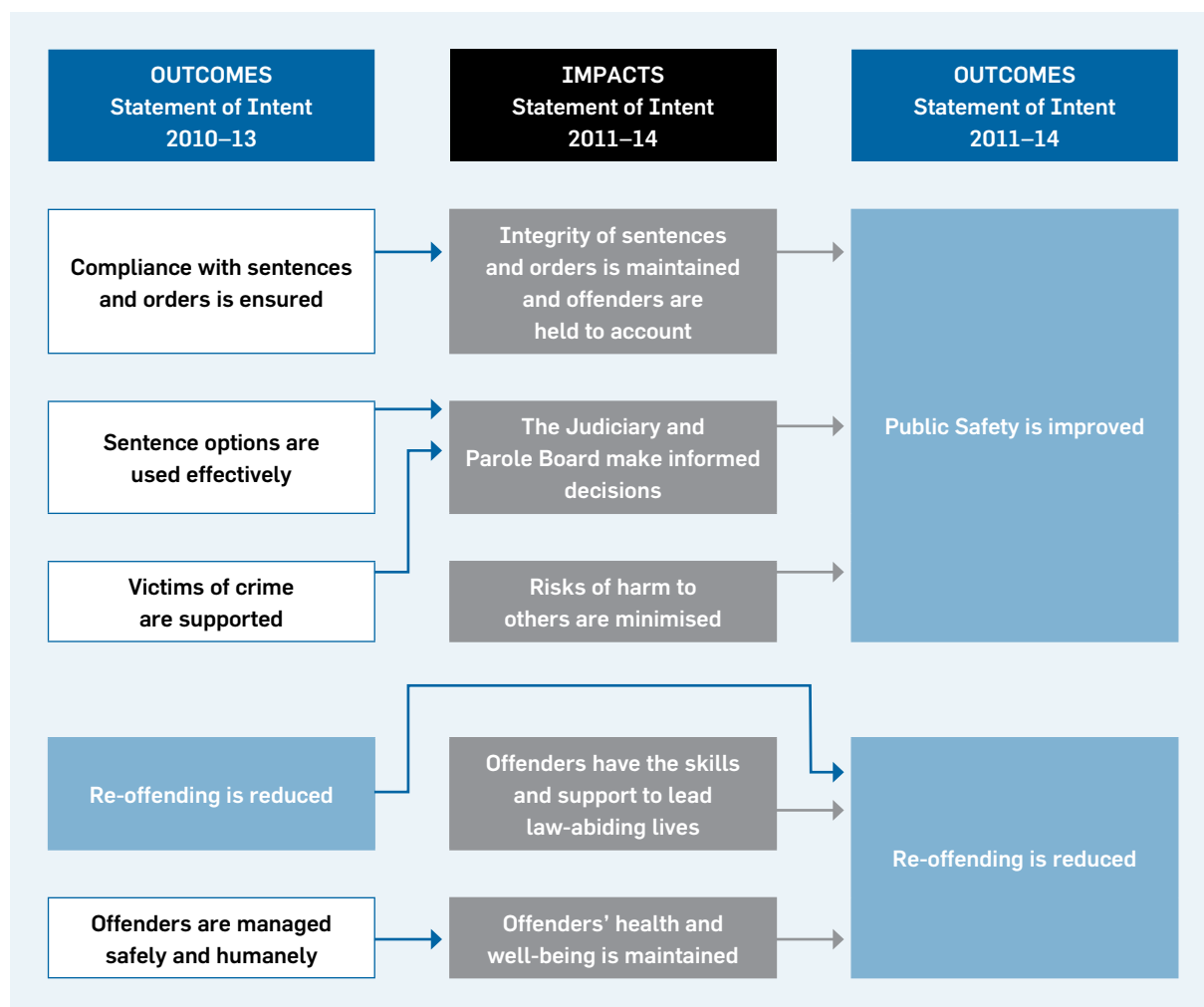
Spending in the Prison-based Custodial Services-Custody of Sentenced Prisoners MCOA was lower than appropriation. The under spend was largely due to staff vacancies throughout the year.

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APPENDIX 1: OUTCOMES – IMPACTS MAPPING BETWEEN 2010–13 STATEMENT OF INTENT AND 2011–14 STATEMENT OF INTENT



In the 2011–14 Statement of Intent the Department changed its outcome framework and output measures. In this Annual Report we report against the new framework. Several of our previous outcomes are now impacts. This diagram illustrates the relationship between the old outcomes and the new outcomes and impacts.

APPENDIX 2: RECIDIVISM INDEX AND REHABILITATION OUTCOME RESULTS

Reducing Re-offending

Progress towards the achievement of the Departmental outcome of reducing re-offending is assessed through the use of two primary measurement approaches: the first approach measures re-offending rates across the entire population of offenders managed in a year. The second involves more sophisticated methods to measure the specific impact of rehabilitative interventions on re-offending.

The Recidivism Index (RI) measure gives the percentage of all offenders managed within a single year who are subsequently reconvicted or re-imprisoned.¹⁷

Rehabilitation outcomes

With respect to rehabilitation outcomes, the Department is now able to report results from a new rehabilitation evaluation methodology based on multivariate statistical techniques. This methodology is designed to capture the impacts of rehabilitation services which are widely experienced across the offender population, such as employment and training of prisoners. This methodology, developed in consultation with university-based statisticians and known as "regression matching", uses offender risk scores (derived from the Department's actuarial risk assessment methodology "RoC*RoI") to serve as an index measure of *expected* outcomes. From this, programme effect sizes can be calculated in terms of *actual* outcomes for participants' rehabilitation programmes, including employment and education.

