



DEPARTMENT OF
CORRECTIONS
ARA POUTAMA AOTEAROA

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◆ Annual Report

1 JULY 2009 - 30 JUNE 2010



ANNUAL REPORT

1 July 2009 – 30 June 2010



"To succeed overall we must succeed with Māori offenders."

Our Vision

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

To improve public safety, we will:

- ensure sentence compliance
- reduce re-offending

and to achieve those priorities we will:

- enhance capability
- strengthen partnerships

To succeed overall we must succeed with Māori offenders.

Our Culture

- We are accountable
- We make a difference
- We achieve more by working together
- We take new approaches to get better outcomes.



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 2009 to 30 June 2010. This Annual Report is divided into three sections:



Part A Contribution to Outcomes explains what we did to contribute to our long-term outcomes as outlined in the 2009/10 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 2009/10.



Part C Annual Financial Statements contains the financial statements for the 2009/10 financial year prepared in accordance with the Public Finance Act 1989 and with other legislative or administrative requirements and expectations.

CHIEF EXECUTIVE'S OVERVIEW

I am pleased to present this year's Annual Report, my final as the Department's Chief Executive. I am proud to say that the 2009/10 year has seen the Department make considerable progress to improve both our service delivery and overall performance. Our focus over the past year has been on continuing to improve public safety by ensuring that:

- offenders comply with sentences and orders;
- re-offending is reduced through rehabilitation and reintegration programmes;
- offenders are managed safely and humanely; and
- victims of crime are supported.

Our ability to deliver on these outcomes has been shaped by a number of factors, including demand pressures within the justice system and the need to continuously build our capability and capacity to manage these pressures in a cost-effective and efficient way.

We progressed improvements in organisational efficiency and excellence through multiple work streams under the umbrella of The Way Forward performance improvement programme. These initiatives span a three-year period and include realignment of internal structures, the redesign of service delivery, improving corporate performance and support to the frontline, and delivering cost efficiencies.

We developed an agreed set of principles for how we will approach rehabilitation and reintegration and our focus is now on how we apply these principles to offender management. The Rehabilitation and Reintegration Services group has also been established to bring the mechanisms for delivery of all interventions and services under a single service. The new service will support pathways out of offending by refining the approach used with offenders to ensure the most appropriate interventions are delivered at the best time across an offender's sentence.

Managing the increasing offender population continued to be a high priority for the Department throughout the year. The prison population peaked at an all time high of 8,816 prisoners on 30 June 2010. According to the Justice Sector Prison Population Forecast the prison population is forecast to reach 10,314 by 30 June 2017.

In response, we have undertaken significant design and planning work to increase prison capacity. Double bunking has been increased at Northland Region Corrections Facility, Spring Hill Corrections Facility and Otago Corrections Facility. Increased double bunking will also commence shortly at Auckland Region Women's Corrections Facility. We opened a new 60-bed unit constructed out of converted shipping containers at Rimutaka Prison.

The Department made significant progress on Contract Management of Prisons and Public Private Partnership projects in 2009/10. A request for proposal has been issued for the contract management of Mt Eden / Auckland Central Remand Prison and work has started on a proposed new 1,000-bed male prison at Wiri that is expected to be designed, built and operated under a public-private partnership.

These capacity initiatives are large and complex programmes of work requiring significant investment in programme resources and controls, and robust governance.

The Community Probation Plan to Improve Compliance with Procedures for Managing Parole Orders has been finished with all 46 specific actions completed, in addition to the 20 recommendations from the Auditor General's 2009 report. Work to improve compliance with community sentences has seen improvements across the majority of community-based sentences and orders being served in the community. The Department also started the implementation of the Community Probation Services Change Programme 2009-12 this year. Phase one and two of the new parole standards will be completed before the end of December 2010.

Over the year, we also continued to progress a number of initiatives and projects to enhance rehabilitation interventions and services, specifically increasing the number of prisoners receiving them. Increasing the number of prisoners able to receive drug and alcohol treatment from 500 to 1,000 by the end of next year is well on track with the establishment of three new Drug Treatment Units. The Otago Corrections Facility Drug Treatment Unit was opened in March, and units at Auckland and Wanganui Prisons are due to be completed by next year.

We also made significant progress in advancing the Government's commitment to increasing prisoner skills and employment, and expanding the provision of literacy and numeracy education in prisons. The Prisoner Skills and Employment Strategy 2009-2012 was launched last year and we are working towards at least 1,000 extra prisoners gaining skills and work experience on any given date.

Work has started on two Whare Oranga Ake units, one at Spring Hill Corrections Facility and the other at Hawke's Bay Regional Prison. Whare Oranga Ake will focus on successfully reintegrating prisoners using a kaupapa Māori environment which supports prisoners in re-connecting with their culture and identity, and in addressing identified reintegrative needs (particularly employment, accommodation and whānau relationships).

Corrections will be working with local iwi to find community providers to run the Whare, and we expect both Whare Oranga Ake to be operational by the end of June 2011.

Significant steps have also been taken to improve the safety of our staff. In the last 12 months nearly all 3,500 custodial staff have received three days additional training in tactical communications and skills to de-escalate volatile incidents and manage non-compliant prisoners.

In addition, earlier this year we also introduced new equipment for corrections officers designed to prevent injury to staff in situations where physical force may be required to manage violent prisoners. The new equipment includes stab-resistant vests and spit hoods, which will shield staff from blood and saliva. New batons will be made available to specially trained staff for use when all other options to gain order have been exhausted.

However, no matter how well trained and equipped our staff are, serious assaults can and do occur in prisons. In the 2009/10 financial year there were two serious assaults on staff by prisoners, including the tragic death of Corrections Officer Jason Palmer at Spring Hill Corrections Facility. Jason's death was a cruel reminder of the potential risk our frontline staff face when they interact with, confront, or manage offenders. That they willingly undertake this role demonstrates their public service commitment to doing what they can to improve the safety of the public.

Despite the challenges we have faced over the year, Corrections has made substantial progress towards its priorities and identified many new opportunities to assist in improving public safety, innovation, and a cost-effective and efficient organisational structure.



Barry Matthews
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 core purpose of the corrections system and principles under which we must operate include:

- ensuring that sentences and orders are administered in a safe, secure, humane and effective manner in accordance with rules set out in the Corrections Act 2004 and regulations based, among other matters, on the United Nations Standard Minimum Rules for the Treatment of Prisoners;
- providing rehabilitation interventions 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;
- reducing the risk of re-offending by taking into account the factors that are relevant to offenders' offending and rehabilitation when developing and providing rehabilitative interventions and services, and also in the sentence planning and management of offenders;
- providing the judiciary with information to assist judges in sentencing decisions and providing administration support and information to the Parole Board to assist in parole decisions; and
- notifying registered victims of crime, of information requirements as set out in the Victims' Rights Act 2002. Also referring registered victims to specialist support organisations for appropriate assistance.

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

At the beginning of the year, the following environmental factors were listed as likely to affect our working environment over the medium to long term. On reflection, the majority of these expected factors have had an effect on our working environment throughout the year and will continue to do so for some time.

There has been continued growth in both community-based offender and prisoner numbers. Particular growth has been evident in the number of youth and female offenders being managed.

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 continued re-offending and re-imprisonment. Reducing re-offending by Māori offenders remains a high priority.

Police crime statistics¹ confirm that the growth in the rate of violent crime has continued, including the growth in the number of young offenders behaving violently. A large proportion of offending has continued to be committed under the influence of drugs or alcohol. The continued proliferation of gang affiliates and gang-related crime has also increased the threat of organised crime within prisons as well as in the community.

The average age of prisoners has continued to increase. This has resulted partially from longer sentences being served, but also from a pattern of recidivist offenders continuing to re-circulate in the system for longer. This shift will have implications for the design and delivery of rehabilitation interventions.

There has been continued fiscal restraint across the public sector due to the international financial downturn and its impact on the New Zealand economy. Although this is easing, costs of providing correctional services are projected to increase over the next decade as the offender population continues to increase.

¹ <http://www.police.govt.nz>

STRATEGIC DIRECTION

Anticipating these environmental factors has allowed us to successfully respond to them in the medium term. In summary, our Government priorities and major strategic deliverables over the year included:

- utilising additional funding received through Budget 2009 to manage the increase in volumes while improving the quality of the management of community-based offenders in a manner consistent with public safety;
- continuing to ensure adequate prison capacity to meet the immediate and longer term growth in demand. This has included looking for opportunities for innovation and improvements in the way prisons are managed and operated through private-public partnerships and contract management of prisons;
- improving staff safety through a number of initiatives. There has been a significant drop in razor blades being used as weapons and for self harm since being banned, additional staff safety equipment is available in all prisons, and enhanced training has been provided to staff;
- enhancing our approach to the management of community-based offenders through the Community Probation Services Change Programme which focuses on managing offenders so that they comply with their sentences and orders, reduce their likelihood of re-offending and minimise their risk of harm to others;
- working to implement more effective and offender focused rehabilitative and reintegrative interventions through the establishment of the new Rehabilitation and Reintegration Services group. This includes continuing to progress the Government's goals of doubling the availability of drug and alcohol treatment services and increasing employment-related education and experience activities for offenders;
- continuing to work towards succeeding with Māori in all aspects of our work. In particular, we have moved towards providing services that better support Māori prisoners to re-connect with their culture and identity, and address their reintegrative needs through a Whare Oranga Ake model; and
- implementing The Way Forward, a three-year performance improvement programme focusing on continuous improvement and building organisational efficiency and effectiveness to deliver better services for less.

OUR OUTCOMES FRAMEWORK

Our work contributes to the justice sector end outcome of a 'safe and just society' whereby there are '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; and
- Trusted justice system.

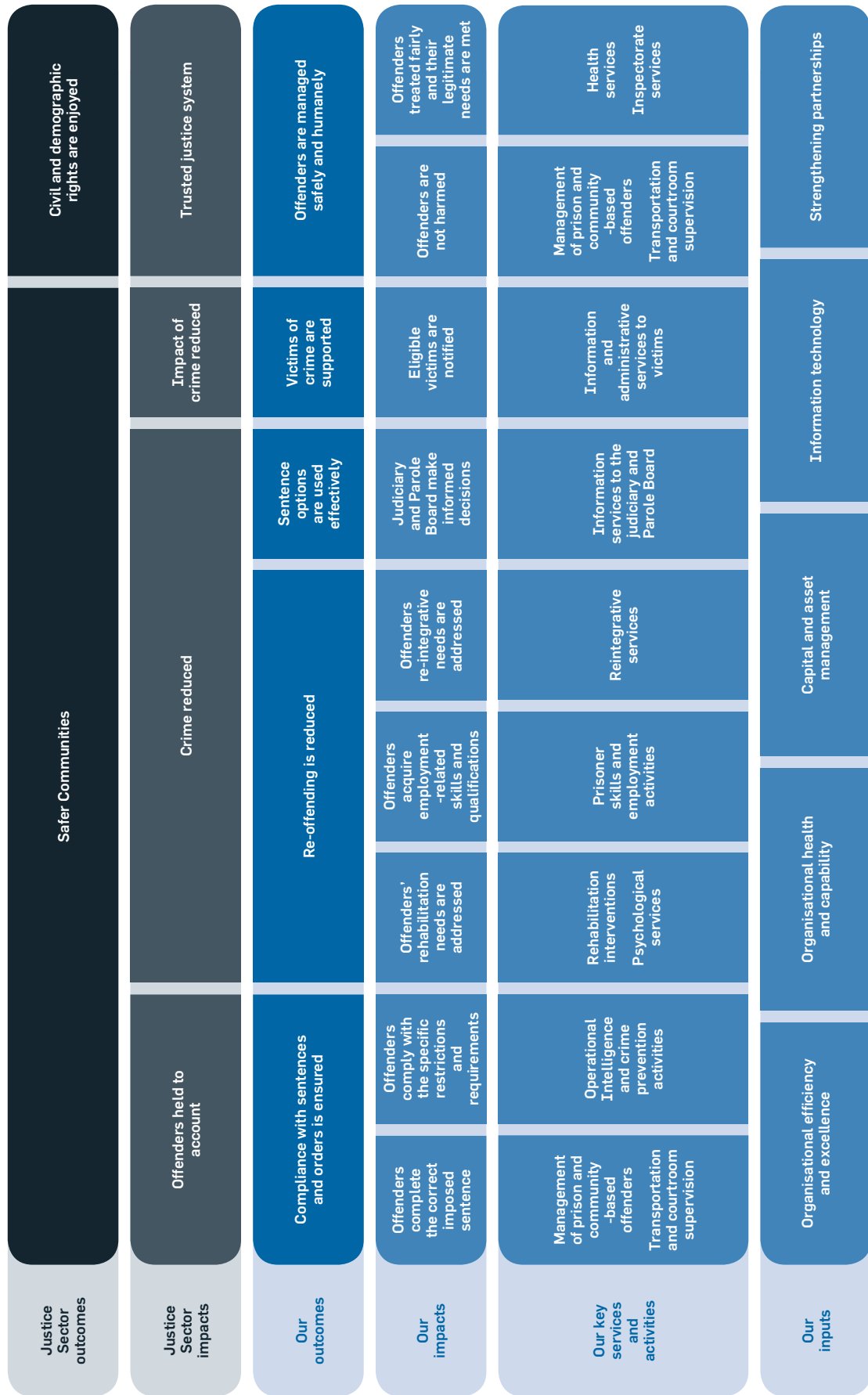
Our outcomes explain what we aspire to achieve for society over the long term. They underpin our core purpose which is to protect public safety. Our work contributes to the following five outcomes:

- Compliance with sentences and orders is ensured;
- Re-offending is reduced;
- Sentence options are used effectively;
- Victims of crime are supported; and
- Offenders are managed safely and humanely.

Our outcomes framework demonstrates how the services we provide contribute to our long-term outcomes. It outlines how the resources we have used to provide services contribute to the long-term achievement of our outcomes. It helps us to understand how what we do positively contributes to society.

The following sections explain in detail how what we did contributed to achieving these outcomes.

DEPARTMENT OF CORRECTIONS OUTCOMES FRAMEWORK



Please note: This diagram is a rational representation of our outcomes framework within a strategic context, which in practice will be iterative and complex. It provides a simplistic outline of the relationship between our key services and activities and their impact towards achieving our strategic outcomes.

COMPLIANCE WITH SENTENCES AND ORDERS IS ENSURED

Ensuring sentence and order compliance is one of our most fundamental duties and is critical to the integrity of sentences and orders and public safety. Offenders are held to account if they do not complete their sentence or order, or comply with restrictions. Compliance with sentences and orders is ensured when:

- offenders are positively motivated to successfully complete the sentence and order;
- offenders comply with the restrictions and requirements of the sentence and order, experiencing appropriate consequences when they do not comply; and
- staff are vigilant and hold offenders to account for their breaches of sentences and orders.

Impact: Offenders complete the correct imposed sentence and order

Over the past year, there has been continued growth in the volume of sentences and orders served in the community. We continued to significantly improve the performance of the work we do in the community following a report released by the Auditor General in February 2009 on the management of parolees which highlighted some major shortcomings in the way that we complied with our procedures for managing parole.

In immediate response we obtained additional funding in Budget 2009 to recruit 258 probation officers to both manage the growth in community offender volumes, and to improve the quality of management of parole and home detention. By June 2010 these staff had been recruited. Over the past year, we have also implemented all 46 actions identified in the Plan to Improve Compliance with Managing Parole Orders, and completed all recommendations from the Auditor General's report.

During the latter part of 2009, we began a fundamental redesign of how probation services are delivered, starting with the management of each of the nine sentences and orders that apply in the community and being extended to include our provision of information and reports to the judiciary to inform sentencing decisions and parole decisions. This is part of a three-year Community Probation Services Change Programme 2009-2012. The first of the changes was the new integrated practice framework for the management of offenders on parole which was implemented on 31 March 2010. The framework was extended to home detention sentences and post detention conditions on 1 July 2010.

These changes will focus more firmly on managing the offender rather than only focusing on the sentence. The new design will also more effectively target service delivery towards those offenders that have a high likelihood of re-offending and represent a high risk of harming others. At the same time we will continue to ensure that all offenders comply with sentences and orders and are held to account for not doing so. A core focus for the programme is to work more effectively with Māori offenders.

During the year significant improvements have been made in staff compliance with procedures across all sentences and orders. In June 2010 overall compliance with procedures was 90 percent, an increase from 79 percent compliance in September 2008. Compliance rates for parole regularly achieved above 90 percent in the three months preceding the implementation of a new integrated practice framework. Following the implementation of the new practice framework for managing parole, compliance rates against the new mandatory standards achieved an average of between 93 and 95 percent, a significant achievement given the newness of the framework.

Improvements in performance and implementation of the change programme have occurred at the same time as we were absorbing the impact of volume increases over and above funded levels.

Impact: Offenders comply with the specific restrictions and requirements of the custodial and community sentence and order

Ensuring offenders are held to account and comply with specific restrictions and requirements is critical to ensuring the safety of the public, our staff and other offenders.

We have improved our management of sentences and orders served in the community by:

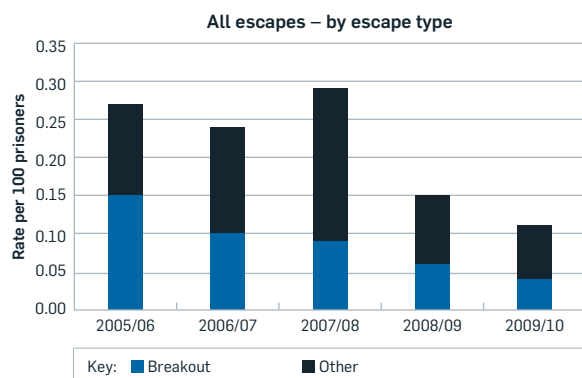
- implementing a dynamic risk assessment tool to understand offender risks better and assist staff to hold offenders to account and ensure they experience appropriate consequences when they do not comply; and
- looking to enhance electronic monitoring systems and processes by implementing the new contract(s) for the provision of electronic monitoring services for home detention, parole, and extended supervision.

Successful completions show improvements across the majority of sentences and orders served in the community. The overall successful completion rate was 84 percent compared to 81 percent in the previous year.

We have continued to establish and maintain secure prison environments, including emphasising staff vigilance in holding prisoners to account. This includes:

- maintaining a combination of management practices, physical security features and systems commensurate with the risk related to prisoners' security classification; and
- enhancing security classification systems for male, female and youth so we can more effectively predict the risk of escape, and improve the way violent and disruptive young male prisoners are managed.

These measures have contributed towards achieving the lowest rate of escapes per 100 prisoners ever. The rate of escapes per 100 prisoners was 0.11 compared to the 0.15 in the previous year. This includes three breakout escapes and six 'other' escapes compared to five and seven in the previous year, respectively. These improvements are even more apparent when compared to the overall rate ten years ago when it was 0.70 per 100 prisoners. We treat all escapes from custody seriously and every escape is fully investigated and reported against.