While both approaches to outcome measurement provide insight into the Department's performance, it should always be kept in mind that reconviction rates are subject to a wide range of influences, many of which are outside the Department's direct control.

A range of programmes and services are delivered by the Department to enable offenders to lead law-abiding lives (programmes are listed in Part B). These programmes have been designed and implemented in ways consistent with internationally developed best practice principles. Research on outcomes from rehabilitative programmes also shows that significant reductions in reconviction and re-imprisonment can be achieved when well-designed interventions are delivered to appropriately selected offenders.

Results for the most recent annual cohort of offenders are given in Section A of the report. These outcome scores are calculated separately for individual programmes. The cohort of offenders analysed is restricted to offenders who were released within a 12-month period ending on 31 March 2010. The follow-up period, during which any new offending is counted, is 12 months from the date of the individual offender's prison release (unless otherwise stated).

Figures represent percentage-point changes in rates of either re-imprisonment or reconviction between "treated" and "untreated" offender groups. For example, a re-imprisonment score of 10 might indicate for example that the rate of re-imprisonment amongst untreated offenders was 35 percent, while the corresponding rate for the programme's "graduates" was 25 percent. Asterisks indicate that the difference between treated and untreated offenders was statistically significant.

Analysis of RI figures

Table 5 provides reconviction rates as recorded within 12 months, for those released from prison or commencing community-based sentences, during the 2009/10 (1 April – 31 March) year, and Table 6 provides the rates over 24 months for those released from prison or commencing community-based sentences, during the 2008/09 year. RI figures are reported for multiple categories of offenders with significant variation observed in reconviction rates between sentence types, offence types and demographic groups.

As noted in Part A of the report, overall RI figures for 2009/10, when compared to the result reported the previous year, indicate a modest decrease in reconvictions and re-imprisonments for offenders released from prison. A moderate fall is also recorded in reconvictions and imprisonment rates amongst offenders who commenced a community-based sentence.

¹⁷ A full explanation for the RI methodology can be found on pages 36 – 42 of the Department's 2004/05 Annual Report (see the link at http://www.corrections.govt.nz/_data/assets/pdf_file/0008/176228/ar2005-part1-strat-context.pdf).



RI sub-group comparisons

When examined by the sub-groupings for which RIs are calculated, notable features for those released from a custodial sentence (12-month follow-up) include the following:

Males are re-imprisoned at a significantly higher rate than females (28 percent and 17 percent respectively) and reconviction rates for male offenders released from prison are also higher than for female offenders (46 percent and 36 percent respectively).

Reconviction and re-imprisonment rates tend to be higher for Māori offenders than rates of New Zealand Europeans and Pacific offenders. This difference is likely to reflect a number of variables. For example, Māori offenders are on average younger than Europeans, their offences tend towards those with high recidivism rates (such as burglary), and gang membership, which is strongly associated with elevated rates of re-offending, is more common amongst Māori.

Re-imprisonment rates reduce sharply as offenders age (offenders under the age of 20 years are re-imprisoned at two and a half times the rate of those over 40), and vary markedly between offence classes (dishonesty offenders having the highest rates, and sex offenders the lowest).

Offenders who are gang-affiliated are shown to be at a substantially higher risk of re-offending. Released gang affiliated prisoners were found to have re-imprisonment rates (within 12 months) that were almost exactly twice that of non-affiliated offenders (41 percent vs 22 percent respectively). For community-sentenced offenders, the difference was even more marked – 18 percent of gang-affiliated offenders on community sentences were subsequently imprisoned, but only four percent of those not affiliated.

Re-imprisonment rates were higher for prisoners released from higher security classifications (34 percent to 47 percent) than those for prisoners released from minimum security classification (19 percent).

There is a tendency for shorter sentence length to be associated with higher rates of reconviction and re-imprisonment: the re-imprisonment rate for offenders serving short sentences (up to 12 months) is 29 percent, while the comparable rate for offenders with a sentence length over five years is 15 percent. This is in part a reflection of the offence types of prisoners who serve longer sentences (violent and sexual), offences which tend to be associated with lower rates of reconviction.

The tables also report recidivism rates for specific offence types, in addition to rates for the broader offence groupings. This reveals some interesting differences between offence types within an offence group. For example, there are very significant differences in recidivism rates for disqualified drivers vs drunk drivers, and amongst dishonesty offenders, car thieves have the most pronounced tendency to reoffend.

Offenders serving community-based sentences had significantly lower imprisonment and reconviction rates than offenders released from prison. In general, most of the trends noted for released prisoners above were evident for this population also.

For both prison releases and community sentence offenders, the 24-month RIs generally show a predictable pattern, in that the 24-month RI figures typically increase by between 30 percent and 50 percent over the 12-month rates.

These data are consistent with a great deal of research on recidivism which indicates that the highest rate of reconviction occurs within the first 12 months, with the proportion re-convicted in each successive year progressively smaller than in the previous year.

TABLE 5: RECIDIVISM INDEX – 12-MONTHS FOLLOW-UP (PERCENTAGES) FOR 2009/10

Category	Group	Released from prison		Beginning community sentence	
		Re-imprisoned	Reconvicted	Imprisoned	Reconvicted
All (2009/2010)		27.1	45.3	5.2	30.4
Gender	Female	17.2	36.4	2.8	23.1
	Male	28.1	46.2	5.8	32.7
Ethnicity	Māori	29.7	50.0	6.7	35.4
	European	24.7	41.4	4.4	29.5
	Pacific	23.5	36.9	3.9	27.0
	Other (incl. Asian)	10.8	18.3	3.1	22.4
Age (at prison release or start of community sentence)	<20 years	42.3	67.1	6.2	43.6
	20-24 years	31.8	54.7	5.5	34.2
	25-29 years	29.8	51.2	5.5	29.3
	30-39 years	25.6	44.5	5.5	27.3
	40 and above	16.1	28.4	3.1	19.2
Gang Affiliate	Yes	41.4	60.1	17.8	54.5
	No	22.3	40.4	4.1	26.7
Offence Group (Most serious for original sentence)	Dishonesty	39.9	59.2	8.1	39.7
	Property damage/Abuses	29.4	47.7	6.4	40.0
	Admin	35.6	56.3	11.7	34.4
	Violence	26.7	44.5	5.3	31.4
	Traffic	17.3	35.3	3.3	26.4
	Drug & Anti-social	16.1	32.9	5.2	29.8
	Sexual	10.1	16.6	2.5	11.5
	Other minor offences	(see note 1)	(see note 1)	3.4	24.4
Offence Type (Most serious for original sentence)	Car Conversion	46.1	65.3	10.6	48.6
	Theft	42.8	63.4	8.7	42.9
	Burglary	41.2	61.3	8.4	42.9
	Fraud	28.8	44.8	4.8	22.3
	Intimidation and Threats	37.2	53.5	7.7	39.3
	Robbery	23.0	41.2	6.5	28.9
	Assaults	27.0	45.6	4.9	26.4
	Homicide	11.9	16.9	(see note 1)	(see note 1)
	Disqualified Driving	26.5	48.0	6.2	34.3
	Drink Driving	10.2	25.7	2.3	22.5
	Family Offences	32.9	58.9	10.4	40.7
	Drugs (Not Cannabis)	6.5	19.4	7.9	31.9
	Drugs (Cannabis Only)	11.2	28.7	3.3	25.5

Category	Group	Released from prison		Beginning community sentence	
		Re-imprisoned	Reconvicted	Imprisoned	Reconvicted
Community-Sentence	Sexual (Other)	16.4	26.0	3.2	13.2
	Sexual (Child Sex)	6.3	10.8	1.6	9.4
	Community Work	n/a	n/a	5.2	31.6
	Supervision	n/a	n/a	5.9	29.2
	Intensive Supervision	n/a	n/a	6.9	36.4
	Community Detention	n/a	n/a	1.4	28.6
Prisoner Security Classification (at Release)	Home Detention Sentence	n/a	n/a	5.9	22.6
	Maximum	(see note 1)	(see note 1)	n/a	n/a
	High-medium	47.1	65.6	n/a	n/a
	Low-medium	33.7	52.7	n/a	n/a
Release Type	Minimum	18.5	35.5	n/a	n/a
	Parole	18.6	28.7	n/a	n/a
Sentence Length	Post-release Conditions	30.1	49.7	n/a	n/a
	6 mth or less	29.4	51.4	4.9	31.1
	> 6mth but <= 1yr	28.2	46.7	6.2	28.9
	>1 to 2 yr	30.0	46.3	6.7	32.6
	>2 to 3 yr	19.8	31.8	n/a	n/a
	>3 to 5 yr	16.5	27.5	n/a	n/a
All (2008/09)		28.4	47.5	6.0	32.8

Note 1: No data is report because there are insufficient numbers to determine a meaningful percentage change.

Comment

Figures indicate rate of reconviction / re-imprisonment (within a subsequent 12-month period) amongst all offenders released from prison or commencing a new community sentence between 1 April 2009 and 31 March 2010.

Reconviction figures are inclusive of imprisonments.

Source is Case Management System conviction and sentencing data, as at 13 July 2011.

TABLE 6: RECIDIVISM INDEX – 24-MONTHS FOLLOW-UP (PERCENTAGES) FOR 2008/09

Category	Group	Released from prison		Beginning community sentence	
		Re-imprisoned	Reconvicted	Imprisoned	Reconvicted
All (2008/2009)		39.2	62.2	8.9	46.1
Gender	Female	23.2	49.4	4.7	34.8
	Male	40.8	63.5	9.9	48.8
Ethnicity	Māori	44.0	67.3	11.2	51.8
	European	34.7	58.0	7.8	44.7
	Pacific	31.9	54.0	7.2	40.4
	Other (incl. Asian)	17.6	32.6	4.6	34.8
Age (at prison release or start of community sentence)	<20 years	54.7	82.5	10.9	60.4
	20-24 years	46.3	73.8	9.6	50.7
	25-29 years	42.5	66.9	9.0	45.7
	30-39 years	37.4	59.9	9.1	43.3
	40 and above	24.9	40.8	5.8	27.8
Offence Group (Most serious for original sentence)	Dishonesty	52.4	75.8	12.2	54.8
	Property Damage/Abuses	39.8	63.9	11.4	54.9
	Admin	53.8	72.9	13.3	47.4
	Violence	40.3	64.4	9.3	47.5
	Traffic	31.1	55.1	6.3	40.3
	Drug & Anti-social	26.6	44.9	10.1	44.7
	Sexual	15.4	24.9	4.1	25.0
	Other minor offences	(see note 1)	(see note 1)	7.9	44.2
Offence Type (Most serious for original sentence)	Car Conversion	64.4	88.1	15.6	64.6
	Theft	51.5	77.6	11.4	55.4
	Burglary	53.8	77.7	14.1	61.3
	Fraud	35.4	48.3	6.7	32.4
	Intimidation and Threats	52.2	80.0	13.6	57.6
	Robbery	39.4	62.0	8.6	41.0
	Assaults	39.7	65.0	8.6	46.0
	Homicide	15.9	19.0	(see note 1)	(see note 1)
	Disqualified Driving	42.7	66.8	11.2	53.4
	Drink Driving	19.9	44.4	4.3	34.3
	Family Offences	52.5	76.2	15.8	58.8
	Drugs (Not Cannabis)	17.9	33.9	9.2	31.6
	Drugs (Cannabis Only)	20.4	40.9	7.7	38.2
	Sexual (Other)	23.6	33.3	4.8	31.1
	Sexual (Child Sex)	9.9	19.2	3.0	15.6