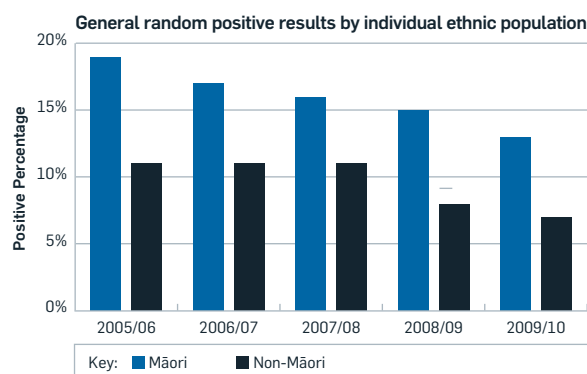
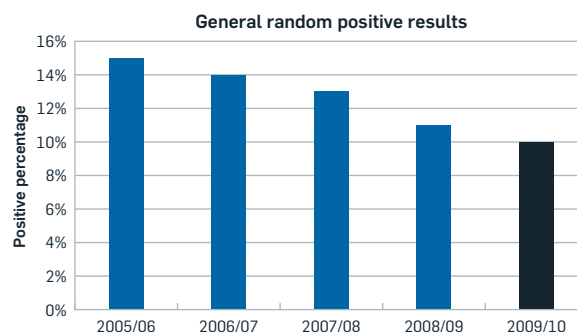
We have reduced the impact of crime through operational intelligence activities to ensure prisoners cannot commit or initiate offences from within prisons. Activities include:

- undertaking crime prevention activities such as cell phone jamming, telephone monitoring and sharing crime intelligence with external agencies to deter the likelihood of criminal activity occurring;
- controlling or limiting the availability of contraband, notably drugs; and
- minimising the detrimental impact gangs can have on maintaining a safe, secure and humane environment for staff and prisoners.

This is in addition to other initiatives such as improved prison security, improvements to prisoner and visitor

screening procedures and enhanced use of drug dog detection teams that reflects the ongoing focus being applied by the Department in ensuring that prisoners comply with their sentences.

These activities have resulted in charges being laid against a number of prisoners who have conducted criminal activity from within prison and the exclusion of visitors who have tried to bring contraband (including drugs) into prisons. Reducing the supply of illicit drugs entering prisons has contributed to us achieving the lowest ever rate of positive general random drug tests – ten percent in 2009/10 compared to 11 percent for the previous year. This improvement is stark when compared with the rate of positive general random drug tests of 35 percent in 1998 when the random drug screening testing began.



RE-OFFENDING IS REDUCED

The likelihood of re-offending is reduced when offenders engage in a process of change which includes reducing the severity and frequency of their re-offending, with the ultimate goal of living a crime-free lifestyle.

The likelihood of re-offending is reduced when offenders:

- are assisted to address and resolve their rehabilitative needs which contribute to their offending;
- acquire employment-relevant skills and qualifications that lead to sustainable employment following their release; and
- address their reintegrative needs to enable them to reintegrate back into the community.

Impact: Offenders' rehabilitative issues are addressed

With the changing nature of offences and sentence lengths, we have continued to increase the provision of rehabilitative interventions that best address the rehabilitative needs of offenders. The majority of eligible sentenced prisoners participate in some form of rehabilitation intervention, dependent on case management criteria.

We have focused on enhancing our approach to the provision of rehabilitative interventions and increasing the availability of those interventions that best address and resolve the causes of offending. As part of this new approach, we have:

- established Rehabilitation and Reintegration Services as a single mechanism for the delivery of all interventions and services. The new service will refine the approach used with offenders to ensure the most appropriate interventions are delivered at the best time across an offender's sentence. Continued focus will be on succeeding with Māori to reduce re-offending. This revised approach will be implemented over the next three years.

We have improved methods for monitoring and evaluating results to ensure we provide the most efficient and effective interventions that best address and resolve the causes of offending. This includes:

- improving our ability to determine the overall impact on reducing re-offending by developing a new rehabilitation quotient measure. The new measure now has the ability to capture changes in the frequency and seriousness of re-offending and in re-offending of specific offence types; and

- more effectively informing resource decisions through the development of a comparative measure of the effectiveness and efficiency of all interventions towards reducing re-offending.

We have increased the provision and availability of those interventions which best address the rehabilitative needs of individual offenders, specifically drug and alcohol dependencies. This includes:

- making significant progress towards the Government's plan to double the number of prisoners who are able to receive drug and alcohol treatment services to 1,000 by 2011. A new 60-bed Drug Treatment Unit was opened during the year that specifically targets short serving prisoners for the first time. A further two units are scheduled for opening in the coming year; and
- working primarily with the Ministry of Health to reduce barriers to assessing and treating offenders in the community with drug and alcohol dependencies. This will better identify and reduce the barriers between the health and justice sectors and between regions to providing alcohol and drug treatment to offenders.

The increased provision and active management of prisoners to encourage participation in rehabilitative interventions has already led to a 13 percent increase in the number of prisoners participating in drug and alcohol treatment services compared to the previous year. A total of 562 prisoners commenced a drug and alcohol treatment programme compared to 499 in the previous year.

For community-based offenders, there has been a marked increase in the number of offenders who participate in community-funded interventions, in particular domestic violence programmes. The major contributing factor to this increase has been the impact of public awareness campaigns, family violence courts and judicial behaviour and the increased number of offenders with special conditions who are required to attend. The increased number of offenders starting a community-funded intervention has resulted in the total number of hours offenders attend these interventions exceeding the budget standard by 38 percent.

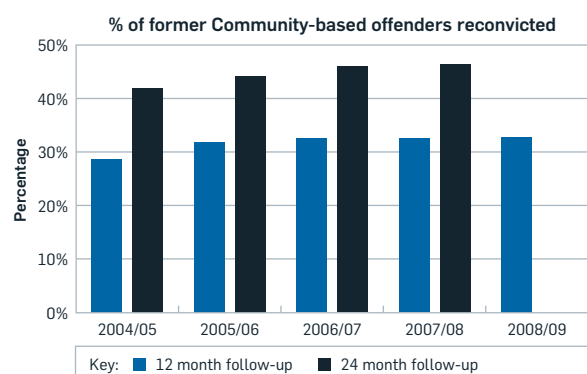
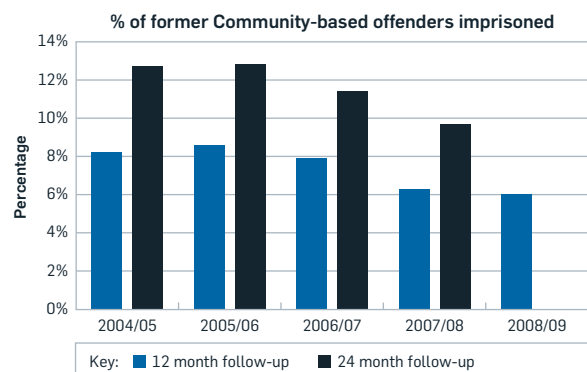
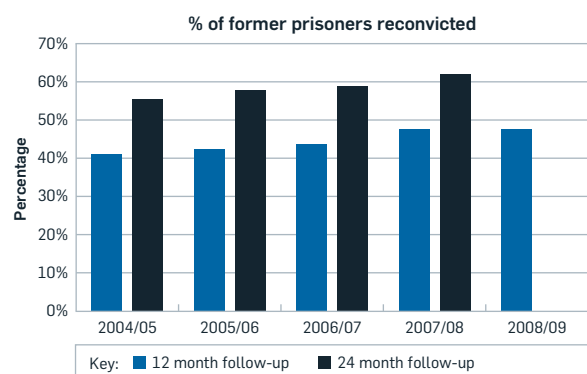
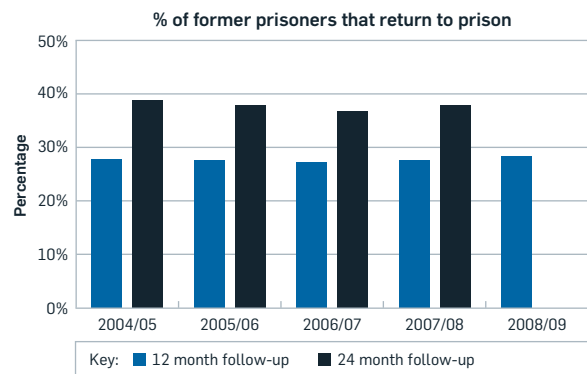
The rehabilitation quotient methodology assesses the impact of our major rehabilitative interventions toward reducing the likelihood of re-offending. It compares the rates of reconviction, re-imprisonment and seriousness of reconviction of offenders who received a rehabilitative intervention with similar offenders who had no such exposure. The most recent results are positive, indicating measurable reductions in re-offending amongst offenders who completed these rehabilitative interventions.

The results for the drug treatment units are particularly favourable, indicating impacts on recidivism that are equivalent to best-practice achievements internationally in correctional rehabilitation. Māori offenders achieved particularly good outcomes through participation in drug treatment units, which is encouraging given the longstanding need to address over-representation.

Though slightly less pronounced, results for the prison medium-intensity programme are also very promising. These results reflect a period of delivery during which this programme was rapidly expanded across the country, which suggests that, once fully bedded in, these programmes will also reliably produce significantly positive outcomes.

The recidivism index methodology assesses rates of reconviction and re-imprisonment which continue to remain high. The most recent reconviction rates recorded for those released from prison indicate a slight increase in reconvictions and re-imprisonments compared to previous results. This change may reflect a continuing impact from sentencing law changes introduced in October 2007. This had the effect of diverting a proportion of lower-risk offenders from prison, with the result that average risk levels of the prison population increased.

For the second year in a row a moderate fall was recorded in imprisonment rates amongst offenders who commenced a community-based sentence. This is understood also to be a consequence of judges making extensive use of the new community sentences of home detention, intensive supervision and community detention, in place of imprisonment. Introduction of these sentences has been associated with a significant increase in the population of offenders managed in the community in the last two years. Further analysis of rehabilitation quotient and recidivism index results are included at Appendix 1.



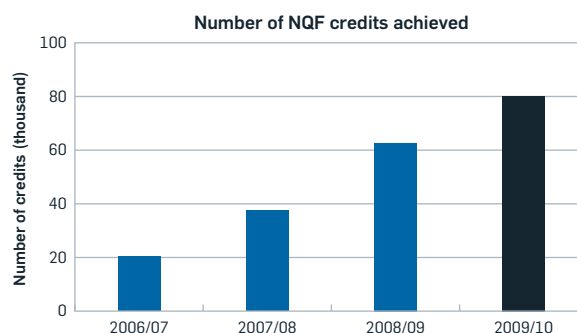
Impact: Offenders acquire employment-relevant skills and opportunities

Providing employment-related education and experience so that prisoners can find work on release is a key factor in reducing their likelihood of re-offending.

We have increased the number of prisoners participating in employment-related training and employment experience to those whose needs are highest, particularly for Māori. We have also increased the level of skills achieved by each prisoner. Work in this area includes:

- making significant progress towards the Government's plan to expand the number of prisoners gaining skills and work experience on any given date by 1,000 by 2012. An average of 4,377 prisoners participated in employment and training activities in 2009/10, compared to 4,061 in the previous year. We have specifically targeted increasing Māori participation in employment activities;
- increasing the number of offenders participating in literacy and numeracy education through classroom and workplace activities. Inline with the Government's goal, the number of prisoners undertaking literacy and numeracy education has increased with 1,496 prisoners participating in literacy and numeracy education in 2009/10, up from 1,300 in the previous year. Overall, a total of 3,501 prisoners commenced literacy and numeracy training compared to the budgeted standard of 2,514; this also includes those prisoners who commenced self-directed learning; and
- four Corrections Inmate Employment Instructors have undertaken the National Certificate in Adult Literacy Education and a further 56 Instructors will be up-skilled in this way over the next two years. This training will enable them to embed literacy training within on-the-job trade training.

There was also a 28 percent increase in the number of National Qualifications Framework credits achieved compared to the previous year, or a total of 80,199. A focus continues to be increasing participation of Māori in employment and educational activities. The allocation of credits across the various activity types shows a higher proportion of Māori to non-Māori in particular types of training; catering, grounds maintenance and forestry. The average number of credits achieved by prisoners learning industry-based skills under the National Qualifications Framework through Corrections Inmate Employment was 27 credits per prisoner.



Impact: Offenders' reintegrative needs are addressed

The large majority of prisoners will one day rejoin the community. Reintegrating prisoners successfully back into the community is a key way we help to reduce re-offending.

In 2009/10, 11,905 offenders received reintegrative support from Prisoners' Aid and Rehabilitation Societies (PARS), an increase of 1,377 prisoners from the year before. Almost 75 percent of offenders identified they were seeking assistance with accommodation and/or financial needs. The Department's national contract with NZPARS was terminated on 31 March 2010 and replaced with eight six month regional contracts (1 April – 30 September 2010) with PARS. A national tender is being prepared for the delivery of reintegrative support in the future.

The Montgomery House intensive residential programme has been rewritten. Now called Tai Aroha, the new programme for community-based offenders at high risk of re-offending began in August 2010.

Initial work has also begun on Whare Oranga Ake which will be implemented in June 2011. Two whare, each eventually housing 32 prisoners at Spring Hill Corrections Facility and Hawkes Bay Regional Prison, will provide reintegrative support within a tikanga Māori environment, engaging the wider community, whanau and iwi in helping prisoners to live an offence-free lifestyle. Community support networks will provide prisoners with assistance with housing, education and employment and with addressing health needs. The whare will build on the successes achieved over past years by the five Māori Focus Units in prisons.

SENTENCE OPTIONS ARE USED EFFECTIVELY

Sentence options are used effectively when the Department's advice assists:

- the judiciary to impose sentences commensurate to the crimes committed, through access to advice on risks posed by the offender and their suitability for rehabilitation; and
- the Parole Board to make appropriate decisions.

Impact: The judiciary and the Parole Board make informed decisions

There has been a 38 percent higher demand than expected for the provision of probation reports to support sentencing decisions. This growth over the past year was primarily driven by increases in resolutions by prosecution and subsequent flow of work through the court system. Information services and administration services to the Parole Board were also higher than expected.

We have improved processes for the provision of information designed to assist the judiciary and Parole Board make the most informed decisions possible. This includes:

- working towards removing legislative barriers to the effective and efficient operation of the corrections system. We have proposed that the Corrections Administration (Effectiveness and Efficiency) Bill include a provision for pre-sentence reports to be submitted before a court may sentence an offender to home detention or community detention; and
- supporting the Parole Board to streamline and increase the efficiency of its processes, especially regarding the supply of information and support to Parole Board members at parole hearings.

VICTIMS OF CRIME ARE SUPPORTED

Victims of crime are supported when registered victims are:

- provided with information in accordance with the Victims' Rights Act 2002; and
- referred to specialist support organisations for appropriate assistance.

Impact: Eligible victims are notified

There have been fewer victim referrals than expected during the year, with a total of 537 referrals from the Police compared to the estimated 600. We have continued to ensure registered victims of crime are supported by providing information in accordance with the Victims' Rights Act 2002 and by referral to specialist support organisations to assist them with the distress related to their victimisation.

We have continued to support justice sector-led proposals to enhance victims' rights and their role in criminal justice processes. This includes amending the Victims' Rights Act 2002, to improve the responsiveness of government agencies across the sector towards victims of crime, and meeting objectives for victims.

There have been no justified complaints from those victims who have chosen to register on the Victims Notification System.

OFFENDERS ARE MANAGED SAFELY AND HUMANELY

A trusted justice system is maintained when offenders are managed safely and humanely by ensuring they are not harmed, that they are treated fairly and their legitimate needs are met. In particular, offenders are managed safely and humanely when they:

- are managed in a safe, secure, humane and effective manner;
- are treated fairly and have their legitimate health, physical, cultural, spiritual and social needs met.

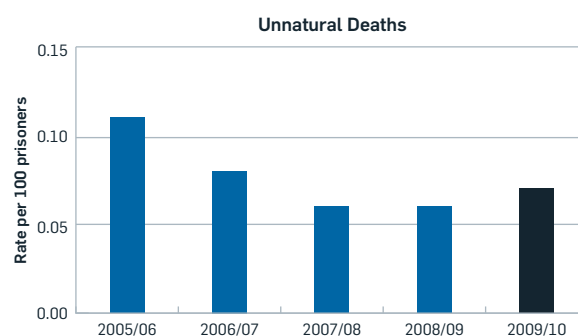
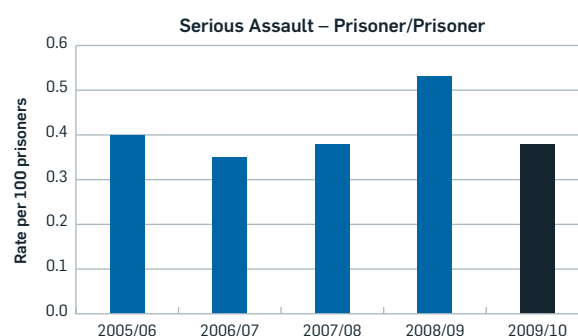
Impact: Offenders are not harmed

The growth in prisoner numbers and the increase in the number of violent prisoners we manage has emphasised the need to ensure a safe and secure environment is maintained in order to prevent prisoners and staff from experiencing harm.

Recently, we have enhanced processes and practices that ensure an environment that more effectively minimises the likelihood of self harm or harm to others. This includes:

- providing prison staff with training in de-escalation techniques and tactical communication to help staff communicate with prisoners to minimise the occurrence of incidents, and to help de-escalate incidents when they do occur. Most custodial staff have completed training;
- restricting access to razor blades for at-risk and high security prisoners to minimise razor blade-related incidents in prison. From its introduction the razor policy has resulted in a 62 percent drop in incidents where blades have been fashioned as a weapon and a 45 percent reduction in incidents where blades have been used to self harm; and
- piloting the introduction of a new system for assessing prisoners who are at risk. The system provides an improved method of identification and options for management of prisoners who are at risk.

Within prisons, there has been a 26 percent reduction in serious prisoner on prisoner assaults (32 serious assaults compared to 43 in the previous year). There were six unnatural deaths during the year, which were all apparent suicides. The rate of unnatural deaths has declined since 2005/06 despite continued growth in the prison population. This is a result of staff awareness and the active management of prisoners who are assessed as being at risk of self harm.



Impact: Offenders are treated fairly and their needs are met

One of our core roles is maintaining offenders' right to fair treatment and ensuring their legitimate needs are met.

One legitimate need for prisoners is access to appropriate levels of health services that are comparable to those available to the general population. Last year approximately 23,000 prisoners received a health screening upon reception and we provided ongoing treatment and care through 230,479 consultations with a doctor or nurse.

In June 2010, it was announced that prisoners will be banned from smoking in prisons across New Zealand, effective from 1 July 2011. Over 60 percent of prisoners smoke, and toxins from smoking within prisons are at levels up to 12 times higher than in residential homes with a smoker². Smoking-related products, such as lighters, are frequently used to start fires by prisoners. Therefore, a smoking ban will improve the longer-term health of prisoners, and make prisons a healthier and safer place to work. Over the next year support will be provided to staff and prisoners to help them quit smoking.

We recently joined our justice sector partners in linking to the Crimestoppers line which will replace the existing 0800 JAIL SAFE number that was provided to prisoners and their visitors. The purpose of the line is to encourage prisoners to report knowledge of criminal activity anonymously. This will contribute to a safe and secure environment within prison and in the community.

The Corrections Inspectorate provides an independent assurance that offenders' legitimate needs are met. It is a dedicated complaints resolution, investigation and assurance function reporting directly to the Chief Executive independently from operational line management. Only two community-based complaints to the inspectors were received during the year, neither of which were upheld. There was also a decrease of 13 percent in the number of prison-based complaints to the inspectors with only 2.3 percent of these complaints upheld.

2 Ministry of Health Survey 2005

ASSESSING ORGANISATIONAL HEALTH AND CAPABILITY

To deliver on our outcomes, it is important that we manage our resources in ways that deliver the best value possible, establish an organisational culture that promotes innovation and performance, and work together in ways which are supportive and effective.

Organisational efficiency and excellence

The Way Forward, a three-year performance improvement programme has focused on continuous improvement and building organisational efficiency and effectiveness. Our key performance improvement actions are included under the umbrella of this programme of work. The overall goals are:

- building a sustainable organisation;
- creating a culture change; and
- achieving operational efficiency and developing better ways of working.

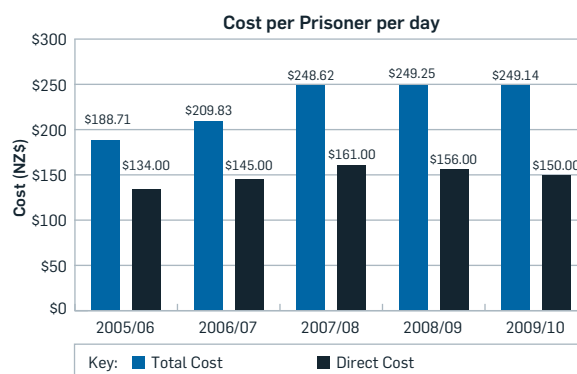
This was the first year of The Way Forward programme. We have implemented initial business systems and organisational structural changes to enable us to be better placed to deliver on our outcomes and deliver operational efficiencies. Initial efficiency gains and value creations include:

- absorbing the impact of growth in the offender population over and above that of existing resource levels through the efficiency gains created from performance improvements;
- outsourcing facilities management and information technology functions to ensure facilities and support services keep pace with the growing number of offenders and operational service needs; and
- initial efficiency gains from a site management review examining the prison site-based management structure by looking at the breadth and depth of management roles to ensure prisons have the structure required to address risks and meet future demand.

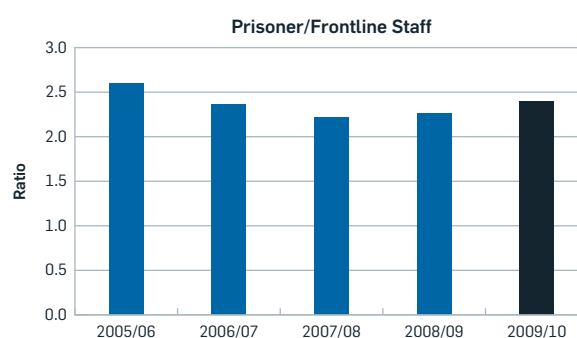
Initial efficiency gains and value creations of \$26.37 million have been realised through a number of initiatives, resulting in savings being reprioritised to fund other performance improvement initiatives and programmes. Other savings, in particular the transfer of the Prison Services Uniform Project to 2010/11 and the non-utilisation of Disaster Recovery funding, have contributed to an overall under spend of \$25.8 million. This has all been achieved while absorbing increases in demand at the same time as maintaining the quality of service.

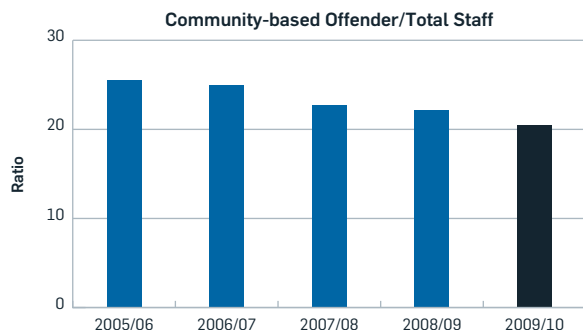
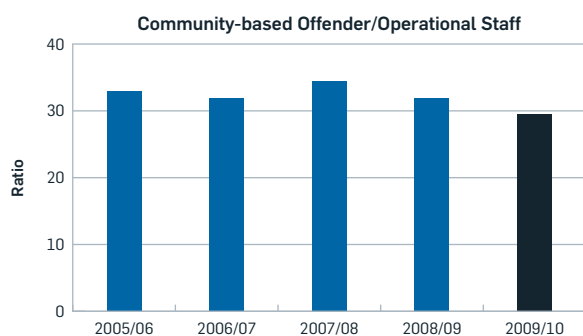
Cost effectiveness

As expected, the cost per prisoner per day has increased to \$249.14 compared to \$188.71 in 2005/06. This increase is due to the operating cost implications of the significant capital investment in these years needed to build additional prison facilities and to upgrade existing facilities to increase capacity to meet the forecasted rise in the prison population. However, direct costs have continued to decline over recent years as a result of efficiency gains and value creations as mentioned above, combined with a higher than usual increase in the prisoner population. Due to the complexity of each of the nine different sentences and orders now available and the potential for combinations for sentences, it is not possible to calculate a cost per community-based offender by sentence.



The ratio of frontline staff to both prisoners and community-based offenders has remained consistent with growth in the offender population. Lower frontline ratios allow more interaction and active management of offenders.





We have also continued to participate in various international correctional forums for communicating appropriate New Zealand standards and learning in offender management. We shared information to benchmark a range of its indicators to build continuous improvement and cost effectiveness.

Building people capability

Shifts in the nature of offences, changing demographics of offenders and a continued growth in the offender population have placed increasing demand on the capability and number of our staff required to manage offenders. We are expected to be the largest government department in the next two to three years; currently employing 7,809 full-time equivalent staff as at 30 June 2010.

Significant progress was made on multiple initiatives designed to enhance the effectiveness of our leadership capabilities across all levels of the organisation. Leadership competencies based on Lominger research have been developed to emphasise those areas of competence our leaders need to focus on and develop to succeed. These competencies have a strong alignment to succeeding with Māori due to their over-representation in the correctional system. We are increasingly focusing on talent and succession planning and this is being led by the Executive Team.

We have also continued building our capability through our people capability strategy that focuses on our culture and values, attracting and recruiting the right people; fostering wellbeing; and rewarding and recognising good performance. This includes:

- developing the new “our corrections culture” vision statement to emphasise and drive continuous improvement. This statement emphasises our culture and values being understood and lived by staff, and are recognised as the core driver of our success;
- recruiting an additional 258 probation officers as funded through Budget 2009 to manage the expected growth in the volumes of community sentences and orders. This is in addition to revising our remuneration policy, and successfully settling our collective agreements with unions within tight fiscal limits;
- finalising and implementing our new Health and Safety Policy, and maintaining our Secondary rating for performance against the ACC annual partnership audit. This has again placed the Department amongst the better performing state sector organisations. The number of work-related injuries per 100 full-time equivalent staff that gives rise to claims also reduced slightly;
- providing 625,704 hours of training and development opportunities to build capability and ensure our frontline staff can more effectively manage offenders on a day-to-day basis; and
- recognising performance through the Minister’s Award, Chief Executive’s PRIDE award, Chief Executive’s Special Commendation Award, Innovation Award, and Service Recognition Award.

This has driven a fundamental shift in culture towards continuous improvement, efficiency and excellence. As a result, we have achieved our lowest overall turnover rate in five years of 8.56 percent compared to 14 percent in 2004/05. Alongside this, the percentage of employees with over two years experience is increasing while the percentage of employees with less experience is decreasing.

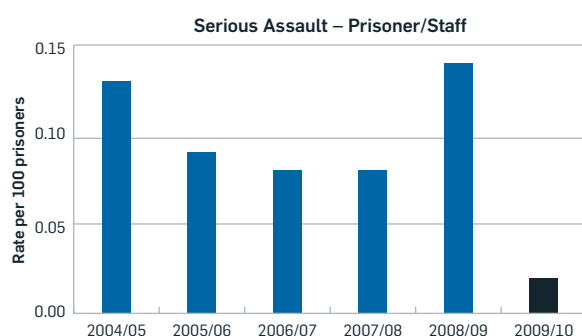
Equal Employment Opportunities are applicable to all aspects of our human resources policies. The percentage of female staff is increasing slightly while the percentage of Māori and Pacific staff has marginally decreased. Succeeding with Māori continues to have strong emphasis with over 20 percent of Māori staff, higher than most other public service agencies. This is supported by our Amohia Ai Māori Mentoring Programme which provides personal and professional development opportunities to Māori staff who are not yet managers or leaders but who have the potential and aspire to be.

Staff safety is an important issue for us; particularly given we deal with offenders who sometimes exhibit volatile and violent behaviours. To better protect our prison staff, we provided:

- additional personal protective equipment to staff for when it is required, including batons, body armour, spit hoods, and trialling of pepper spray; and
- training in de-escalation techniques and tactical communication to help avoid dangerous incidents with prisoners occurring, and to help de-escalate incidents when they do occur. Most custodial staff have completed training.

This is in addition to the Government's decision to amend the Sentencing Act 2002 to make assaults on prison officers or police officers an aggravating factor in sentencing.

The rate of serious assaults on prison staff has decreased significantly over the past year. During the year there were two serious assaults on staff compared to 11 in the previous year. One of these assaults resulted in the tragic death of a corrections officer while undertaking normal duties.



Capital and asset management

Current projections show a growth in prisoner numbers that will not be able to be accommodated within our current prison capacity. We have developed a 10-year capacity development plan in response to the need for 2,170 additional prison beds by 2019. Based on this plan, we have achieved a number of initiatives to add further beds and infrastructure to meet immediate capacity requirements. This includes:

- extending double bunking at the four newest prison sites which is near completion and will add an additional 886 beds. Design innovations, good planning, and excellent collaboration between the onsite project teams, custodial staff, and contractors are expected to achieve \$30 million in savings on initial capital funding received for the project.
- exploring more efficient prisoner accommodation options such as the container cell unit. The first such 60-bed unit was developed and officially opened in June this year which was delivered for approximately 30 percent less and substantially faster than a comparable traditionally built unit;
- progressing with the Mt Eden / Auckland Central Remand Prison site redevelopment which includes replacing the existing Mt Eden Prison capacity (450 beds) and providing additional capacity within the Stage 1 redevelopment with 104 extra double bunked beds. Work on a third new 245-bed accommodation building (Stage 2) will be in operation by the end of 2012. At the end of Stage 2, a total of 349 additional beds will have been provided taking the full capacity at this site to 1,211 beds; and
- outsourcing facilities management to ensure our facilities expansion keeps pace with the increasing prisoner population and that efficiency improvements are implemented.

We have also looked for opportunities for innovation and improvements in the way prisons are managed and operated through enabling the contract management of prisons and private-public partnerships. This includes:

- removing the barriers to competitive tendering for the private management of prisons. The Government has approved the competitive tendering for the private management of the joint Mt Eden / Auckland Central Remand Prison, with a phased handover to the successful contractor to be completed by August 2011; and
- making substantial progress towards the commissioning of a new prison that is expected to be designed, built and operated under a private-public partnership by 2015. The approximately 1000-bed male prison on departmental land at Wiri in South Auckland will also be subject to consents and the successful completion of a tender process.

This will lead to sufficient capacity to manage the growth in the offender population for now and in the future. It has also led to initial design and construction savings and potential to access further innovations that can be utilised in meeting future capacity requirements.

Information technology

A key step in building organisational efficiency and excellence is to ensure that our technology-based systems are adequate and keep pace with business needs.

This includes:

- delivering a number of functionality enhancements to allow staff to more effectively manage offenders and do their job better through the revised Integrated Offender Management System; and
- outsourcing our information technology services to optimise the provision of services by enabling innovation and business agility to reduce the overall cost of services.


This has allowed us to manage the overall increases in demand for services while maintaining the availability of key applications to support immediate business needs. We have also put in place processes to ensure those services keep pace with future business requirements and support so staff can manage offenders more effectively.

Strengthening partnerships

We cannot achieve our outcomes alone. We have continued to develop strong relationships with a diverse range of partners, improved existing relationships, and built new ones in order to achieve mutually beneficial outcomes for society.

We have focused on strengthening relationships with a wide range of partners while providing assurance that appropriate support services are delivered by other agencies and those involved with offenders in the community. This includes:

- planning for the proposed new private-public partnership that emphasises a co-operative relationship that works towards achieving a balanced result for both contractual parties. The key focus has been on ensuring that the advantages identified as arising from public-private partnership arrangements are fully realised;
- strengthening and maintaining existing partnerships with community organisations and local communities to improve the provision of rehabilitation and reintegrative interventions and support services provided to offenders. This has included Māori and Pacific groups and positive support people who can make a positive impact towards successful reintegration back into the community; and
- strengthening existing partnerships with other government organisations to work collaboratively towards improving the value for money in services delivered across the justice and wider social sector.



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 2010.

Signed

Countersigned



Barry Matthews

Chief Executive

30 September 2010



John Bole

General Manager
Finance, Systems and Infrastructure

30 September 2010

AUDIT REPORT

AUDIT NEW ZEALAND

Mana Arotake Aotearoa

TO THE READERS OF THE DEPARTMENT OF CORRECTIONS' FINANCIAL STATEMENTS AND STATEMENT OF SERVICE PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2010

The Auditor-General is the auditor of the 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 on her behalf. The audit covers the financial statements and statement of service performance included in the annual report of the Department, for the year ended 30 June 2010.

UNQUALIFIED OPINION

In our opinion:

- The financial statements of the Department on pages 47 to 88:
 - comply with generally accepted accounting practice in New Zealand; and
 - fairly reflect:
 - the Department's financial position as at 30 June 2010;
 - the results of its operations and cash flows for the year ended on that date;
 - its 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 2010; and
 - its unappropriated expenses and capital expenditure for the year ended 30 June 2010.
- The statement of service performance of the Department on pages 25 to 46:
 - complies with generally accepted accounting practice in New Zealand; and
 - fairly reflects for each class of outputs:
 - its standards of delivery performance achieved, as compared with the forecast standards included in the statement of forecast service performance adopted at the start of the financial year; and
 - its actual revenue earned and output expenses incurred, as compared with the forecast revenues and output expenses included in the statement of forecast service performance adopted at the start of the financial year.

The audit was completed on 30 September 2010, and 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 the Auditor, and explain our independence.

BASIS OF OPINION

We carried out the audit in accordance with the Auditor-General's Auditing Standards, which incorporate the New Zealand Auditing Standards.

We planned and performed the audit to obtain all the information and explanations we considered necessary in order to obtain reasonable assurance that the financial statements and statement of service performance did not have material misstatements, whether caused by fraud or error.

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

The audit involved performing procedures to test the information presented in the financial statements and statement of service performance. We assessed the results of those procedures in forming our opinion.

Audit procedures generally include:

- determining whether significant financial and management controls are working and can be relied on to produce complete and accurate data;
- verifying samples of transactions and account balances;
- performing analyses to identify anomalies in the reported data;
- reviewing significant estimates and judgements made by the Chief Executive;
- confirming year-end balances;
- determining whether accounting policies are appropriate and consistently applied; and
- determining whether all financial statement and statement of service performance disclosures are adequate.

We did not examine every transaction, nor do we guarantee complete accuracy of the financial statements and statement of service performance.

We evaluated the overall adequacy of the presentation of information in the financial statements and statement of service performance. We obtained all the information and explanations we required to support our opinion above.

RESPONSIBILITIES OF THE CHIEF EXECUTIVE AND THE AUDITOR

The Chief Executive is responsible for preparing the financial statements and statement of service performance in accordance with generally accepted accounting practice in New Zealand. The financial statements must fairly reflect the financial position of the Department as at 30 June 2010 and the results of its operations and cash flows for the year ended on that date.

The financial statements must also fairly reflect the 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 2010. The financial statements must also fairly reflect the Department's unappropriated expenses and capital expenditure for the year ended on that date.

The statement of service performance must fairly reflect, for each class of outputs, the Department's standards of delivery performance achieved and revenue earned and expenses incurred, as compared with the forecast standards, revenue and expenses adopted at the start of the financial year.

The Chief Executive's responsibilities arise from sections 45A and 45B of the Public Finance Act 1989.

We are responsible for expressing an independent opinion on the financial statements and statement of service performance and reporting that opinion to you. This responsibility arises from section 15 of the Public Audit Act 2001 and section 45D(2) of 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 3 independent probity and quality assurance reviews over tenders, a review of tendering processes for the provision of services and review of governance arrangements for a specific programme. 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 SERVICES

This appropriation is limited to the provision of information about offenders to the judiciary and the New Zealand Parole Board to inform their respective decision-making processes, the administration of home leave for prisoners, and the provision of victim notification services.

OUTPUT CLASS STATEMENT

For the year ended 30 June 2010

	2008/09	2009/10		
	Actual	Actual	Main Estimates	Supp. Estimates
	\$000	\$000	\$000	\$000
REVENUE				
Crown	42,868	53,851	63,523	53,851
Departmental	252	366	286	394
Total Revenue	43,120	54,217	63,809	54,245
Total Expenses	43,816	54,132	63,809	54,245
Net Surplus / (Deficit)	(696)	85	–	–

OUTPUT: INFORMATION SERVICES TO COURTS

This output entails the preparation of reports (relating to remand pre-sentence [level 2], reparation including emotional harm, same-day [level 1], special purpose and oral information reports) that provide the sentencing judge with information on offenders, to assist with the sentencing process. Also included is the time a Probation Officer spends attending court. This service includes attendance at court, prosecutions, and attendance at sentencing resulting from Community Probation Service initiated proceedings.