Category	Group	Released from prison		Beginning community sentence	
		Re-imprisoned	Reconvicted	Imprisoned	Reconvicted
Community – Sentence	Community Work	n/a	n/a	8.7	46.9
	Supervision	n/a	n/a	10.3	44.0
	Intensive Supervision	n/a	n/a	12.2	55.6
	Community Detention	n/a	n/a	2.7	44.2
	Home Detention Sentence	n/a	n/a	11.1	38.4
Prisoner Security Classification (at Release)	Maximum	(see note 1)	(see note 1)	n/a	n/a
	High-medium	65.1	84.4	n/a	n/a
	Low-medium	48.0	70.6	n/a	n/a
	Minimum	28.2	51.4	n/a	n/a
Release Type	Parole	30.8	46.2	n/a	n/a
	Post-release Conditions	42.2	67.3	n/a	n/a
Sentence Length	6 mth or less	41.6	67.5	8.5	46.3
	> 6mth but <= 1yr	42.3	66.9	10.7	44.9
	>1 to 2 yr	41.2	63.9	15.7	55.2
	>2 to 3 yr	31.8	50.6	n/a	n/a
	>3 to 5 yr	28.7	43.8	n/a	n/a
	>5 yr	27.3	38.9	n/a	n/a
All (2007/2008)		37.9	61.9	9.7	46.5

Note 1: No data is report because there are insufficient numbers to determine a meaningful percentage change.

Comment

Figures indicate rate of reconviction / re-imprisonment (within a subsequent 24-month period) amongst all offenders released from prison or commencing a new community sentence between 1 April 2008 and 31 March 2009.

Reconviction figures are inclusive of imprisonments.

Source is Case Management System conviction and sentencing data, as at 13 July 2011.

APPENDIX 3: AUDIT COMMITTEE REPORT

A new Audit and Risk Committee (short title Audit Committee) replaced the Department's Assurance Board from 1 February 2011. The Audit Committee commenced operation in April 2011 and meets quarterly. The purpose of the Audit Committee is to provide the Chief Executive with independent advice on the Department's:

- > risk framework and internal control including legislative compliance
- > internal and external audit functions
- > financial and other external reporting
- > governance framework and processes.

Risk, Assurance and Business Improvement

The Department's Risk, Assurance and Business Improvement functions have been augmented during 2010/11. These will now begin to more effectively monitor the control environment, provide assurance and make suggested improvements on its effectiveness. This will ensure that our key internal controls continue to be effective and that our risks are being actively managed based on principles of continuous business improvement. Within these functions, three elements provide interlinked parts of the wider total assurance picture.

Internal Audit undertake a range of planned and responsive activities to provide assurance that the Department's network of controls and governance is adequate and functioning effectively. The activities include planned audits across the Department's core systems, a programme of regular stock takes across business areas, and responsive reviews when there are changes that may have an impact on the control environment.

The risk management function acts as a centralised support function for the distributed network of risk management occurring throughout the Department. The unit provides the policy, systems and support to ensure a consistent and effective Risk Management approach occurs in all areas.

Business Continuity and Emergency Management prepares the Department's response to any form of emergency or serious incident, and helps co-ordinate the Department's response with that of the wider Government. All parts of the Department are required to have Business Continuity Plans and these are refreshed annually, learning from lessons of the previous year. In 2010 this response was thoroughly tested in the Christchurch earthquake responses and lessons incorporated from the September quakes were applied in February and June 2011 with good effect. This unit also monitors security policy within the Department.

The Department's risk management approach is based on ISO 31000¹⁸ and provides confidence that the Department's approach is based on best practice and continuous improvement.

¹⁸ Standards relating to risk management codified by the International Organisation for Standardisation. The purpose of ISO 31000 is to provide principles and generic guidelines on risk management.

APPENDIX 4: REPORT UNDER SECTION 190 OF THE CORRECTIONS ACT 2004

SECTION 190(1)(A)

Requires the Chief Executive to report how he has carried out his functions under section 8(1)(k). This section requires that processes are established and maintained to identify communities significantly affected by policies and practices in the corrections system give opportunities for those communities to offer their views on those policies and practices, and ensure those views are taken into account, together with information on how prison managers have carried out that responsibility.

As part of the development of policy and procedures, the Department identifies stakeholders and communities of interest; including the local community where a prison is situated, and provides opportunities for engagement and the expression of views about our operations.

This year consultation with community organisations and representative bodies concerned how the Department could contribute to the Christchurch community following the earthquakes, and the national implementation of the smoke free policy. With the transition to private management of the Auckland Central Remand Facility, closure of the old Mt Eden Prison, and the proposal for a new men's facility at Wiri; a significant amount of community engagement took place to consider the impact of prison operations on the surrounding communities. Throughout the country regular presentations occurred to build relationships and create community understanding of our operations. This involved providing information on prison activities and inviting communities to ask questions and share their views. Opportunities were made available for community involvement through public meetings, hui, and prison open days.

SECTION 190(1)(B)

Reports on the work undertaken by the inspectors of corrections, including statistical information about the disposition of complaints and comments on issues arising from complaints or visits.