	2008/09	2009/10		
Performance Measures	Actual	Budget Standard	Actual Standard	Variance (%)
Psychological reports provided to Court at least two working days before sentencing (%)	100%	100%	99%	(1%)
Probation reports provided to Court at least two working days before sentencing (%)	new measure from 2009/10	95%	93%	(2%)
Probation Officer full-time equivalents required to complete court reports (#)	new measure from 2009/10	173	219	27%
Probation Officer full-time equivalents required for court attendance (#)	new measure from 2009/10	60	68	13%
Activity Information	Actual	Budget Standard	Actual Standard	Variance (%)
Psychological reports provided to courts (#)	108	150	111	(26%)
Probation reports provided to courts (#)	44,596	43,112	59,334	38%
Court attendance hours (#)	90,107	81,896	92,888	13%

COMMENTS:

The number of Probation Officer full-time equivalents required to complete court reports has seen a substantial increase above the budget standard of 173; as such the number of Probation Reports provided by the Department to the judiciary was 38 percent higher than the budget standard. The increased number of court reports were delivered within existing budget and resources. The growth represents the increased number of convictions and the increased flow of work through the court system; this has also impacted the number of hours that Probation Officers have been required to attend court proceedings.

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

Parole assessment reports provide information to the New Zealand Parole Board to assist with decisions regarding a prisoner's release from prison. The Department also provides progress reports to the New Zealand Parole Board on offenders' compliance with the conditions of their parole orders. Information on Extended Supervision orders is provided to the New Zealand Parole Board.

Performance Measures	2008/09	2009/10		
	Actual	Budget Standard	Actual Standard	Variance (%)
Psychological reports provided to the NZPB at least five weeks prior to the hearing date (%)	100%	100%	99%	(1%)
Parole progress reports provided to the NZPB at least 15 days prior to the hearing date (%)	n/a ¹	95%	51%	(46%)
Probation Officer full-time equivalents required to complete Board reports (#)	new measure from 2009/10	28	40	43%
Activity Information	Actual	Budget Standard	Actual Standard	Variance (%)
Parole assessment reports prepared for the Board (#)	5,322	5,290	5,928	12%
Psychological reports prepared for the Board (#)	1,103	1,106	1,112	1%
Probation reports provided to the Board (#)	new measure from 2009/10	400	465	16%
Board Application for Extended Supervision Order conditions (#)	24	35	32	(9%)

COMMENTS:

The demand for reports to the New Zealand Parole Board was over the budget standard expected. The number of Parole Assessment reports prepared for the Board was 12 percent over the budget standard expected while the number of probation reports was 16 percent over the budget standard expected. The number of reports provided to the Board is demand driven, and is dependent on the number of requests from the Board; the increased number of Probation reports represents requests from the Board for progress reports relating to offenders' compliance with the conditions of their release from prison.

The timeliness of the parole progress reports was impacted by the increased volume of offenders the Department has experienced during the 2009/10 financial year. The percentage of parole progress report being provided to the New Zealand Parole Board at least 15 working days prior to the hearing date was 46 percent under the standard expected. However, a total of 70 percent of all parole progress reports required were provided within 10 working days prior to the hearing. The Department is focussed on improving this performance and will continue to work closely with the New Zealand Parole Board.

¹ Information was not available for 2008/09

OUTPUT: SERVICES TO VICTIMS

This output involves the administration of the 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.

	2008/09	2009/10		
Performance Measures	Actual	Budget Standard	Actual Standard	Variance (%)
Victims notified as per requirements (%)	100%	100%	100%	0%
Activity Information	Actual	Budget Standard	Actual Standard	Variance (%)
Referrals from the New Zealand Police (#)	433	600	537	(11%)

COMMENTS:

The number of referrals from the New Zealand Police was 11 percent under the standard expected; however the number has increased by 24 percent on the 2008/09 financial year. The referrals are driven by the New Zealand Parole Board; as such the Department has no direct control over the number of referrals received. The Department has notified all victims as per requirements under the Victims' Rights Act 2002.

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 2010

	2008/09	2009/10		
	Actual \$000	Actual \$000	Main Estimates \$000	Supp. Estimates \$000
REVENUE				
Crown	4,923	5,463	4,771	5,463
Departmental	39	43	40	46
Total Revenue	4,962	5,506	4,811	5,509
Total Expenses	4,859	5,109	4,811	5,509
Net Surplus / (Deficit)	103	397	–	–

OUTPUT: POLICY ADVICE AND DEVELOPMENT SERVICES

The Department provides advice and develops policies that contribute to the improvement of 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 service standards, the analysis of trends in the offender population, and the evaluation of the impact of programmes to reduce re-offending.

	2008/09	2009/10		
Performance Measures	Actual	Budget Standard	Actual Standard	Variance (%)
Advice provided according to the work programme agreed with the Minister of Corrections (%)	100%	95%	100%	5%
Advice delivered to the Minister of Corrections that meets agreed standards (%)	100%	95%	99%	4%
Policy advice delivered to the Minister of Corrections within agreed timelines (%)	95%	95%	100%	5%

OUTPUT: MINISTERIAL SERVICES

The Department provides responses to ministerial correspondence and parliamentary questions, Official Information Act requests, and requests from the Office of the Ombudsmen.

Performance Measures	2008/09	2009/10		
	Actual	Budget Standard	Actual Standard	Variance (%)
Responses to parliamentary questions completed within five working days (%)	90%	100%	98%	(2%)
Responses to ministerial correspondence completed within 15 working days (%)	new measure from 2009/10	100%	94%	(6%)
Ministerial correspondence completed at first draft (%)	86%	90%	92%	2%
Activity Information	Actual	Budget Standard	Actual Standard	Variance (%)
Responses prepared to ministerial correspondence (#)	497	300	542	81%
Responses prepared to written parliamentary questions (#)	241	850	353	(58%)

COMMENTS:

An increased level of ministerial correspondence was received than expected. This resulted in an 81 percent variance against the budget standard. However there were substantially less parliamentary questions than expected; resulting in a 58 percent variance. Both of these standards have been adjusted for the 2010/11 financial year.

Since the change in administration in November 2008, there have been increased volumes of Ministerial correspondence requested.

PRISON-BASED CUSTODIAL SERVICES MULTI-CLASS OUTPUT APPROPRIATION

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 2009/10 financial year was 8,415 prisoners, one percent under the 2008 Justice Sector Prison Population Forecast² of 8,484; this peaked at 8,816 prisoners on 30 June 2010 (an all time high).

The demand for remand prisoner accommodation was 12 percent under the budget standard expected with a corresponding lower spend on prisoner costs. The average remand prison population for the 2009/10 financial year was 1,828, 12 percent below the 2008 Justice Sector Prison Population Forecast. The number of prisoners held on remand in custody is influenced by rates of arrest and decisions of the judiciary and as such are outside of the Department's direct control. The throughput of remand prisoners during the 2009/10 financial year was approximately 13,500 a 2.3 percent increase when compared to the 2008/09 financial year (13,200). Accommodating remand prisoners remains a challenge due to the volatility and the requirements to hold remand prisoners close to the court in which they need to appear; the majority of demand for remand accommodation is in the Northland/Auckland region.

The demand for sentenced prisoner accommodation was three percent over the budget standard expected however the mix of accommodation required was different to that expected which contributed to lower prisoner costs. The average sentenced prison population for the 2009/10 financial year was 6,587, three percent above the 2008 Justice Sector Prison Population Forecast. The throughput of sentenced prisoners during the 2009/10 financial year was approximately 9,000 a 4.7 percent increase when compared to the 2008/09 financial year (8,600).

OUTPUT CLASS STATEMENT: CUSTODY OF REMAND PRISONERS

For the year ended 30 June 2010

	2008/09	2009/10		
	Actual \$000	Actual \$000	Main Estimates \$000	Supp. Estimates \$000
REVENUE				
Crown	135,437	148,756	121,352	148,756
Departmental	1,001	1,252	926	1,347
Total Revenue	136,438	150,008	122,278	150,103
Total Expenses	137,869	145,430	122,278	150,103
Net Surplus / (Deficit)	(1,431)	4,578	–	–

² The 2008 Justice Sector Prison Population Forecast was used to set the budget standards for the 2009/10 financial year.

OUTPUT CLASS STATEMENT: CUSTODY OF SENTENCED PRISONERS

For the year ended 30 June 2010

	2008/09	2009/10		
	Actual \$000	Actual \$000	Main Estimates \$000	Supp. Estimates \$000
REVENUE				
Crown	527,458	548,129	586,068	548,129
Departmental	4,107	4,404	4,503	4,741
Total Revenue	531,565	552,533	590,571	552,870
Total Expenses	515,779	542,663	590,571	552,870
Net Surplus / (Deficit)	15,786	9,870	–	–

A large proportion of the Department's year end under spend is contained within this Multi Class Output Appropriation. The under spend is mostly the result of unutilised disaster recovery funding and lower than expected prisoner, staff and head office costs.

OUTPUT CLASS: CUSTODY OF REMAND PRISONERS

This Department provides custodial services for remand prisoners (people awaiting trial, and offenders convicted but not yet sentenced).

	2008/09	2009/10		
Activity Information	Actual	Budget Standard	Actual Standard	Variance (%)
Average remand prisoner population (#)	1,785	2,085	1,828	(12%)
– Male (#)	1,654	1,922	1,698	(12%)
– Female (#)	101	129	107	(17%)
– Youth (#)	30	34	23	(32%)

COMMENTS:

The average number of remand prisoners held in custody is influenced by rates of arrest and decisions of the judiciary. The total average number of remand prisoners for the 2009/10 financial year was 12 percent below the budget standard. The number of remand prisoners held in custody has increased by 2.4 percent over the 2008/09 financial year.

OUTPUT CLASS: CUSTODY OF SENTENCED PRISONERS

The Department provides custodial services for offenders sentenced to imprisonment.

		2008/09	2009/10	
Performance Measures	Actual	Budget Standard	Actual Standard	Variance (%)
Prisoners who are eligible and have met the criteria for sentence planning have a plan prepared within (%):	new measure from 2009/10	85%	78%	(8%)
– 28 days for prisoners sentenced to 6 months or less; and				
– 60 days for prisoners sentenced to more than 6 months				
Activity Information	Actual	Budget Standard	Actual Standard	Variance (%)
Average sentenced prisoner population (#)	6,227	6,399	6,587	3%
– Male (#)	5,833	6,006	6,154	2%
– Female (#)	336	331	380	15%
– Youth (#)	58	62	53	(15%)

SHARED OUTPUT: HEALTH SERVICES

The Department provides health assessments and primary health care for prisoners in custody.

		2008/09	2009/10	
Activity Information	Actual	Budget Standard	Actual Standard	Variance (%)
The number of prisoners who receive a health screening upon reception (#)	new measure from 2009/10	25,573	23,801	(7%)
Prisoner health consultations with a prison doctor (#)	new measure from 2009/10	26,917	26,671	(1%)
Prisoner health consultations with a prison nurse (#)	new measure from 2009/10	217,270	203,808	(6%)

COMMENTS:

The health services output experienced a reduction in the demand for services. This was impacted by the decrease in the number of remand prisoners held during the 2009/10 financial year.

SHARED OUTPUT: CRIME PREVENTION

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.

		2008/09	2009/10	
Performance Measures	Actual	Budget Standard	Actual Standard	Variance (%)
The number of General Random drug screening tests completed (#)	3,700	3,926	3,915	0%

PRISONER EMPLOYMENT

Provision of prisoner employment, including the provision and administration of work experience and training opportunities designed to help address the underlying causes of criminal re-offending.

OUTPUT CLASS STATEMENT

For the year ended 30 June 2010

	2008/09	2009/10		
	Actual \$000	Actual \$000	Main Estimates \$000	Supp. Estimates \$000
REVENUE				
Crown	15,393	23,933	13,332	23,933
Departmental	362	533	318	467
Other	32,978	37,187	25,998	35,998
Total Revenue	48,733	61,653	39,648	60,398
Total Expenses	49,398	57,796	39,648	60,398
Net Surplus / (Deficit)	(665)	3,857	–	–

The Prisoner Employment output class is under spent mainly due to favourable valuations in forestry and livestock.

OUTPUT: PRISONER EMPLOYMENT

The Department provides employment, work-based training and assessment of National Qualifications Framework (NQF) credits to prisoners. Eligible prisoners are provided with work related training to support their reintegration into the community on release from prison. Prisoners nearing their release date and who meet eligibility criteria, work outside the prison boundaries during the day in supervised work parties to support their reintegration back into the community.

	2008/09	2009/10		
Performance Measures	Actual	Budget Standard	Actual Standard	Variance (%)
Average number of prisoners learning industry-based skills through Corrections Inmate Employment (incl. Release to Work) (#)	new measure from 2009/10	3,043	2,721	(11%)
Average hours worked per seven-day week by prisoners learning industry-based skills through Corrections Inmate Employment (incl. Release to Work) (#)	new measure from 2009/10	35	33	(6%)
Average number of credits achieved by prisoners learning industry-based skills under the National Qualifications Framework through Corrections Inmate Employment (#)	new measure from 2009/10	24	27	13%
Average number of prisoners on the Release to Work Programme (#)	150	154	117	(24%)
Average number of prisoners employed in prison-based work through Prison Services (#)	1,576	1,800	1,596	(11%)
Average hours worked per seven-day week by prisoners employed in prison-based work through Prison Services (#)	new measure from 2009/10	22	28	27%
Average prisoners employed in community service activities (#)	45	68	60	(12%)

COMMENTS:

The average number of prisoners employed in both Corrections Inmate Employment and prison-based work for the 2009/10 financial year was 11 percent below the standard expected. The prisoner employment standard was not met due to the delays in some opportunities which had been identified for prisoner employment; these opportunities will now continue into the 2010/11 financial year.

Prisoners learning industry-based skills during the 2009/10 financial year achieved on average 27 credits per prisoner under the National Qualifications Framework. Growth experienced in non-commercial employment training has resulted in prisoners being able to achieve credits in a shorter elapsed time; a positive result for the Department.

The release to work initiative allows minimum security prisoners who meet strict eligibility criteria to engage in paid employment in the community, with a view to gaining employment on release. On average 117 prisoners were employed on the release to work programme during 2009/10. The adverse economic conditions experienced in the labour market during 2009/10 impacted the Department's ability to meet the standard expected.

Prisoners employed in prison-based work for Prison Services undertake cleaning, grounds maintenance and general duties. With fewer prisoners than planned available to be employed in prison-based work due to the introduction of the Prisoner Employment Strategy, prisoners were able to work six hours per week longer on average.

PRISONER TRANSPORTATION AND COURTROOM SUPERVISION

This appropriation is limited to the provision of transportation for prisoners to and from court and the supervision of prisoners while at court.

OUTPUT CLASS STATEMENT

For the year ended 30 June 2010

	2008/09	2009/10		
	Actual \$000	Actual \$000	Main Estimates \$000	Supp. Estimates \$000
REVENUE				
Crown	11,015	11,906	12,261	11,906
Departmental	86	97	91	104
Total Revenue	11,101	12,003	12,352	12,010
Total Expenses	10,566	10,483	12,352	12,010
Net Surplus / (Deficit)	535	1,520	–	–

A lower contract price negotiated for Prisoner Escort and Courtroom Custodial Services (PECCS) has contributed to the overall under spend in this output class.

OUTPUT: PRISONER TRANSPORTATION

Remand and sentenced prisoners are escorted to and from court safely, securely and humanely, as required by the judiciary.

	2008/09	2009/10		
Activity Information	Actual	Budget Standard	Actual Standard	Variance (%)
Prisoners escorted (#)	new measure from 2009/10	46,440	47,373	2%
– Northland/Auckland(including Police escorts)	35,668	37,440	36,520	(2%)
– Remainder of New Zealand	9,898	9,000	10,853	21%

OUTPUT: COURTROOM SUPERVISION

Remand and sentenced prisoners are supervised while at court safely, securely and humanely, as required by the judiciary.

Activity Information	2008/09	2009/10		
	Actual	Budget Standard	Actual Standard	Variance (%)
Prisoners supervised in courts (#)	new measure from 2009/10	19,770	23,624	19%
– Northland/Auckland	9,960	9,520	11,876	25%
– Remainder of New Zealand	10,313	10,250	11,748	15%

COMMENTS:

The demand for prisoner transportation services in the Northland/Auckland region was slightly under the standard expected, however the prisoner transportation services for the remainder of New Zealand experienced significant demand at 21 percent over the budget standard; overall there is a minimal variance against the prisoner transportation service.

There has been a substantial increase in the courtroom supervision service which was 19 percent above the standard expected. The demand for this service is outside of the control of the Department and is influenced by the rates of arrest and decisions of the judiciary. The growth represents the flow of work through the court system as highlighted in the Output Class Information Services.

REHABILITATIVE PROGRAMMES AND REINTEGRATIVE SERVICES

Provision of prison and community-based responsivity and rehabilitative programmes, reintegrative services and psychological services designed to address the underlying causes of criminal re-offending.

OUTPUT CLASS STATEMENT

For the year ended 30 June 2010

	2008/09	2009/10		
	Actual \$000	Actual \$000	Main Estimates \$000	Supp. Estimates \$000
REVENUE				
Crown	58,137	66,495	74,186	66,495
Departmental	531	605	524	652
Total Revenue	58,668	67,100	74,710	67,147
Total Expenses	58,638	64,585	74,710	67,147
Net Surplus / (Deficit)	30	2,515	–	–

The year end under spend is due to a reduction in programme delivery and some programmes having lower than budgeted unit costs.

OUTPUT: EDUCATION

The Department seeks to improve the education standards of prisoners through the provision of foundation learning (literacy, numeracy, ESOL³) and secondary school education that improve education skills and a prisoner's ability to gain employment after release. This measure also includes prisoners who undertake self-directed learning.

	2008/09	2009/10		
Performance Measures	Actual	Budget Standard	Actual Standard	Variance (%)
The number of prisoners commencing literacy and numeracy training (#)	2,158	2,514	3,501	39%
Prisoners who complete literacy and numeracy training (%)	new measure from 2009/10	TBR ⁴	9%	–

³ ESOL – English for Speakers of Other Languages

⁴ To Be Reported – no budget standard was set in respect of this measure for 2009/10

COMMENTS:

The number of prisoners commencing education was 39 percent over the expected budget standard. More prisoners than planned participated in correspondence and extramural courses. Of the total prisoners commencing education, 1,305 prisoners commenced self-directed learning; a substantial increase over the expected standard which contributed to the 39 percent variance.

The nine percent completion rate reported for prisoners who complete literacy and numeracy training represents those prisoners who have been assessed by a tutor as having reached a satisfactory level of completion of a literacy and numeracy programme. Prisoners who have completed a programme but have not been deemed to have met a satisfactory level of understanding in respect of the programme content are excluded from this result.

An assessment tool⁵ has been developed by the Tertiary Education Commission which will enable the Department to improve the way it measures gains in literacy and numeracy. The assessment tool will inform the development of learning interventions that strengthen literacy and numeracy skills. The assessment tool will also allow learners to track their progress over time and enable educators and organisations to report on the progress made by groups or cohorts of learners.

5 <http://www.tec.govt.nz/Resource-Centre/Software-tools/Literacy-and-Numeracy-for-Adults-Assessment-Tool/>

OUTPUT: REHABILITATION PROGRAMMES

The Department delivers a number of rehabilitative programmes to both prisoners and offenders. These are targeted at addressing factors relating to offending. Community-based rehabilitative programmes that are delivered by external providers include child sex offending, domestic violence and alcohol and drug interventions.

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

Performance Measures	2008/09	2009/10		
	Actual	Budget Standard	Actual Standard	Variance (%)
Total prisoners who start a rehabilitation programme delivered through Prison Services (#)	new measure from 2009/10	2,051	2,206	8%
Prisoners who complete a rehabilitation programme delivered through Prison Services (#)	new measure from 2009/10	1,762	1,763	0%
Total prisoners who complete a rehabilitation programme delivered through Prison Services (%)	new measure from 2009/10	86%	80%	(7%)
Total offenders who start a community-funded programme (#)	new measure from 2009/10	2,170	3,280	51%
Total hours offenders spend attending a community-funded programme (#)	new measure from 2009/10	101,900	140,837	38%
Offenders who complete a community-funded programme (%)	new measure from 2009/10	64%	52%	(19%)
Total prisoners who start a Special Treatment Unit programme (#)	new measure from 2009/10	226	230	2%
Total hours prisoners spend attending a Special Treatment Unit programme (#)	new measure from 2009/10	54,150	56,747	5%
Prisoners who complete a Special Treatment Unit programme (%)	new measure from 2009/10	82%	78%	(5%)
Total offenders/prisoners who start a Medium Intensity Rehabilitation programme (#)	new measure from 2009/10	1,707	2,076	22%
Total hours offenders/prisoners spend attending a Medium Intensity Rehabilitation programme (#)	new measure from 2009/10	91,829	114,080	24%
Offenders/prisoners who complete a Medium Intensity Rehabilitation programme (%)	new measure from 2009/10	70%	72%	3%
Māori offenders/prisoners who receive treatment under the Bi-cultural Therapy Model (#)	377	350	322	(8%)
Total hours offenders/prisoners spend attending a Bi-cultural Therapy Model programme (#)	4,352	4,000	3,927	(2%)
Offenders who start a Tikanga Māori programme (#)	941	1,150	1,278	11%
Total hours offenders spend attending a Tikanga Māori programme (#)	45,728	46,000	55,125	20%
Offenders who complete a Tikanga Māori programme (%)	new measure from 2009/10	65%	87%	34%

COMMENTS:

The total number of offenders who start a community-funded programme has exceeded the budget standard by 51 percent. More offenders than expected have been required to attend domestic violence programmes due to the impact of public awareness campaigns and the number of offenders with special conditions to attend these programmes. In addition, the number of hours offenders spent attending these programmes exceeded the budget standard by 38 percent. The percentage of offenders who completed a community-funded programme was under the budget standard by 19 percent. A reduction in performance is driven by the low tolerance of non-compliance of offenders in regards to the eligibility criteria to be part of this programme.

The total number of offenders/prisoners who start a Medium Intensity Rehabilitation programme exceeded the budget standard by 22 percent due to the opportunity to increase the programme capacity. Furthermore, offenders/prisoners spent more hours attending these programmes with a 24 percent increase over the budget standard.

The Tikanga Māori programme for offenders has increased substantially over the budget standard expected with 11 percent more offenders starting, 20 percent more hours being spent on the programme and 34 percent more offenders than expected completing the programme; a positive result for the Department. Tikanga Māori programmes are provided by external providers and focus on helping Māori offenders look towards a more positive future; through enabling them to better understand and appreciate their past. The success of the programmes, as indicated by the high completion rate has lead to an increase in demand and more programmes than budgeted being delivered. The number of hours attended has also increased due to more programmes being delivered and offenders attending those programmes.

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. Reintegration services are delivered by prison-based reintegration teams that include caseworkers, social workers and family/whānau liaison workers. The reintegration teams work collectively with other government agencies and non-government organisations that may be contracted by the Department or serve on a voluntary basis.

Performance Measures	2008/09	2009/10		
	Actual	Budget Standard	Actual Standard	Variance (%)
Total prisoners who start a reintegration programme (#)	1,103	790	997	26%
Total prisoners who complete a reintegration programme (#)	new measure from 2009/10	711	851	20%
Prisoners who complete a reintegration programme (%)	72%	90%	85%	(6%)
Total offenders participating in a Supported Accommodation service (#)	183	200	202	1%
Offenders who complete a Supported Accommodation service and gain longer-term independent accommodation (%)	77%	65%	80%	23%
Offenders who start a programme in a Community Residential Centre (#)				
– Montgomery House	29	32	0	(100%)
– Salisbury Street Foundation	11	8	16	100%
Offenders who successfully complete a programme at Montgomery House (%)	new measure from 2009/10	65%	0%	(100%)
Average occupancy at Salisbury Street Foundation (#)	11	11	8	(27%)
Support service hours provided by New Zealand Prisoners' Aid and Rehabilitation Society (#)	51,553	48,000	52,266	9%
Number of offenders who receive reintegrative services through New Zealand Prisoners' Aid and Rehabilitation Society (#)	10,582	19,000	11,905	(37%)

COMMENTS:

The number of prisoners starting and completing reintegration programmes were over the standard expected due to the active management of prisoners which led to programmes being run at full class sizes of 12, instead of the minimum (nine prisoners per class) and staff working to encourage the prisoners to participate in the programmes. The additional new starts were delivered at no extra cost to the Department.

The percentage of offenders who complete a supported accommodation service and gain longer-term independent accommodation was 23 percent above the budget standard, a positive result for the Department. This is an intensive reintegration programme which requires close management of both provider performance and offender participation, which is reflected in the success rates of offenders gaining longer-term independent accommodation.

The number of offenders who start a programme in a Community Residential Centre was impacted by the cancellation of the Montgomery House contract in the early part of the 2009/10 financial year. No prisoners started or completed the programme in Montgomery House. For Salisbury Street Foundation, there were more completions and evictions in 2009/10 than anticipated; this resulted in an increase in the number of new offenders starting the programme.

The variance of 37 percent exists as the budget standard was set for the first time in 2009/10 where an estimate of the number of files created was incorrectly assumed to equate to the number of prisoners receiving support services. The budget standard set for 2010/11 is 12,500.

OUTPUT: PSYCHOLOGICAL SERVICES

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

	2008/09	2009/10		
Performance Measures	Actual	Budget Standard	Actual Standard	Variance (%)
Psychological consultation hours provided (#)	35,378	28,684	37,658	31%
Psychological reports provided (#)	2,659	2,026	2,879	42%

COMMENTS:

The number of psychological consultation hours is above the budget standard expected due to higher completion rates than anticipated for the Kowhiritanga programmes.

The number of psychological reports are above target as a result of psychologists writing briefer reports to suit their intended purpose and a focus on high risk offenders in the community.

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 2009/10 financial year was 74,042⁶, a nine percent increase over the expected standard. The average offender population serving sentences and orders for the 2009/10 financial year was 45,015⁷ offenders, a nine percent increase over the average for the 2008/09 financial year of 41,347.

OUTPUT CLASS STATEMENT

For the year ended 30 June 2010

	2008/09	2009/10		
	Actual \$000	Actual \$000	Main Estimates \$000	Supp. Estimates \$000
REVENUE				
Crown	130,353	171,589	150,920	171,589
Departmental	2,558	2,702	763	2,570
Total Revenue	132,911	174,291	151,683	174,159
Total Expenses	130,396	171,330	151,683	174,159
Net Surplus / (Deficit)	2,515	2,961	–	–

The year end under spend in the Sentences and Orders served in the Community output class is the result of lower than anticipated costs for some sentences and orders.

OUTPUT: HOME DETENTION SENTENCES

These sentences imposed by the court require the offender to reside at an approved address under strict conditions and with strict monitoring, including electronic monitoring. Offenders may also be required to undertake rehabilitation programmes or counselling that address their offending.

The Department administers Post-Detention Conditions for offenders who have served Home Detention sentences, if imposed by the court at the time of sentencing.

	2008/09	2009/10		
Performance Measures	Actual	Budget Standard	Actual Standard	Variance (%)
Probation Officer full-time equivalents required to manage offenders on Home Detention (#)	new measure from 2009/10	198	168	(15%)
Percentage of Home Detention sentences with Post-Detention Conditions (%)	new measure from 2009/10	75%	79%	5%
Activity Information	Actual	Budget Standard	Actual Standard	Variance (%)
Offenders commencing a Home Detention sentence (#)	new measure from 2009/10	3,302	3,472	5%
Average number of Home Detention sentences being served (#)	2,163	3,032	2,597	(14%)

⁶ This includes a further 2,280 new starts for Post-Detention Conditions (an order considered a subset of Home Detention), four new starts for Compassionate Release and one new start on a Home Detention Order during 2009/10.

⁷ This includes a further four offenders on Compassionate Release during 2009/10.

COMMENTS:

The Probation Officer full-time equivalents required to manage offenders on Home Detention and the average number of Home Detention sentences being served was overstated in the Information Supporting the Estimates of Appropriations in 2009/10, which has resulted in larger variances being 15 percent and 14 percent respectively.

OUTPUT: COMMUNITY-BASED SENTENCES

The Department ensures that offenders sentenced to Community Work complete the number of hours sentenced in the required timeframe within the community. Offenders sentenced to Community Detention comply with the curfew periods imposed by the court. Offenders on Community Detention are electronically monitored and are required to remain at a specific address during curfew hours.

Offenders sentenced to Supervision report regularly to their Probation Officer and, if ordered by the court, fulfill special conditions that will address the reasons for their offending.

Offenders sentenced to Intensive Supervision address the causes of their offending with intensive oversight from a Probation Officer. Intensive Supervision may include in-depth, focused interventions. This sentence provides a higher level of supervision, a wider range of programme options and has a more complex set of special conditions than those available under the Supervision sentence.

Performance Measures	2008/09	2009/10		
	Actual	Budget Standard	Actual Standard	Variance (%)
Probation Officer full-time equivalents required to manage offenders on Community-Based sentences (#)	new measure from 2009/10	523	594	14%
Total community work hours served (#)	3,285,373	3,075,000	3,754,618	22%
Activity Information	Actual	Budget Standard	Actual Standard	Variance (%)
Offenders commencing a Community-Based sentence (#)	55,648	56,019	62,108	11%
Average number of Community-Based sentences being served (#)	33,934	41,307	36,801	(11%)

COMMENTS:

The number of Probation Officer Full-Time Equivalent required to manage offenders on Community-Based sentences was 14 percent higher than the budget standard due to the number of offenders commencing a new Community-Based sentence being 11 percent higher than expected. During 2008/09 there were significant increases in the number of offenders commencing sentences and orders served in the community, these trends have continued into 2009/10.

The total number of community work hours served was 22 percent higher than expected; the proportion of community work offenders being managed through their sentence and therefore completing more hours has increased as a result of increased management and staff focus and initiative. Throughout the year there has been strong emphasis on ensuring sentence compliance and there has been improved reporting on community work compliance.

OUTPUT: POST-RELEASE ORDERS

The Department administers post-release conditions as imposed by the court at the time of sentencing for prisoners with short sentences.

The Department administers Parole Orders imposed by the New Zealand Parole Board. This includes the Probation Officer meeting regularly and working closely with an offender subject to a Parole Order, and monitoring that special conditions imposed by the Board are complied with.

The Department administers Extended Supervision orders imposed by the court, with conditions set by the New Zealand Parole Board to actively manage the long term risks posed by high risk child-sex offenders in the community. The order can apply for up to 10 years following a finite term of imprisonment and is monitored by a Probation Officer.

		2008/09	2009/10	
Performance Measures	Actual	Budget Standard	Actual Standard	Variance (%)
Probation Officer full-time equivalents required to manage offenders on Post-release orders (#)	new measure from 2009/10	164	186	13%
Average number of Post-release orders subject to residential restrictions (#)	new measure from 2009/10	200	237	19%
Activity Information	Actual	Budget Standard	Actual Standard	Variance (%)
Offenders commencing a Post-release order (#)	6,001	6,154	6,177	0%
Average number of Post-release orders being served (#)	5,241	6,155	5,613	(9%)

COMMENTS:

The average number of Post-release orders subject to residential restrictions has seen a 19 percent variance above the budget standard. There was a higher offender population for Extended Supervision and a lower offender population against offenders serving Parole with full residential restrictions.

SERVICES TO NEW ZEALAND PAROLE BOARD

Provides for services to the New Zealand Parole Board relating to the provision of administrative, financial and secretariat services.

OUTPUT CLASS STATEMENT

For the year ended 30 June 2010

	2008/09	2009/10		
	Actual \$000	Actual \$000	Main Estimates \$000	Supp. Estimates \$000
REVENUE				
Crown	6,066	6,404	5,536	6,404
Departmental	50	56	78	60
Total Revenue	6,116	6,460	5,614	6,464
Total Expenses	5,930	5,832	5,614	6,464
Net Surplus / (Deficit)	186	628	–	–

OUTPUT: ADMINISTRATIVE SERVICES TO THE NEW ZEALAND PAROLE BOARD

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

	2008/09	2009/10		
Performance Measures	Actual	Budget Standard	Actual Standard	Variance (%)
Cases scheduled to be heard by the Board that are scheduled no later than 16 weeks from the date of the hearing (%)	99%	100%	100%	0%
Offenders notified of an impending hearing no later than 14 days from the date of the hearing (%)	98%	100%	95%	(5%)
Victims notified of an impending hearing no later than 28 days from the date of the hearing (%)	99%	100%	100%	0%
Offenders notified of a Board decision no later than 14 days following receipt of the signed decision (%)	92%	100%	96%	(4%)
Victims notified of a Board decision no later than 14 days following receipt of the signed decision (%)	97%	100%	88%	(12%)
Activity Information	Actual	Budget Standard	Actual Standard	Variance (%)
New Zealand Parole Board hearings where administrative support was provided (#)	8,260	8,000	8,597	7%

COMMENTS:

The New Zealand Parole Board is funded for 8,000 hearings; the result for 2009/10 was seven percent higher than the budget standard.

There were four cases of victims not receiving written notifications of a Board decision within the specified timeframes; however the victims were informed of the Board's basic decision by telephone (declined or released) within the timeframes.

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 2010

	2008/09	2009/10		
	Actual \$000	Actual \$000	Main Estimates \$000	Supp. Estimates \$000
REVENUE				
Crown	–	1,000	–	1,000
Departmental	–	–	–	–
Total Revenue	–	1,000	–	1,000
Total Expenses	–	734	–	1,000
Net Surplus / (Deficit)	–	266	–	–

COMMENTS:

This appropriation was set up specifically for the implementation cost of the Public-Private Partnership (PPP) project and the contract management of two existing prisons for the provision of custodial services.

Output Performance Measures have been set for the 2010/11 financial year. Both of these projects were in the initial stages of development during the 2009/10 financial year and did not have measures associated with performance.

Cabinet approved the Prison Capacity Supply and Procurement 2010-2019 Business Case (Stage 1) on 12 April 2010 and instructed the Department to establish governance and a project team for the provision of a new prison at Wiri which the Government intends to be designed, built and managed as a public-private partnership.

On 10 May 2010 Cabinet approved the contract management of the joint Mt Eden/Auckland Central Remand Prison. The key deliverables for the 2009/10 financial year have been achieved, which included the pre-tender process, staff and stakeholder consultation, and site selection agreed. A Request for Proposal was released on 24 May 2010.



PART C: ANNUAL FINANCIAL STATEMENTS

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STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 June 2010

2009 Actual	Notes	2010 Actual	2010 Main Estimates	2010 Supp. Estimates
\$000		\$000	\$000	\$000
REVENUE				
933,613	Crown	1,037,526	1,031,949	1,037,526
8,998	Departmental revenue	10,058	7,529	10,381
32,926	Other revenue	37,504	25,998	35,998
52	Dividends	305	–	–
975,589	Total operating revenue	1,085,393	1,065,476	1,083,905
EXPENDITURE				
459,256	Personnel costs	502,318	516,651	490,096
246,265	Operating costs	273,945	296,843	297,882
124,799	Depreciation and amortisation	129,839	108,718	129,704
131,871	Capital charge	149,719	143,264	146,855
962,191	Total output expenses	1,055,821	1,065,476	1,064,537
13,398	Net surplus/(deficit) attributable to the Crown	29,572	–	19,368
OTHER COMPREHENSIVE INCOME				
245,305	Revaluation gains on land and buildings	–	–	–
2,548	Net write-back of revaluation gains/(losses)	(2,186)	–	–
247,853	Total other comprehensive income	(2,186)	–	–
261,251	Total comprehensive income attributable to the Crown	27,386	–	19,368

The accompanying accounting policies and notes (page 59) form part of these financial statements.
For information on major variances against budget refer to Note 26 (page 88).

STATEMENT OF CHANGES IN TAXPAYERS' FUNDS

For the year ended 30 June 2010

2009 Actual	Notes	2010 Actual	2010 Main Estimates	2010 Supp. Estimates
\$000		\$000	\$000	\$000
1,799,739	Balance at 1 July	2,029,498	1,781,645	2,029,498
	Changes in taxpayers' funds during the year			
	<i>Transfers from statement of comprehensive income</i>			
13,398	Add net surplus attributable to the Crown	29,572	–	19,368
245,305	Increase in revaluation reserves	–	–	–
2,548	Net write-back of revaluation gains/(losses)	(2,186)	–	–
261,251	Total Comprehensive Income	27,386	–	19,368
	Adjustment for flows to and from the Crown			
65,747	Add capital contributions from the Crown during the year	281,082	323,348	281,082
(83,841)	Less capital returned to the Crown during the year	(179,871)	(66,471)	(169,871)
(13,398)	Provision for payment of surplus to the Crown	(29,572)	–	(19,368)
(31,492)	Total adjustments for flows to and from the Crown	71,639	256,877	91,843
2,029,498	Balance at 30 June	2,128,523	2,038,522	2,140,709

The accompanying accounting policies and notes (page 59) form part of these financial statements.
For information on major variances against budget refer to Note 26 (page 88).