Introduction

The Corrections Inspectorate is established under the provisions of section 28 of the Corrections Act 2004 as a dedicated complaints resolution, investigation and assurance function, reporting directly to the Chief Executive independently of operational line management. The legislation acknowledges the high level of risk attached to sentence management by providing an appropriate level of legislative prescription, protection and access for the agents of the Chief Executive in matters related to sentence management generally and the secure prison environment in particular.

Community-based sentences traditionally generate a very low volume of complaints to the Inspectors. Only six were received for the year, none of which were upheld, compared to two for the previous year. The reasons for the low volume are twofold. Firstly, Community Probation Services has traditionally had a robust internal complaints process in place for offenders. As a result, offender issues are effectively resolved at operational level. Secondly, community-based offenders are largely able to carry on with their normal lives while serving their sentences. They have ready access to their normal support networks, and therefore the impact of the State is significantly less than is the case for someone serving a sentence of imprisonment.

This report therefore deals primarily with prison related matters.

Complaints to the Inspectors of Corrections

The effective and timely resolution of prisoner complaints is a key area of the Inspector's work. For reasons of safety, security, fairness and the mitigation of risk the Department expects prisoner issues and concerns to be resolved as soon as practicable and at the lowest possible organisational level. In the normal course of events that is within the prison, at unit level. It is the responsibility of unit staff to resolve prisoner concerns by taking the appropriate action before they escalate into complaints or incidents. For those occasions where lower level resolution does not occur, or is not possible, the legislation provides the Department with a two-tiered system of internal complaints resolution. At prison site level, a robust, auditable internal complaints system exists so that prisoners can formally take matters for resolution to their Residential Manager or Prison Manager. This constitutes the first tier.

The Inspectorate is the Department's second tier of complaints resolution. As such it is effectively the Department's last opportunity to resolve a complaint before external agencies or Court action become involved. There were 2,768 formal complaints received for the year. This was an increase of approximately 13 percent on the 2009/10 year total of 2,452, but was a 2.9 percent decrease on the 2008/09 year total of 2,849.

Only 70 of the 2,768 complaints received in the 2010/11 year were found to be justified. At 2.52 percent of total complaints this is in my view a very low proportion of the thousands of interactions that occur between the Department and offenders every year. It is also a slight increase on the 2009/10 year which resulted in 2.36 percent of complaints justified (58 of 2,452).

The highest categories of justified complaints related mainly to the disciplinary process, staff conduct and attitude and the management of prisoner's personal property. A number of justified complaints under the category 'Staff Conduct and Attitude' related to issues around the timeliness in processing prisoner complaint forms. These were isolated incidents of individual staff non-compliance with the system requirements rather than any systemic issues.

Justified complaints in regard to the disciplinary process were generally prisoners seeking dismissal of misconduct charges due to timeframes being exceeded in laying the charge or conducting a hearing. Again these related to isolated cases where the required paperwork had not been processed within the timeframes by individual staff, or cases of an unreasonable delay in the hearing of the charge. It was not seen to be a fault with the system as such.

While there are no systemic issues of concern around the management of the disciplinary process or staff conduct and attitude, the management of prisoner's personal property leaves room for improvement. The Department has now commenced a comprehensive review of prisoner property. The project will be completed in two phases. Phase one focuses on analysis of the current issues and developing solutions for improving the management of prisoner property, including the possible introduction of new technology to support the process. Phase two involves the implementation of the solutions. It is expected that phase one will be completed by December 2011. Where possible, any identified problems that can be rectified quickly and are aligned with the overall objective of the work will be implemented during phase one.

0800 Complaints Line

Since 1997, the Inspectorate has operated a 0800 free-call phone line that offenders, and in particular prisoners and their families, can use to raise a complaint directly with an Inspector during normal business hours. In 2009/10 the total calls received was approximately 3,700. In 2010/11 there were a total of 3,160 calls received. Of these, 1,291 were seeking information or clarification of prison related matters and 1,869 generated a formal complaint.

Although there has been a slight decrease in call numbers this year, this facility still generates the vast majority of the contacts prisoners make with the Inspectors every year. While only 1,869 of these contacts resulted in formal complaints during 2010/11, the service is of considerable value as a "safety valve". Prisoner concerns are able to be de-escalated immediately, either by independent confirmation that the prison's decision was appropriate, or by the provision of sound, experienced-based advice to the prisoner. As stated above, 1,291 calls were related to the provision of advice or the supply of relevant information, often not related to the prison environment. The Inspector is also in a position to immediately highlight a concern to prison management regarding a prisoner's state of mind and potential risk to themselves, or others, as a result of these calls.

It was anticipated that there would be an increase in prisoner complaints, particularly around transfers and property management, following the Christchurch earthquake in September 2010 which necessitated the decanting of prisoners from both Christchurch Men's and Women's Prisons. However, there was no discernable increase in complaints from affected prisoners, which may be attributed to the extra effort of Prison Services staff in managing this stressful period. It was evident from contact with prisoners, on unrelated matters, that they should also be given some credit as in general they were accepting of the situation and acknowledged that staff were doing their best under the circumstances.

It was also anticipated that the introduction of the smoking ban in prisons, commencing 1 July 2011, would lead to an increase in complaints, either directly associated with the introduction of the policy or more general complaints as a consequence of heightened levels of agitation with nicotine withdrawal. Again there was no discernable increase in complaint levels of a general nature, and virtually none directly related to the policy. This may be as a result of the long lead-in time for the policy allowing prisoners to adapt to the policy, and also the high level of planning by Prison Services and level of communication and assistance given to prisoners regarding the policy.

Prison Visit Focus Reviews

The Inspectorate's prison visiting programme includes a number of system reviews which focus on those areas of prison activity that generate the greatest level of risk to safe, fair and humane treatment. The focus review areas undertaken during 2010/11 were:

- > the system for managing the directed segregation of prisoners,
- > the system for identifying and managing prisoners at risk to themselves,
- > the prisons' internal complaints system,
- > the arrangements prisons have in place to ensure that regular sanitation and hygiene inspections by an independent specialist are carried out and any issues arising are addressed.

The results of these reviews were as follows:

The Directed Segregation System

A reasonable level of assurance can be given that the required system for identifying and managing prisoners, who from time to time, because of their behaviour or other factors need to be segregated from others, is in place and being operated in practice. Some minor recording matters were drawn to management's attention at some sites but in general the need for segregation is well documented and the reasons for segregation are appropriate. The management of segregated prisoners was found to be largely within the requirements of both the overarching legislation and the Department's published standards.

At smaller prison sites, limited segregation facilities may at times result in reduced opportunities for directed segregation of prisoners in terms of unlock hours and access to some mainstream facilities. It is agreed, however, that the safety of staff and other prisoners is the overriding factor upon which a decision to segregate must be based. The reviews have shown that overall the system is being managed in a conscientious manner and no instances of overt abuse were noted. This was the third year this system has been the subject of focus reviews by the Inspectorate. It is considered to be critical to safe and secure custody and will remain on the focus review menu for 2011/12.

The System for Identifying and Managing Prisoners At Risk to Themselves

A reasonable level of assurance can be given that the system for identifying and managing prisoners at risk to themselves is in place and being operated in practice. It should be noted, however, that despite the overall results of the focus reviews in this area, isolated incidents will, when investigated, still highlight individual actions and decisions rather than any systemic issues being identified that fell short of the standards required. An area of concern in previous years was the lack of cross referencing of all available information when completing the risk assessment. This area has shown improvement with evidence of cross referencing being noted on many assessment reports. However, there is always the potential that individual staff may overlook this requirement which will reduce the effectiveness of the assessment process. This system is considered to be critical to safe and secure custody and will remain on the focus review menu for 2011/12.

The Prison's Internal Complaints System

A reasonable level of assurance can be given that the required system for managing prisoner complaints at prison site level is in place at most locations. However, as noted above, some ongoing but isolated shortcomings remain. Complaints received in regard to this system have generally been around processing issues and timeliness, rather than prison management failure to resolve complaints. While there is an expectation that prisoners will utilise the internal complaints process in the first instance, they retain the right to make contact directly with the Inspector or Office of the Ombudsmen, which can sometimes be seen as an attempt to circumvent the internal complaint process. Inspectors will generally refer the prisoner back to the internal process in the first instance, unless there is a need for urgent intervention related to the safety of the prisoner or other person. This system is considered to be critical to the safe, fair and humane treatment of prisoners and will remain on the focus review menu for 2011/12.

The System for Managing Independent Sanitation and Hygiene Inspections

A reasonable level of assurance can be given that there is a system in place at all prison sites to ensure that regular independent expert hygiene and sanitation checks of the prison are carried out. A reasonable level of assurance can also be given that any shortcomings noted by the hygiene and sanitation inspector's are recorded and addressed. The Inspectorate's ongoing review of this system is a policy requirement. It is also critical to safe custody and will remain on the focus review menu for 2011/12.

Investigations

In addition to the prison visiting and complaints resolution activities, the Inspectors completed 24 full investigations of significant prison incidents during 2010/2011, 23 of which related to deaths in custody (11 natural causes and 12 unnatural causes). This is an increase of 35 percent on the 17 deaths investigated for 2009/10. The conduct of these investigations has been monitored by Investigating Officers from the Office of the Ombudsmen who attended most scene examinations and interviews and were kept apprised of developments throughout.

In the interests of transparency, the Inspectors have also continued to monitor the conduct and outcome of a number of internal prison investigations into other prisoner related incidents and allegations. 59 such monitoring reviews were carried out during the year. This represents an increase of 16 percent on 2009/10 when 51 monitoring reviews were conducted.

The most consistent areas of concern arising out of the investigations and monitoring assignments carried out by the Inspectors during 2010/11 were:

- > the need for staff to carry out an adequate level of supervision, observation and routine security checking of prisoners
- > the need for managers to maintain an adequate level of monitoring to ensure that staff are supporting the Department's objectives and that their day-to-day work practices are in accordance with instructions
- > the need for assessing staff to carry out an adequate level of cross matching of information when completing prisoners' risk of self-harm assessments
- > the need for staff to report all incidents in a timely fashion, and for reports to be submitted by all staff who are involved in an incident.

As with the matters arising out of the Inspectors' complaints activities and routine visits, the areas of concern noted in most investigation reports are the subject of adequate and well-proven systems, instructions and procedural requirements. The issues identified continue to reflect isolated instances of non-compliance, usually on an individual basis rather than any wider systemic issues, in practice with those systems. That they remain of concern is indicative of a continuing need for refresher training and effective staff supervision rather than any major concerns with the systems themselves. The introduction of the Prison Services Operations Manual (PSOM) has improved clarity of systems for staff, has reinforced the key expectations of the Department and has also become a more 'user friendly' document.

Conclusion

The Inspectorate has reported progressively throughout the year on the matters arising out of their various activities to operational management, to the Chief Executive, and to the Department of Corrections Assurance Board, subsequently reformed as the Department of Corrections Audit Committee.