STATEMENT OF FINANCIAL POSITION

As at 30 June 2010

2009 Actual	Notes	2010 Actual	2010 Main Estimates	2010 Supp. Estimates
\$000		\$000	\$000	\$000
ASSETS				
Current assets				
146,685	Cash and cash equivalents 7	204,297	95,514	136,390
3,019	Prepayments 8	2,381	2,125	3,025
11,279	Debtors and other receivables 9	6,397	5,729	6,976
6,444	Inventories 10	9,920	5,658	6,289
167,427	Total current assets	222,995	109,026	152,680
Non-current assets				
5,695	Investments 11	5,590	6,926	5,563
1,941,272	Property, plant and equipment 12	2,027,537	1,988,258	2,073,816
44,188	Intangible assets 13	40,180	46,637	44,403
37,735	Biological assets 14	41,131	38,304	37,735
2,028,890	Total non-current assets	2,114,438	2,080,125	2,161,517
2,196,317	Total assets	2,337,433	2,189,151	2,314,197
LIABILITIES				
Current liabilities				
67,617	Creditors and other payables 15	89,033	77,779	75,779
64,608	Employee entitlements 16	66,613	62,450	65,723
8,578	Provisions 17	11,280	–	–
13,398	Provision for repayment of surplus to the Crown 18	29,572	–	19,368
154,201	Total current liabilities	196,498	140,229	160,870
Non-current liabilities				
12,618	Employee entitlements 16	12,412	10,400	12,618
12,618	Total non-current liabilities	12,412	10,400	12,618
166,819	Total liabilities	208,910	150,629	173,488
TAXPAYERS' FUNDS				
1,501,883	General funds 18	1,603,094	1,758,760	1,613,094
527,615	Reserves 18	525,429	279,762	527,615
2,029,498	Total taxpayers' funds	2,128,523	2,038,522	2,140,709
2,196,317	Total liabilities and taxpayers' funds	2,337,433	2,189,151	2,314,197

The accompanying accounting policies and notes (page 59) form part of these financial statements.
For information on major variances against budget refer to Note 26 (page 88).

STATEMENT OF CASH FLOWS

For the year ended 30 June 2010

2009 Actual	Notes	2010 Actual	2010 Main Estimates	2010 Supp. Estimates
\$000		\$000	\$000	\$000
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash provided from:				
<i>Supply of outputs to</i>				
929,885	Crown revenue	1,041,254	1,031,949	1,041,254
7,582	Departmental revenue	10,695	7,529	10,527
32,531	Other revenue	37,215	25,998	36,427
(3,858)	Change in GST payable (net)*	(1,714)	–	280
Cash disbursed to:				
(451,801)	Personnel	(500,656)	(511,051)	(485,132)
(258,024)	Operating	(259,032)	(301,001)	(303,789)
(131,871)	Capital charge	(149,719)	(143,264)	(146,855)
124,444	Net cash flows from operating activities	178,043	110,160	152,712
CASH FLOWS FROM INVESTING ACTIVITIES				
Cash provided from:				
28	Interest and dividends	305	–	–
816	Proceeds on sale of property, plant and equipment	1,157	–	2,309
1,510	Proceeds on sale of investments	145	–	–
	Proceeds on sale of biological assets	–	–	–
Cash disbursed to:				
(108,812)	Purchase of property, plant and equipment	(202,064)	(389,799)	(252,551)
(14,740)	Purchase of intangible assets	(7,787)	(12,672)	(10,578)
–	Purchase of biological assets			
(121,198)	Net cash flows from investing activities	(208,244)	(402,471)	(260,820)
CASH FLOWS FROM FINANCING ACTIVITIES				
Cash provided from:				
65,747	Capital contribution from the Crown	281,082	323,348	281,082
Cash disbursed to:				
(83,841)	Capital returned to the Crown	(179,871)	(66,471)	(169,871)
(3,228)	Payment of surplus to the Crown	(13,398)	(6,400)	(13,398)
(21,322)	Net cash flows from financing activities	87,813	250,477	97,813
(18,076)	Net increase/(decrease) in cash and cash equivalents held	57,612	(41,834)	(10,295)
164,761	Opening total cash and cash equivalents balances at 1 July	146,685	137,348	146,685
146,685	Closing cash and cash equivalents balances as of 30 June	204,297	95,514	136,390

During the period, the Department acquired no assets by means of finance leases (2009: nil).

* 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.

The accompanying accounting policies and notes (page 59) form part of these financial statements.
For information on major variances against budget refer to Note 26 (page 88).

STATEMENT OF COMMITMENTS

As at 30 June 2010

2009 Actual \$000		2010 Actual \$000
CAPITAL COMMITMENTS		
Property, plant and equipment		
126,327	Less than one year	87,909
568	One to five years	–
–	More than five years	–
126,895		87,909
Intangible assets		
1,904	Less than one year	–
–	One to five years	–
–	More than five years	–
1,904		–
128,799	Total capital commitments	87,909
NON-CANCELLABLE OPERATING LEASE COMMITMENTS		
Office accommodation		
9,602	Less than one year	11,918
13,200	One to five years	15,731
4,154	More than five years	6,232
26,956		33,881
Office equipment		
231	Less than one year	191
239	One to five years	1
–	More than five years	–
470		192
27,426	Total non-cancellable operating lease commitments	34,073
COMMITMENTS ARISING FROM OTHER CONTRACTS		
Offender programmes and services		
19,192	Less than one year	24,472
12,785	One to five years	42,092
–	More than five years	–
31,977		66,564
Facilities management services		
–	Less than one year	19,765
–	One to five years	76,202
–	More than five years	–
–		95,967
Information system support and services		
8,740	Less than one year	18,831
4,796	One to five years	68,720
–	More than five years	2,336
13,536		89,887
45,513	Total commitments arising from other contracts	252,418
201,738	Total commitments	374,400

The accompanying accounting policies and notes (page 59) form part of these financial statements.
For information on major variances against budget refer to Note 26 (page 88).

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 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 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 2010

CONTINGENT LIABILITIES

2009 Actual \$000		2010 Actual \$000
5,186	Legal proceedings	3,719
904	Personal grievances	1,142
6,090	Total contingent liabilities	4,861

Legal proceedings

The Department was defending 35 (2009: 32) legal proceedings claims by prisoners and related/external parties as at 30 June 2010. 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 25 (2009: 29) employment-related claims made by staff members.

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 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 Specified 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 2010 (2009: nil).

*The accompanying accounting policies and notes (page 59) form part of these financial statements.
For information on major variances against budget refer to Note 26 (page 88).*

STATEMENT OF DEPARTMENTAL EXPENDITURE AND CAPITAL EXPENDITURE AGAINST APPROPRIATIONS

For the year ended 30 June 2010

2009 Expenditure Actual \$000		2010 Expenditure Actual \$000	2010 Appropriation Voted \$000
VOTE: CORRECTIONS			
Departmental output expenditure			
43,816	Information Services	54,132	54,245
–	Management of Third Party Custodial Services	734	1,000
4,859	Policy Advice and Ministerial Services	5,109	5,509
Prison-based Custodial Services MCOA		688,093	702,973
137,869	– Custody of Remand Prisoners	145,430	150,103
515,779	– Custody of Sentenced Prisoners	542,663	552,870
49,398	Prisoner Employment	57,796	60,398
10,566	Prisoner Transportation and Courtroom Supervision	10,483	12,010
58,638	Rehabilitative Programmes and Reintegrative Services	64,585	67,147
130,396	Sentences and Orders Served in the Community	171,330	174,159
5,930	Services to New Zealand Parole Board	5,832	6,464
2,047	Service Purchase and Monitoring	–	–
959,298	Total departmental output expenditure	1,058,094	1,083,905
2,893	Re-measurements*	(2,273)	–
962,191	Total departmental expenditure	1,055,821	1,083,905
65,747	Capital injections	281,082	281,082

Refer to Part B: Statement of Service Performance for detailed performance against each output class (page 25).

* Re-measurements relate to the forestry revaluation gain of \$1.460 million (2009: a gain of \$1.256 million), the livestock revaluation gain of \$0.605 million (2009: a loss of \$2.006 million), and the long service and retirement leave valuation gain of \$0.208 million (2009: a loss of \$2.143 million). As per Section 4(2) of the Public Finance Act, "Expense does not include an expense that results from (a) a re-measurement of an asset or liability".

The accompanying accounting policies and notes (page 59) form part of these financial statements.
For information on major variances against budget refer to Note 26 (page 88).

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 Policy Advice and Development appropriation (2009) was renamed Policy Advice and Ministerial Services (2010), to better reflect the outputs delivered within this appropriation.

The establishment of the new Prison-based Custodial Services Multi-Class Output Appropriation (MCOA) from the 2009/10 financial year was structured around two output classes: Custody of Remand Prisoners and Custody of Sentenced Prisoners. Measures relating to health services and crime prevention are shared measures for both remand and sentenced output classes within this MCOA.

The Escort and Custodial supervision appropriation (2009) was renamed Prisoner Transportation and Courtroom Supervision (2010), to better reflect the outputs delivered within this appropriation.

The Community-based Sentences and Orders appropriation (2009) was renamed Sentences and Orders Served in the Community (2010), to include Home Detention sentences.

The Service Purchase and Monitoring appropriation (2009) was disestablished from the 2009/10 financial year. Services to Victims and Inspectorates Services outputs were allocated to other appropriations.

A new output class Management of Third Party Custodial Services (2010) has been established specifically for the implementation cost of Public-Private Partnerships (PPP) project and the contract management of two existing prisons for the provision of custodial services. This will avoid any potential overlaps with other appropriations which currently include contracts with third parties.

*The accompanying accounting policies and notes (page 59) form part of these financial statements.
For information on major variances against budget refer to Note 26 (page 88).*

STATEMENT OF UNAPPROPRIATED EXPENDITURE

For the year ended 30 June 2010

2009 Unappropriated Expenditure \$000	2010 Actual Expenditure \$000	2010 Appropriation Voted \$000	2010 Unappropriated Expenditure \$000
VOTE: CORRECTIONS			
Appropriations for output expenditure			
– Information Services	54,132	54,245	–
– Management of Third Party Custodial Services	734	1,000	–
– Policy Advice and Ministerial Services	5,109	5,509	–
– Prison-based Custodial Services MCOA	688,093	702,973	–
– – <i>Custody of Remand Prisoners</i>	145,430	150,103	–
– – <i>Custody of Sentenced Prisoners</i>	542,663	552,870	–
– Prisoner Employment	57,796	60,398	–
– Prisoner Transportation and Courtroom Supervision	10,483	12,010	–
– Rehabilitative Programmes and Reintegrative Services	64,585	67,147	–
– Sentences and Orders Served in the Community	171,330	174,159	–
– Services to New Zealand Parole Board	5,832	6,464	–
– Total	1,058,094	1,083,905	–

As at 30 June 2010, the Department had no unappropriated expenditure (2009: Nil).

The accompanying accounting policies and notes (page 59) form part of these financial statements.
For information on major variances against budget refer to Note 26 (page 88).

STATEMENT OF TRUST MONIES

For the year ended 30 June 2010

	As at 1 July 2009 \$000	Contribution \$000	Distribution \$000	As at 30 June 2010 \$000
Prison Trust Accounts	1,445	15,357	(15,527)	1,275
	1,445	15,357	(15,527)	1,275

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 accounting policies and notes (page 59) form part of these financial statements.
For information on major variances against budget refer to Note 26 (page 88).*

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2010

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.

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 the Crown activities and trust monies which it administers.

Under the New Zealand equivalents to 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 2010. The financial statements were authorised for issue by the Chief Executive of the Department of Corrections on 24 September 2010.

BASIS OF PREPARATION

These financial statements have been prepared in accordance with New Zealand Generally Accepted Accounting Practice (NZ GAAP). They comply with NZ IFRS, and other applicable financial reporting standards, as appropriate for public benefit entities.

NEW ACCOUNTING STANDARDS AND INTERPRETATION

The Department has adopted the following revisions to accounting standards during the financial year which have only had a presentational or disclosure effect:

New Zealand equivalents to International Accounting Standards (NZ IAS) 1 Presentation of Financial Statements (revised 2007)

The revised standard replaces NZ IAS 1 Presentation of Financial Statements (issued 2004) effective 1 January 2009.

The revised standard requires information in financial statements to be aggregated on the basis of shared characteristics and introduces a statement of comprehensive income. The statement of comprehensive income will enable readers to analyse changes in equity resulting from non-owner changes separately from transactions with owners. The Department has prepared a single statement of comprehensive income for the year ended 30 June 2010 under the revised standard. Financial statement information for the year ended 30 June 2009 has been restated accordingly. Those items of other comprehensive income presented in the statement of comprehensive income were previously recognised directly in the statement of changes in taxpayers' funds.

NZ IFRS 7 Financial Instruments: Disclosures

The amended standard introduced a three-level fair value disclosure hierarchy that distinguishes fair value measurements by the significance of valuation inputs used. A maturity analysis of financial assets is also required to be prepared if this information is necessary to enable users to evaluate the nature and extent of liquidity risk. The transitional provisions of the amendment do not require disclosure of comparative information in the first year of application. The Department has elected to disclose comparative information.

Standards, amendments, and interpretations issued that are not yet effective and have not been adopted by the Department are outlined in the table below:

Reference	Title	Summary	Application date of standard	Application date*
NZ IFRS 9	Financial Instruments	<p>This standard is part of the International Accounting Standards Board (IASB) project to replace International Accounting Standard (IAS) 39 – Financial Instruments: Recognition and Measurements. The standard applies to financial assets, their classification and measurement.</p> <p>All financial assets are required to be classified on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. Financial assets are initially measured at fair value (in the case of a financial asset not at fair value, through surplus or deficit), plus particular transaction costs, and subsequently measured at amortised cost or fair value.</p>	1 January 2013	1 July 2012
NZ IAS 24	Related Party Disclosures (Revised 2009)	<p>This standard makes amendments to New Zealand Accounting Standard 24 – Related Party Disclosures. The amendments simplify the definition of a related party and provides a partial exemption from the disclosure requirements for government-related entities.</p> <p>The effect of the revised standard is that additional information is required to be disclosed about:</p> <ul style="list-style-type: none"> • transactions between the Department and entities controlled or significantly influenced by the Crown; • transactions between the Department with Ministers of the Crown; and • commitments with entities controlled or significantly influenced by the Crown. 	1 January 2011	1 July 2010

*designates the beginning of the applicable annual reporting period unless otherwise stated.

REPORTING PERIOD

The reporting period covers the 12 months from 1 July 2009 to 30 June 2010. Comparative figures for the year ended 30 June 2009 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.

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 and equipment, intangible assets, other than freehold land, forestry 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 – 65 years	(2% to 1.54%)
Buildings – commercial	75 years	(1.3%)
Buildings – wood	25 years	(4%)
Buildings – fit-outs	3 to 20 years	(33.3% to 5%)
Hut complexes – concrete	50 years	(2%)
Hut complexes – wood	25 years	(4%)
Hut fit-outs	3 to 20 years	(33.3% to 5%)
Leasehold Improvements		
Leasehold improvements	10 years	(10%)
Plant and Equipment		
Plant and machinery	10 years	(10%)
Office equipment	5 years	(20%)
Tools and equipment	5 years	(20%)
Furniture and Fittings		
Furniture and fittings – office	5 years	(20%)
Furniture and fittings – prisoner	3 years	(33.3%)
Computer Hardware		
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%)
Motor Vehicles		
Motor vehicles – heavy duty	8 years	(12.5%)
Motor vehicles – other	5 years	(20%)

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.

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 issued 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 assets, 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, 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 pre-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 due to changes in the per head value of the livestock at balance date are taken to the surplus or deficit.

Gains and losses due to changes in livestock numbers are taken directly to the surplus or deficit.

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

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 3.73 percent to 6.15 percent (2009: 3.49 percent to 6.35 percent), and a future salary growth rate of 3.00 percent (2009: 3.00 percent) were used. The discount rates are based on the weighted average of government interest rates for stock with terms to maturity similar to those of the relevant liabilities.

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. The provision is 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 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 has not yet been reported or only partially assessed, 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.

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 in terms of the Income Tax Act 2004. 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 presented in the 2009/10 Main and Supplementary Estimates.

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.

CHANGES IN ACCOUNTING POLICIES

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

COST ACCOUNTING POLICIES

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

COST ALLOCATION

Direct costs are charged to outputs based on actual consumption or activity analysis. Pre-established ratios have been used in some instances. Direct costs are costs that can be identified in an economically feasible manner and are directly attributed to an output.

Indirect costs are allocated to outputs based on appropriate resource consumption and/or activity analysis. Indirect costs are costs that cannot be directly attributed to an output in an economically feasible manner.

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

2009 Actual		2010 Actual	2010 Main Estimates	2010 Supp. Estimates
\$000		\$000	\$000	\$000
30,006	External revenue – sale of goods	34,207	24,498	34,498
515	External revenue – services	342	–	–
1,706	Board and rents	1,691	1,500	1,500
699	Miscellaneous	1,264	–	–
32,926	Total other revenue	37,504	25,998	35,998

NOTE 3: PERSONNEL COSTS

2009 Actual		2010 Actual	2010 Main Estimates	2010 Supp. Estimates
\$000		\$000	\$000	\$000
446,221	Salaries and wages	482,845	498,595	477,524
527	Government Superannuation Fund contribution expense	484	550	575
7,414	State Sector Retirement Savings Scheme and KiwiSaver employer contribution	11,122	7,409	7,633
–	Restructuring costs	5,731	–	–
5,884	Increase in annual leave	947	2,307	1,187
4,542	Increase in retirement and long service leave	1,092	7,790	3,177
(5,355)	Decrease in common leave	–	–	–
23	Increase in sick leave	97	–	–
459,256	Total personnel costs	502,318	516,651	490,096

In 2009 Cabinet rescinded common leave provisions of \$5.355 million previously provided for in the 2008 financial year.

The retiring and long service leave includes a remeasurement gain of \$0.208 million (2009: a loss of \$2.143 million) due to a change in discount rates between 30 June 2009 and 30 June 2010.

NOTE 4: OPERATING COSTS

2009 Actual		2010 Actual	2010 Main Estimates	2010 Supp. Estimates
\$000		\$000	\$000	\$000
15,319	Operating lease rentals	16,476	17,600	16,300
297	Audit fees for financial statement audit	307	318	328
70	Fees to auditors for other services	130	–	–
63,045	Facilities maintenance	77,003	54,462	59,186
43,147	Offender management costs	40,944	72,963	71,157
11,121	Computer costs	14,020	10,379	11,559
22,282	Contract management	25,127	22,152	26,444
32,048	Administration	36,020	38,247	39,489
106	Receivables written off during period	152	(13)	64
1,636	ACC Partnership Programme	(639)	–	–
9,353	Inventory expenses	14,126	–	–
45,091	Other operating costs	50,507	80,735	73,355
1,013	Biological assets revaluation	(2,812)	–	–
1,231	Investment revaluation	105	–	–
506	Net loss on sale or disposal of property, plant and equipment	2,479	–	–
246,265	Total operating costs	273,945	296,843	297,882

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

- the provision of prison transportation;
- the provision of electronic security services;
- the Prison Capacity Development project;
- the facilities management services outsourcing;
- the provision of prison management services for Auckland Central Remand Prison and Mt Eden; and
- the information technology outsourcing process.