It cannot be stressed enough that Corrections is, and will remain, a difficult and potentially dangerous environment to manage and in which to work. Incidents are a fact of prison life in particular, and no jurisdiction in the world has developed an effective immunity to them. When they occur, incidents provide an easy target for criticism, generalisation and sensationalism.

Nonetheless, it remains the Inspectorate's view that the Department can be proud of the overall quality of its services and of the ongoing dedication and professionalism of the majority of its staff and managers. While isolated incidents will from time to time generate a disproportionate level of negative attention, the Inspectorate's overall view is derived from the largely positive findings arising out of the Inspectors visiting, investigation and review activities and the low level incidence of justified complaints to the Inspectorate throughout the year.

SECTION 190(1)(C)(D)(E)

Legislative authority for the Department to monitor prisoners' telephone calls is provided under sections 111 to 122 of the Corrections Act 2004. Call Monitoring is an important part of ensuring offenders are not committing or organising criminal activities from within prison.

Between 1 July 2010 and 30 June 2011, 1,401,696 calls were made from payphones in prison. Of this number, 43,912 (compared to 26,421 for 2009/10) or 3.1 percent of calls were monitored.

With respect to the calls that were monitored, 65 percent, which equates to over 28,500 calls, produced valuable information to support the prevention and reduction of crime. Information and intelligence from calls is used internally (around drugs, violence, escapes) and externally (Police, IRD, MSD among others). This demonstrates a strong commitment to community safety as well as prison safety.

There is no ability to capture the specific results from the disclosures; however the Department knows that they have led to a number of arrests (of prisoners, visitors, members of the community) for a variety of offences. They have resulted in exclusions of visitors and the discovery of drugs and other contraband.

SECTION 190(1)(F)

Reports on measures to reduce drug and alcohol use by prisoners and the effectiveness of those measures, random-testing programmes and the results of those programmes.

From June 2010 the public and prisoners were able to anonymously report information about crime in prisons to the Crime Stoppers 0800 service. This service supplements other crime prevention activities such as visitor check points, perimeter checks, random drug testing, sharing crime intelligence with external agencies and delivery of drug and alcohol treatment programmes to reduce the incidence of drugs in prisons and drug related re-offending. The number of prisoners with the opportunity to attend drug and alcohol treatment has doubled. These activities have contributed to the reduction in the demand and supply of drugs, and the increased rehabilitation of prisoners. Programme results show up to 30 percent reduction in re-offending for those who complete treatment. The year end general random drug testing result was seven percent positive, which is the lowest level recorded since the inception of testing (1998).

SECTION 190(1)(G)

Reports on the operation of every security contract in force for the whole, or any part, of the year to which the annual report relates, including:

- > a summary of reports forwarded to the Chief Executive under section 171(2) and (3)
- > a summary of reports made to the Chief Executive under section 172(2)(b)
- > a summary of actions taken in relation to the operation of security contracts as a result of matters raised in any report forwarded or made.

The new five year contract with First Security to provide Prisoner Escort and Courtroom Custodial Services (PECCS) in Auckland and Northland came into operation in February 2010. First Security has met its obligations in its contract with the Department and provided monthly reporting outlining performance measures such as task numbers, escapes, releases in error, prisoner deaths, prisoner injuries, complaints, staff personal grievances and disciplinary actions.

For the 2010/11 financial year PECCS undertook 32,470 court escorts and 12,308 court supervisions. Two escapes occurred while prisoners were in the custody of First Security which resulted in penalties, as provided for in the contract.

SECTION 190(1)(H)

Reports on the operation of any contract prison, including a summary of reports by the manager of the contract prison, including:

- > **a summary of reports forwarded to the Chief Executive under section 199D(2) and (3)**
- > **a summary of reports made to the Chief Executive under section 199E(3)(b)**
- > **a summary of actions taken in relation to the management of contract prisons as a result of matters raised in any report forwarded.**

On 1 February 2011, the Department signed a contract with Serco NZ Limited, for the management of the Mt Eden Corrections Facility.

On 1 May 2011, Serco took over operational management of the site.

A Monitor has been working on the site from 1 May 2011.

Prisoner build-up commenced in June 2011, populating the newly constructed facilities on the site.

The transition phase under the contract was completed by 1 August 2011.

Serco have provided monthly reporting outlining performance against the contract and other matters as required by the Act.

This contract is also a security contract under the Corrections Act 2004.

APPENDIX 5: REPORT UNDER SECTION 15A OF THE PAROLE ACT 2002

Section 15A (4) of the Parole Act 2002 requires the Department of Corrections to include in its Annual Report information about the use of electronic monitoring conditions as provided under section 15 (3) (f). The Department does not currently manage any offenders who are subject to an electronic monitoring condition outlined under Section 15 (3) (f). The Department does manage offenders on parole and extended supervision who are electronically monitored on a residential restrictions special condition under the provisions of section 15 (3) (ab). The following information relates to offenders subject to a residential restrictions special condition for the financial year to 30 June 2011.

For the financial year ending 30 June 2011 the number of offenders who were at any time subject to parole or extended supervision with a residential restriction special condition was 148. The average length of time they were subject to residential restrictions during the financial year was 4.89 months. The total number of offenders subject to parole or extended supervision with residential restrictions for the year ended 30 June 2011 was 478.

As at the year ending 30 June 2011, there were 23 offenders subject to extended supervision with electronic monitoring, and 10 of those had person to person monitoring. Of those 23 offenders:

- > 13 have been convicted of further breaches or other offending
- > one has an outstanding active charge for further sex offending while subject to extended supervision with electronic monitoring
- > two have an outstanding active charge for further violent offending and one has an outstanding active charge for robbery
- > six have an outstanding breach.