Contract management represents contracts with First Security Guard Service Limited, Chubb New Zealand Limited, G4S EM International Ltd and G4S EMS New Zealand Ltd.

NOTE 5: DEPRECIATION AND AMORTISATION

2009 Actual		2010 Actual	2010 Main Estimates	2010 Supp. Estimates
\$000		\$000	\$000	\$000
DEPRECIATION				
99,874	Buildings	101,654	86,237	103,640
1,816	Leasehold improvements	2,493	300	585
4,257	Plant and equipment	4,373	3,794	4,262
1,680	Furniture and fittings	1,525	1,336	1,591
4,704	Computer hardware	5,549	2,870	5,445
3,808	Motor vehicles	3,859	4,446	3,832
116,139	Depreciation charge	119,453	98,983	119,355
AMORTISATION				
8,660	Computer software	10,386	9,735	10,349
8,660	Amortisation charge	10,386	9,735	10,349
124,799	Total depreciation and amortisation charge	129,839	108,718	129,704

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 years ended 30 June 2009 and 2010 was 7.5 percent per annum.

NOTE 7: CASH AND CASH EQUIVALENTS

2009 Actual \$000		2010 Actual \$000
146,685	Cash and bank balances	204,297
146,685	Total cash and cash equivalents	204,297

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

2009 Actual \$000		2010 Actual \$000
3,019	Prepayments	2,381
3,019	Total prepayments	2,381

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

NOTE 9: DEBTORS AND OTHER RECEIVABLES

2009 Actual \$000		2010 Actual \$000
3,728	Debtor Crown	–
3,728	Crown debtors	
3,771	Trade debtors – external	3,287
238	Employee advances	154
(95)	Less provision for impairment	(43)
3,914	Trade debtors – external and employees	3,398
3,637	Trade debtors – other government entities	2,999
3,637	Trade debtors – other government entities	2,999
11,279	Total debtors and other receivables	6,397

The carrying value of trade debtors approximates their fair value.

In 2009, the Crown debtor of \$3.728 million related to funding provided for the 2009 Bargaining Round which was, at the time, subject to approval from the Minister of Finance.

The Department does not make loans to employees other than minor salary/travel advances and salary overpayments. 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 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.

As at 30 June 2009 and 2010, all overdue receivables have been assessed for impairment and appropriate provisions applied.

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

	2009 \$000 Gross	2009 \$000 Impairment	2009 \$000 Net	2010 \$000 Gross	2010 \$000 Impairment	2010 \$000 Net
Not past due	8,955	–	8,955	5,374	–	5,374
Past due 1-30 days	2,013	–	2,013	897	–	897
Past due 31-60 days	121	–	121	(2)	–	(2)
Past due 61-90 days	205	(22)	183	171	(43)	128
Past due > 91 days	80	(73)	7			
	11,374	(95)	11,279	6,440	(43)	6,397

Movements in the provision for impairment of debtors and other receivables are as follows:

2009 Actual \$000		2010 Actual \$000
145	Balance at 1 July	95
(48)	Additional provisions made during the year	(52)
(2)	Receivables written off during the year	

95 Balance at 30 June	43
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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 2010 the Department has identified no debtors (2009: Nil) that are insolvent.

NOTE 10: INVENTORIES

2009 Actual \$000	2010 Actual \$000
4,563 Inventory held for the use in the provision of goods and services	8,488
1,881 Finished goods	1,432
6,444 Total inventories	9,920

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

2009 Actual \$000	2010 Actual \$000
5,695 Investments	5,590
5,695 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 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 2009. 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 2009 totalled \$1,782.355 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

\$3.782 million (2009: \$4.368 million).

NOTE 12: PROPERTY, PLANT AND EQUIPMENT

	Land \$000	Buildings \$000	Leasehold Improvements \$000	Plant & Equipment \$000	Furniture & Fittings \$000	Computer Hardware \$000	Motor Vehicles \$000	Total \$000
Cost or valuation								
Balance 1 July 2008	142,097	1,555,779	13,121	40,665	11,580	41,664	39,259	1,844,165
Additions	1,401	19,887	1,616	2,651	720	5,519	4,366	36,160
Revaluation increase/(decrease)	71,892	(18,216)	-	-	-	-	-	53,676
Transfer to assets held for sale	-	-	-	-	-	-	-	-
Disposals/transfers	(14)	9,529	(110)	(1,785)	(403)	(2,715)	(2,278)	2,224
Cost or valuation at 30 June 2009	215,376	1,566,979	14,627	41,531	11,897	44,468	41,347	1,936,225
Add: Movements								
Additions	658	81,630	907	4,779	1,354	4,964	6,347	100,639
Revaluation increase/(decrease)	-	-	-	-	-	-	-	-
Transfer to assets held for sale	-	-	-	-	-	-	-	-
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
Accumulated depreciation and impairment losses								
Balance 1 July 2008	-	(92,555)	(5,859)	(23,215)	(7,315)	(29,460)	(22,805)	(181,209)
Depreciation expense	-	(99,874)	(1,816)	(4,257)	(1,680)	(4,704)	(3,808)	(116,139)
Disposals/transfers	-	461	460	1,914	371	486	1,668	5,360

	Land	Buildings	Leasehold Improvements	Plant & Equipment	Furniture & Fittings	Computer Hardware	Motor Vehicles	Total
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Revaluation increase/(decrease)	-	191,629	-	-	-	-	-	191,629
Transfer to assets held for sale	-	-	-	-	-	-	-	-
Impairment losses	-	-	-	-	-	-	-	-
Accumulated depreciation and impairment losses at 30 June 2009	-	(339)	(7,215)	(25,558)	(8,624)	(33,678)	(24,945)	(100,359)
Add: Movements								
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
Revaluation increase/(decrease)	-	-	-	-	-	-	-	-
Transfer to assets held for sale	-	-	-	-	-	-	-	-
Impairment losses	-	-	-	-	-	-	-	-
Accumulated depreciation and impairment losses at 30 June 2010	-	(101,993)	(9,043)	(28,493)	(8,889)	(32,940)	(25,392)	(206,750)
Carry amounts per asset class								
At 30 June 2009	215,376	1,566,640	7,412	15,973	3,273	10,790	16,402	1,835,866
At 30 June 2010	216,011	1,600,008	8,110	17,447	1,194	11,596	18,299	1,872,665
Add: Assets under construction								
At 30 June 2009								105,406
At 30 June 2010								154,872
Total carrying amounts								
At 30 June 2009								1,941,272
At 30 June 2010								2,027,537

NOTE 13: INTANGIBLE ASSETS

	Acquired Software \$000	Internally Generated Software \$000	Total Intangible Assets \$000
Cost or valuation			
Balance 1 July 2008	31,963	45,845	77,808
Additions	551	2,947	3,498
Disposals/transfers	(541)	7,104	6,563
Cost or valuation at 30 June 2009	31,973	55,896	87,869
Add: Movements			
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
Accumulated depreciation and impairment losses			
Balance 1 July 2008	(24,315)	(23,309)	(47,624)
Amortisation expense	(2,848)	(5,812)	(8,660)
Disposals/transfers	294	(40)	254
Impairment losses	–	–	–
Accumulated depreciation and impairment losses at 30 June 2009	(26,869)	(29,161)	(56,030)
Add: Movements			
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)
Carrying amounts			
At 30 June 2009	5,104	26,735	31,839
At 30 June 2010	8,140	31,404	39,544
Add: Assets under construction			
At 30 June 2009	4,668	7,681	12,349
At 30 June 2010	385	251	636
Total carrying amounts			
At 30 June 2009	9,772	34,416	44,188
At 30 June 2010	8,525	31,655	40,180

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 2008	26,373	11,931	38,304
Purchases	–	221	221
Gains/(losses) arising from changes in fair value less estimated point of sale costs	4,355	3,128	7,483
Sales/harvest	(2,691)	(5,582)	(8,273)
Cost or valuation at 30 June 2009	28,037	9,698	37,735
Add: Movements			
Purchases	–	717	717
Gains/(losses) 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
Carrying amounts			
At 30 June 2009	28,037	9,698	37,735
At 30 June 2010	30,442	10,689	41,131

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	4,512.29 ha
	Land rated as reserve	1,332.40 ha
Total legal area		5,844.69 ha

The valuation of forests was undertaken by an independent registered valuer, PF Olsen and Company Limited, on 31 March 2010. 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 7.0 percent (2009: 7.0 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 3.0 percent (2009: 3.0 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 2010, livestock on hand comprised 16,261 sheep (2009: 16,753); 1,749 beef cattle (2009: 1,848); 4,329 dairy cattle (2009: 4,296); 2,542 deer (2009: 2,610) and 6,752 pigs (2009: 5,950).

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

2009 Actual \$000		2010 Actual \$000
18,867	Trade creditors	30,816
44,030	Accrued expenses	55,211
4,720	GST payable	3,006
67,617	Total creditors and other payables	89,033

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

2009 Actual \$000		2010 Actual \$000
	Current liabilities	
45,055	Annual leave	46,027
1,153	Sick leave	1,250
18,400	Retirement and long service leave	19,336
64,608	Total current portion	66,613
	Non-current liabilities	
12,618	Retirement and long service leave	12,412
12,618	Total non-current portion	12,412
77,226	Total provision for employee entitlements	79,025

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 2010 was conducted by an 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 2010 valuation are that future salary growth rates are 3.00 percent (2009: 3.00 percent) per annum and discount rates ranged from 3.73 percent to 6.15 percent (2009: 3.49 percent to 6.35 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

2009 Total Provisions Actual \$000		2010 Restructuring Actual \$000	2010 Employee Accidents Actual \$000	2010 Total Provisions Actual \$000
7,745	Balance at 1 July	–	8,578	8,578
5,172	Additional provisions	3,072	2,922	5,994
(4,339)	Charged against provision	–	(3,292)	(3,292)
8,578	Total provisions	3,072	8,208	11,280

RESTRUCTURING

The restructure provision has arisen from the changes to the Department's organisational structure. The restructuring is expected to be completed in the 2010/11 financial year. The provision reflects the estimated cost for redundancy payments arising from the restructure.

EMPLOYEE ACCIDENTS

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

2009 Actual \$000		2010 Actual \$000
4,371	Outstanding claims liability	3,732
4,207	ACC levies	4,476
8,578	Total outstanding claims liability and ACC levies	8,208

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 2010. 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 2010 is \$3.732 million, compared to a result as at 31 May 2009 of \$4.257 million and the roll-forward estimate as at 30 June 2009 of \$4.371 million. This is a significant reduction, primarily due to a change in valuation methodology, which places more emphasis on the Department's own claims experience than was previously the case.

The new valuation methodology, the actuarial Bornheutter-Fergusson (BF) method, was used on a quarterly basis to derive the estimated cost of claims payments.

An actuarial BF method uses the weighted average of past claims development applied to an estimate of the ultimate claims costs to project future claims development. The estimated ultimate claims costs are derived for each loss period using some measure of exposure and an assumed loss ratio. It can be applied to claims paid, incurred claims and also to claims counts. The methodology used liable earnings as the measure of exposure and the graduated weighted average of past claim payments development to project future claim payments development. The graduated weighted average BF development factors were derived from the Department's own past payments pattern.

This differs from the methodology used for previous valuations which used generic ACC factors to estimate the incurred but not reported claims (IBNR) and reopen claims costs. The change in valuation methodology has been due to ACC advising the actuary that the method previously used by ACC, and for which ACC regularly updated factors, was considered to be no longer applicable.

The principal assumptions made were:

- under the BF method, 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 0.60 percent of liable earnings was determined by considering the observed loss ratios for developed loss quarters;
- a discount rate of 6.0 percent was chosen to be consistent with the ACC 2010/11 Work Account Consultation Document; 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 11.7 percent would be added by ACC.

The estimated ACCPP outstanding claims liability as at 30 June 2010 included a provision for future claims handling expenses of 7.5 percent of expected future claims costs.

The Department's largest ever claim was incurred in May 2010 with an estimated total cost of \$898,000 (discounted \$560,000) almost all of which is outstanding. This claim has no precedent in the Department's experience in terms of size. As such, the 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.

2009 Actual \$000		2010 Actual \$000	2010 Main Estimates \$000	2010 Supp. Estimates \$000
GENERAL FUNDS				
1,519,977	Balance at 1 July	1,501,883	1,501,883	1,501,883
13,398	Net surplus/(deficit) attributable to the Crown	29,572	–	19,368
65,747	Capital contribution from the Crown	281,082	323,348	281,082
(83,841)	Capital returned to the Crown	(179,871)	(66,471)	(169,871)
(4,696)	Total movement in general funds	130,783	256,877	130,579
(13,398)	Provision for repayment of surplus to the Crown	(29,572)	–	(19,368)
1,501,883	Balance at 30 June	1,603,094	1,758,760	1,613,094
REVALUATION RESERVES				
279,762	Balance at 1 July	527,615	279,762	527,615
245,305	Revaluation gains/(losses)	–	–	–
2,548	Net write-back of revaluation gains/(losses)	(2,186)	–	–
527,615	Balance at 30 June	525,429	279,762	527,615
2,029,498	Total Taxpayers' Funds at 30 June	2,128,523	2,038,522	2,140,709

The net surplus attributable to the Crown must be repaid by 31 October each year.

The Department has no restricted reserves.

REVALUATION RESERVES

2009 Actual \$000		2010 Actual \$000
Asset Revaluation Reserves		
Land		
65,488	Balance at 1 July	137,380
71,892	Revaluation gains/(losses)	–
–	Net write-back of revaluation gains/(losses)	–
137,380	Balance at 30 June	137,380
Buildings		
212,007	Balance at 1 July	387,968
173,413	Revaluation gains/(losses)	–
2,548	Net write-back of revaluation gains/(losses)	(2,186)
387,968	Balance at 30 June	385,782
525,348	Total Asset Revaluation Reserves at 30 June	523,162
Fair Value Through Equity Reserve		
2,267	Balance at 1 July	2,267
–	Revaluation gains/(losses)	–
–	Net write-back of revaluation gains/(losses)	–
2,267	Balance at 30 June	2,267
527,615	Total Revaluation Reserves at 30 June	525,429

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

2009 Actual		2010 Actual	2010 Main Estimates	2010 Supp. Estimates
\$000		\$000	\$000	\$000
13,398	Net surplus/(deficit) attributable to the Crown	29,572	–	19,368
	Add/(less) non-cash items			
124,799	Depreciation and amortisation	129,839	108,718	129,704
–	Impairment charges	–	–	–
(3,189)	Non-current employee entitlements	(208)	–	–
58	Other non-cash items	91	–	–
121,668	Total non-cash items	129,722	108,718	129,704
	(Increase)/Decrease in Working capital			
(5,645)	Debtors and other receivables	4,781	–	3,874
(533)	Inventories	(3,476)	(58)	155
(1,031)	Prepayments	638	–	3,912
(15,313)	Creditors and other payables	13,890	1,500	(3,502)
833	Provisions	2,702	–	–
8,345	Current employee entitlements	2,007	–	(799)
(13,344)	Working capital movements – net	20,542	1,442	3,640
	Add/(less) items classified as investing or financing activities			
(28)	Dividends	(305)	–	–
1,013	Biological assets revaluation loss	(3,396)	–	–
1,231	Investments revaluation loss	(40)	–	–
(156)	Net loss/(gain) on sale or disposal of investments	34	–	–
662	Net loss/(gain) on sale or disposal of property, plant and equipment	1,914	–	–
2,722	Total investing activity items	(1,793)	–	–
124,444	Net cash flow from operating activities	178,043	110,160	152,712

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 enters into numerous transactions with other government departments, Crown agencies and state-owned enterprises on an 'arm's length' basis. Where those parties are acting in the course of their normal dealings with the Department, related party disclosures have not been made for transactions of this nature.

Apart from those transactions described above, the Department has not entered into any related party transactions.

As no related party transactions occurred, 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 note. The Department has determined key management personnel as the Chief Executive and the Executive Team.

NOTE 22: KEY MANAGEMENT PERSONNEL COMPENSATION

Key management personnel include the Chief Executive, the Deputy Chief Executive and seven General Managers (2009: eight General Managers).

2009 Actual \$000		2010 Actual \$000
2,516	Salary and other short term benefits	2,731
–	Post employment benefits	–
22	Other long-term benefits	26
–	Termination benefits	381
2,538	Total key management personnel compensation	3,138

The Deputy Chief Executive commenced in the role on 1 July 2009. On 14 December 2009, the Chief Executive announced the new Executive Team, which reduced the number of general managers from eight to seven.

NOTE 23: POST-BALANCE DATE EVENTS

The Department's three prisons in Christchurch (Christchurch Men's, Christchurch Women's and Rolleston) have sustained damage as a result of the Canterbury earthquake on 4 September 2010. The Department is still evaluating the extent of the damage and is unable to quantify the value of any impairment to assets at this point in time.

There were no other post-balance sheet events that required adjustments 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, accounts receivable 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 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	–
As at 30 June 2009				
Local Currency Financial Assets				
Cash and Cash Equivalents	146,685	146,685	–	–
Investments	5,695	5,438	257	–
Total Local Currency Financial Assets	152,380	152,123	257	–

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:

2009 Actual \$000		2010 Actual \$000
Counterparties with Credit Ratings		
Cash and Cash Equivalents		
146,685	AA	204,297
—	Non-rated	—
146,685	Total cash and cash equivalents	204,297
Investments		
5,418	AA	5,272
277	Non-rated	318
5,695	Total investments	5,590
Counterparties without Credit Ratings		
Debtors and other receivables		
6,168	Existing counterparty with no defaults in the past	6,326
68	Existing counterparty with defaults in the past	72
6,236	Total debtors and other receivables	6,398
Prepayments		
3,019	Existing counterparty with no defaults in the past	2,381
—	Existing counterparty with defaults in the past	—
3,019	Total prepayments	2,381

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.

2009 Actual \$000		2010 Actual \$000
Creditors and other payables (note 15)		
67,617	Less than six months	89,033
—	Between six to twelve months	—
67,617		89,033

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 Instrument: Disclosures* does not prescribe the format for presenting sensitivity analysis, the Department has chosen to make the following disclosures.

Categories of Financial Instruments

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.

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

2009 Actual \$000		2010 Actual \$000
FINANCIAL ASSETS		
Cash and receivables		
146,685	Cash and cash equivalents (note 7)	204,297
11,279	Debtors and other receivables (note 9)	6,397
157,964	Total cash and receivables	210,694
Fair value through surplus or deficit		
5,695	Investments (note 11)	5,590
5,695	Total investments	5,590
163,659	Total financial assets	216,284
FINANCIAL LIABILITIES		
67,617	Creditors and other payables (note 15)	89,033
67,617	Total financial liabilities	89,033

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: 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 2009/10 Main and Supplementary Estimates are as follows:

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

- restoring Community Probation and Psychological Services capacity to manage increases in demand, enhancing the quality of Parole and Home Detention management, and mitigating waiting times in Auckland's Criminal Courts;
- provision of double bunking facilities at five prisons and the 60 bed modular units at Rimutaka Prison;
- additional capital charge payable due to the revaluation of land and buildings as at 30 June 2009.