Offenders on parole and extended supervision can have a special condition of residential restriction imposed by the New Zealand Parole Board or Court. The Department of Corrections considers the suitability of the offender's proposed address for the New Zealand Parole Board or Court, and assesses the safety and welfare of any occupants proposing to reside with the offender. In all cases the other occupants in the premises must consent to having an offender with a residential restriction special condition residing with them.

Offenders subject to electronic monitoring are required to wear an electronic anklet at all times to allow the Department of Corrections to monitor their whereabouts. If the offender tries to remove the anklet or leaves the monitored address without permission, an alarm is triggered and a security guard is sent to the house.

Offenders subject to a residential restriction special condition on parole or extended supervision can work outside the address, but only if authorised by a probation officer. Offenders may also apply for approved absences to attend rehabilitation, study, or healthcare. Offender compliance with the direction of such absences is monitored.

APPENDIX 6: 2011/12 REHABILITATION AND REINTEGRATION OUTPUT PERFORMANCE MEASURES

Case Management Performance Measures	Budget Standard 2011/12
QUALITY	
The percentage of initial offender plans which meet the agreed quality standards:	100%
– Private prison	100%
– Rehabilitation and Reintegration Services	100%
TIMELINESS	
The percentage of initial offender plans which are completed to agreed timeframes:	≥85%
– Private prison	≥85%
– Rehabilitation and Reintegration Services	≥85%
QUANTITY	
The percentage of prisoners entitled to receive an offender plan that received one:	≥90%
– Private prison	≥90%
– Rehabilitation and Reintegration Services	≥90%
Interventions: Education and Skills Performance Measures	Budget Standard 2011/12
QUALITY	
The percentage of prisoners that start classroom based adult literacy and numeracy education who met the selection criteria:	100%
– Private prison	100%
– Rehabilitation and Reintegration Services	100%
The percentage of prisoners who started classroom based adult literacy and numeracy education who demonstrate measurable improvements in literacy and numeracy skills as measured by the Tertiary Education Commission Literacy and Numeracy for Adults Assessment Tool:	≥75%
– Private prison	≥75%
– Rehabilitation and Reintegration Services	≥75%
QUANTITY	
The number of qualifications achieved by prisoners through Corrections Inmate Employment	2,550
The average number of credits achieved by prisoners learning industry-based skills under the New Zealand Qualifications Framework through Corrections Inmate Employment	27

**Interventions: Prisoner Employment
Performance Measures**
**Budget
Standard
2011/12**
QUALITY

The percentage of prisoners who have participated in a Release to Work programme and who have secured employment with the Release to Work employer upon release: ≥50%

- Private prison	≥50%
- Rehabilitation and Reintegration Services	≥50%

Compliance with Health and Safety management: 100%

- Private prison	100%
- Rehabilitation and Reintegration Services	100%

QUANTITY

The total number of prisoners employed while in custody: 4,871

- Private prison	Benchmark to be established during 2011/12
- Rehabilitation and Reintegration Services:	4,871
- Prison-based work	1,725
- Corrections Inmate Employment	3,078
- Community Service activities	68

**Interventions: Rehabilitation
Performance Measures**
**Budget
Standard
2011/12**
QUALITY

The percentage of offenders who start and complete an offence focussed intervention:

- Prisoners:	70-95%
- Private prison	70-95%
- Rehabilitation and Reintegration Services	70-95%
- Community-based offenders	≥65%

The percentage of offenders on an offence focused intervention who met the selection criteria: ≥90%

- Private prison	≥90%
- Rehabilitation and Reintegration Services	≥90%

The percentage of offenders who start and complete other rehabilitative interventions:

- Prisoners:	70-95%
- Private prison	70-95%
- Rehabilitation and Reintegration Services	70-95%
- Community-based offenders	≥65%

QUALITY

The percentage of psychological reports provided to the agreed quality standard: 100%

- Private prison	100%
- Rehabilitation and Reintegration Services	100%

Interventions: Rehabilitation
Performance Measures

Budget
Standard
2011/12

TIMELINESS

The percentage of psychological reports provided within the agreed timeframe:	≥95%
- Private prison	≥95%
- Rehabilitation and Reintegration Services	≥95%

QUANTITY

The total number of offenders who start an offence focussed rehabilitation intervention:	4,444
- Prisoners:	1,255
- Private prison	Benchmark to be established during 2011/12
- Rehabilitation and Reintegration Services	1,255
- Community-based offenders	3,189
The total number of offenders who start other rehabilitative interventions:	3,874
- Prisoners:	2,501
- Private prison	Benchmark to be established during 2011/12
- Rehabilitation and Reintegration Services	2,501
- Community-based offenders	1,373
The total number of psychological hours provided:	36,140
- Private prison	Benchmark to be established during 2011/12
- Rehabilitation and Reintegration Services	36,140
The total number of psychological reports provided:	3,433
- Private prison	Benchmark to be established during 2011/12
- Rehabilitation and Reintegration Services	3,433

Interventions: Reintegration Performance Measures

**Budget
Standard
2011/12**

QUALITY

The percentage of offenders who start and complete a reintegrative intervention:

- Prisoners:	≥90%
- Private prison	≥90%
- Rehabilitation and Reintegration Services	≥90%
- Community-based offenders	≥65%

QUANTITY

The total number of offenders who start a reintegrative intervention:

	13,140
- Prisoners:	12,940
- Private prison	Benchmark to be established during 2011/12
- Rehabilitation and Reintegration Services	12,940
- Community-based offenders	200







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