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 Prisoner Employment activities.

The increase in cash compared to the Main and Supplementary Estimates is due to the delay in and re-prioritisation of capital projects. This funding will be carried forward to the 2010/11 financial year. It is also as a result of the double bunking project being completed significantly under budget.

Physical assets and net cash flows from investing activities are lower compared with the Supplementary Estimates because of delay in and re-prioritisation of capital projects, as well as the double bunking project being completed under budget.

The increase in inventories compared with the Supplementary Estimates is mainly due to the Engineering Sector, within Corrections Inmate Employment, which is carrying 31 vehicles requiring further refurbishment works for the Prisoner Escort Transportation Project. These vehicles are expected to be delivered in the first quarter of the 2010/11 financial year.

Creditors and other payables are higher compared with the Main and Supplementary Estimates mainly due to the 2009 Collective Bargaining Round, unpaid capital expenditure and timing arising from when operational payments were made at the end of the financial year.

The increase in provisions compared with the 2008/09 financial year is mainly due to a provision of \$3.1 million for redundancy costs arising from the Department's organisational changes.



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APPENDIX 1: RECIDIVISM INDEX AND REHABILITATION QUOTIENT RESULTS

Reducing Re-offending

Progress towards the achievement of the departmental outcome of 'reducing re-offending' is assessed through the use of two primary measures, the Recidivism Index (RI) and the Rehabilitation Quotient (RQ). The RI measures the Department's performance in reducing re-offending as a whole, whereas the RQ measures the impact of a specific intervention on re-offending. While these indicators provide some insights into the Department's performance, it should always be kept in mind however that reconviction rates are subject to a wide range of influences, many of which are outside the Department's direct control.

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

Analysis of reported RI figures

Table 2 provides reconviction rates as recorded over 12 months, for those released from prison, or commencing community-based sentences, during the 2008/09 (1 April – 31 March) year, and Table 3 provides the rates over 24 months for those released from prison, or commencing community-based sentences, during the 2007/08 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.

The overall RI figures for 2008/09, when compared to the result reported the previous year, indicate a slight increase in reconvictions and re-imprisonments for offenders released from prison. This change may reflect a continuing impact from sentencing law changes introduced in October 2007. This had the effect of diverting a proportion of lower-risk offenders from prison, with the result that average risk levels of the prison population increased.

For the second year in a row a moderate fall is recorded in imprisonment rates amongst offenders who commenced a community-based sentence. This is understood also to be a consequence of judges making extensive use of the new community sentences of home detention, intensive supervision and community detention, in place of imprisonment. Introduction of these sentences has been associated with a significant increase in the population of offenders managed in the community in the last two years.

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 (30 percent and 16 percent respectively) and reconviction rates for male offenders released from prison are also higher than for female offenders (49 percent and 37 percent respectively).

Re-imprisonment and reconviction rates for Māori offenders are higher than those of NZ Europeans and Pacific offenders. This difference is likely to be a reflection of a number of variables. Māori offenders as a group tend on average to be younger than Europeans.

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).

Re-imprisonment rates were higher for prisoners released from higher security classifications (35 percent to 53 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 twelve months) is 31 percent, while the comparable rate for offenders with a sentence length over five years is 20 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.

Reported in the tables also are 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 versus drunk drivers, and amongst dishonesty offenders, car thieves have the most pronounced tendency to re-offend.

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 twelve months, with the proportion re-convicted in each successive year progressively smaller than in the previous year.

Rehabilitation Quotient

Programmes delivered by the Department to enable offenders to lead law-abiding lives are discussed 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 has shown that significant reductions in reconviction and re-imprisonment can be achieved when well-designed interventions are delivered to appropriately selected offenders.

The Department uses a methodology known as the "Rehabilitation Quotient" (RQ) to assess the impact of its major rehabilitative programmes. RQ gauges the extent to which re-offending is reduced, by comparing rates of reconviction and re-imprisonment amongst offenders who received a rehabilitative intervention, with the rates observed amongst similar offenders (matched according to risk of re-offending) who had no such exposure (a full description of the methodology, including guidance on how scores for individual programmes are interpreted, is given in the 2004/05 Annual Report, available on the Department's website; see especially pages 36 – 42, at http://www.corrections.govt.nz/__data/assets/pdf_file/0008/176228/ar2005-part1-strat-context.pdf).

A new indicator of impact is reported this year for the first time, and involves a measure of relative difference in the average *seriousness* of the new offending committed by "treated" offenders, as compared to that of the matched comparison group. An individual offender's seriousness score is based on an aggregation of all convictions and sentences for new offending during the follow-up period. Each individual score reflects the type and seriousness of individual offences, the sentence(s) imposed and, if imprisonment occurs, the length of sentence(s). The overall seriousness scores reported here (see Table 1 over page) express the difference in average seriousness of offending by the treatment group relative to the matched comparison group. Changes in seriousness offer a more subtle measure of rehabilitation impact, especially where no differences are found in re-imprisonment or reconviction rates, but where offences for which the treated offenders were reconvicted may be on average of significantly lower seriousness.

RQ scores are calculated separately for programmes delivered in prison and in the community. If undertaken in prison, the cohort of offenders analysed is restricted to offenders who were released within a 12-month period ending on 31 March 2009. If undertaken in the community, it includes offenders who *commenced* a community sentence within the same 12-month period (ending on 31 March 2009). The follow-up period, during which any new offending is counted, is 12 months from the date of the individual offender's prison release, or 12 months from the date of an individual's programme completion, if on a community sentence. An exception to this is for the child sex offender programme, where the follow-up period is of five years' duration.

Results for the most recent annual cohort of offenders is included in the table below. Figures in the first two columns represent percentage-point changes in rates of either re-imprisonment or reconviction. The figure in the third column represents the percentage difference, in average seriousness of new offending. Re-imprisonment and reconviction RQ scores indicate percentage-point differences between treated and untreated offender groups; thus, an RQ (re-imprisonment) score of 10.0 might indicate for example that the rate of re-imprisonment amongst untreated offenders was 35 percent, and the corresponding rate for the programme "graduates" was 25 percent. Seriousness scores are the percentage reduction in average re-offence seriousness by the comparison group relative to the matched comparison group; the first seriousness score (below) indicates that, for example, if the average seriousness score of re-offending amongst untreated offenders was 100, the corresponding rate for the programme "graduates" was 69.0, represented as a 31 percent reduction. Asterisks indicate that the difference between treated and untreated offenders was statistically significant.

TABLE 1:**REHABILITATION QUOTIENT SCORES FOR MAJOR REHABILITATION PROGRAMMES**

Intervention	Re-imprisonment	Reconviction	Seriousness
Drug Treatment Units (prison)	10 *	12 *	31% *
Drug Treatment Units (prison) – NZ Māori participants	17 *	16 *	33% *
Medium-intensity programme (prison)	2	9 *	16%
Medium-intensity programme (community)	2	– 2	17%
Māori Therapeutic Programme (prison)	6	14	**
Child sex offender special treatment unit (prison) (60 months follow-up)	2	11	7%

* Statistically significant at level of 5 percent

** Insufficient sample size for this indicator

A number of conclusions can be drawn from the figures in this table:

- the results for the drug treatment units are particularly favourable, indicating impacts on recidivism that are equivalent to best-practice achievements internationally in correctional rehabilitation
- Māori offenders achieved particularly good outcomes through DTU participation, which is encouraging given the longstanding need to address the problem of Māori over-representation in the offender population
- it is noted that the programme provider for the DTUs (Care NZ) has worked hard over recent years to build and maintain high standards of quality of delivery
- the positive results for the prison medium-intensity programmes in terms of reduced rates of reconviction and the seriousness of any subsequent convictions are very promising; though slightly less pronounced than those of the DTUs, the results reflect a period of delivery (2008-09) during which this programme was rapidly expanded across the country, involving considerable training and support provided to the programme delivery workforce, which suggests that, once fully bedded in, these programmes will reliably produce significantly positive outcomes
- similarly, the clear reduction in reconviction rates and re-imprisonment amongst participants of the Māori Therapeutic Programmes is a good result for a programme that is of relatively lower intensity; due to low sample size the results are not statistically significant
- very low rates of new offending were found amongst both the treated child sex offenders and the matched offenders; this makes it more difficult to conclusively demonstrate the beneficial impact of this particular programme.

No results are reported this year for the Special Treatment Unit Rehabilitation Programmes. This relatively new and intensive intervention for high risk prisoners has yet to produce a sufficient number of “graduates” to allow analysis of outcomes; it is anticipated that an adequate sample for analysis will be available at this time next year. Results for a number of other rehabilitation services are similarly not reported here because of low sample sizes.

A number of caveat on the interpretation of RQ results are noted. Firstly, whereas the methodology involves careful matching of offenders in terms of age, gender, ethnicity, sentence length, sentence type, risk score (RoC*RoI) and sentence start or end dates, there is no ability to randomly assign offenders to treated and untreated groups; consequently, potential for selection bias exists which can influence scores. Further, it must be pointed out that offenders managed by the Department, particularly prisoners, have access to a range of services such as educational, employment and general living skills training, as well as supports to assist with reintegration to the community. Offenders engage in these services to varying degrees in addition to, or instead of, participating in the core rehabilitative interventions. At this stage the RQ methodology does not specifically measure the impacts from these ancillary services in terms of recidivism outcomes, despite the fact that education, training and reintegrative services have known benefits in reducing rates of future offending.

Overall however these results are positive, indicating measurable reductions in re-offending amongst offenders who completed rehabilitation interventions during 2008/09.

TABLE 2:**RECIDIVISM INDEX – 12-MONTHS FOLLOW-UP (PERCENTAGES) FOR 2008/09**

Category	Group	Released from prison		Beginning community sentence	
		Reimprisoned	Reconvicted	Imprisoned	Reconvicted
All (2008/2009)		28.4	47.5	6.0	32.8
Gender	Female	15.9	36.6	3.1	24.1
	Male	29.7	48.6	6.6	34.9
Ethnicity	Māori	32.6	52.2	7.5	37.2
	European	24.3	43.4	5.1	31.7
	Pacific	22.3	40.0	5.0	28.1
	Other (incl. Asian)	13.6	25.2	3.7	26.2
Age (at PPS release or start of CPS sentence)	<20 years	42.2	70.9	7.8	46.7
	20-24 years	34.8	59.0	6.9	36.2
	25-29 years	30.3	50.6	6.9	32.4
	30-39 years	26.9	44.3	6.4	29.3
	40 and above	16.6	27.5	3.7	19.2
Offence Group (Most serious for original sentence)	Dishonesty	40.4	61.5	8.6	41.0
	Property Damage/Abuses	28.7	46.3	8.4	41.8
	Admin	39.2	56.0	10.0	35.2
	Violence	29.7	49.4	6.0	33.0
	Traffic	19.8	39.7	3.9	27.8
	Drug & Anti-social	17.4	30.7	7.2	32.5
	Sexual	10.4	15.4	2.5	15.1
	Other Minor offences*	(see note)	(see note)	5.0	30.9
Offence Type (Most serious for original sentence)	Car Conversion	50.6	74.4	11.4	50.4
	Theft	40.9	63.3	8.2	42.1
	Burglary	41.3	62.6	10.0	45.4
	Fraud	25.2	36.1	4.5	22.4
	Intimidation and Threats	40.6	62.2	9.0	41.7
	Robbery	29.5	43.9	3.9	21.1
	Assaults	29.3	50.8	5.6	32.2
	Homicide*	12.7	15.9	(see note)	(see note)
	Disqualified Driving	30.0	51.2	7.2	38.5
	Drink Driving	10.5	28.4	6.9	22.5
	Family Offences	42.6	65.3	11.8	44.4
	Drugs (Not Cannabis)	7.1	14.3	6.6	25.0
	Drugs (Cannabis Only)	12.2	26.1	5.3	26.3
	Sexual (Other)	15.2	20.7	3.5	19.8
	Sexual (Child Sex)	7.1	11.8	1.0	7.6

Category	Group	Released from prison		Beginning community sentence	
		Reimprisoned	Reconvicted	Imprisoned	Reconvicted
Community-Sentence	Community Work	n/a	n/a	5.8	33.8
	Supervision	n/a	n/a	6.9	31.4
	Intensive Supervision***	n/a	n/a	8.2	39.0
	Community Detention***	n/a	n/a	1.6	29.5
	Home Detention Sentence***	n/a	n/a	6.6	23.0
Prisoner Security Classification (at Release)	Maximum*	(see note)	(see note)	n/a	n/a
	High-medium	52.8	70.7	n/a	n/a
	Low-medium	35.1	56.0	n/a	n/a
	Minimum	18.8	36.4	n/a	n/a
Release Type	Parole	21.2	32.1	n/a	n/a
	Post-release Conditions**	31.4	52.6	n/a	n/a
Sentence Length	6 mth or less	31.1	53.0	5.7	33.1
	> 6mth but <= 1yr	30.7	52.3	7.1	31.1
	>1 to 2 yr	28.9	47.9	10.6	39.2
	>2 to 3 yr	20.5	35.2	n/a	n/a
	>3 to 5 yr	21.4	29.3	n/a	n/a
	>5 yr	19.6	27.4	n/a	n/a
All (2007/2008)		27.6	47.6	6.3	32.5

Notes

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 2008 and 31 March 2009.

Reconviction figures are inclusive of imprisonments.

Source is CMS conviction and sentencing data, as at 30 June 2010.

* *Insufficient numbers to report*

** *Post-release conditions was introduced by the Sentencing Act 2002; order imposed by the Judge at time of sentencing.*

*** *Introduction of new community sentences as a result of Effective Interventions since October 2007.*

TABLE 3:**RECIDIVISM INDEX – 24-MONTHS FOLLOW-UP (PERCENTAGES) FOR 2007/08**

Category	Group	Released from prison		Beginning community sentence	
		Reimprisoned	Reconvicted	Imprisoned	Reconvicted
All (2007/2008)		37.9	61.9	9.7	46.5
Gender	Female	23.4	55.0	4.8	34.3
	Male	40.4	64.1	10.9	49.4
Ethnicity	Māori	43.3	68.2	12.2	51.5
	European	34.0	57.2	8.1	44.5
	Pacific	34.5	61.0	8.1	40.9
	Other (incl. Asian)	22.5	42.2	5.5	32.8
Age (at PPS release or start of CPS sentence)	<20 years	58.9	85.5	11.9	62.4
	20-24 years	46.0	75.5	10.6	52.1
	25-29 years	42.0	68.4	10.6	47.0
	30-39 years	36.1	60.1	9.7	41.1
	40 and above	24.4	40.9	5.9	29.6
Offence Group (Most serious for original sentence)	Dishonesty	54.4	79.6	13.8	55.1
	Property Damage/Abuses	45.9	71.0	11.6	55.9
	Admin	47.8	72.4	15.0	42.7
	Violence	41.8	65.3	10.2	48.1
	Traffic	29.0	55.0	6.9	41.2
	Drug & Anti-social	23.3	43.9	9.8	42.7
	Sexual	17.1	30.2	6.5	27.8
	Other Minor offences*	(see note)	(see note)	7.8	44.3
Offence Type (Most serious for original sentence)	Car Conversion	62.7	83.0	17.3	64.8
	Theft	54.1	75.1	13.3	56.5
	Burglary	55.2	82.6	16.8	63.8
	Fraud	37.9	57.5	7.0	28.1
	Intimidation and Threats	48.5	77.2	12.2	52.7
	Robbery	41.6	62.0	13.7	48.9
	Assaults	41.9	65.7	9.7	47.3
	Homicide*	12.1	21.2	(see note)	(see note)
	Disqualified Driving	40.1	69.1	12.6	55.0
	Drink Driving	18.3	41.4	4.6	34.1
	Family Offences	40.2	66.1	17.5	54.6
	Drugs (Not Cannabis)	19.2	40.4	7.1	37.5
	Drugs (Cannabis Only)	18.5	36.9	6.5	36.8
	Sexual (Other)	25.4	41.3	6.8	30.8
	Sexual (Child Sex)	11.6	22.8	6.2	24.2

Category	Group	Released from prison		Beginning community sentence	
		Reimprisoned	Reconvicted	Imprisoned	Reconvicted
Community-Sentence	Community Work	n/a	n/a	9.0	47.1
	Supervision	n/a	n/a	12.5	46.6
	Home Detention Order	n/a	n/a	13.1	29.4
	Intensive Supervision***	n/a	n/a	13.1	54.9
	Community Detention***	n/a	n/a	3.5	49.7
	Home Detention Sentence***	n/a	n/a	12.5	37.6
Prisoner Security Classification (at Release)	Maximum*	(see note)	(see note)	n/a	n/a
	High-medium	62.9	79.8	n/a	n/a
	Low-medium	48.2	73.3	n/a	n/a
	Minimum	31.3	56.1	n/a	n/a
Release Type	Parole	29.1	45.2	n/a	n/a
	Post-release Conditions**	40.6	66.4	n/a	n/a
Sentence Length	6 mth or less	38.4	65.2	9.1	46.6
	> 6mth but <= 1yr	40.5	65.8	13.0	45.6
	>1 to 2 yr	43.3	64.9	15.4	48.9
	>2 to 3 yr	35.8	55.8	n/a	n/a
	>3 to 5 yr	35.2	52.7	n/a	n/a
	>5 yr	25.0	39.5	n/a	n/a
All (2006/2007)		36.8	58.7	11.4	46.0

Notes

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 2007 and 31 March 2008.

Reconviction figures are inclusive of imprisonments.

Source is CMS conviction and sentencing data, as at 30 June 2010.

* Insufficient numbers to report

** Post-release conditions was introduced by the Sentencing Act 2002; order imposed by judge at time of sentencing.

*** Introduction of new community sentences as a results of Effective Intervention since October 2007.

APPENDIX 2: ASSURANCE BOARD REPORT

The purpose of the Assurance Board is to assist the Chief Executive in ensuring that the Department's Risk Management Framework (based on the Australian/New Zealand Standard AS/NZS 4360:2004) is operating effectively and efficiently and in particular it helps to ensure that:

- internal controls and quality assurance environments are robust and improved;
- operational, legal, financial, information technology, human resource management and security systems risks are identified and managed; and
- management of the offender environment is maintained with issues appropriately addressed.

During the year the Board met every two months and received regular updates and reports from the Department's Independent Assurance Units, External Audit and Management. The Board also reviews reports from other external parties such as the Coroner in relation to deaths in custody.

The Assurance Board also assists the Chief Executive by maintaining an oversight of the operations of the Department's Independent Assurance units (Internal Audit, the Inspectorate, and the Professional Standards Unit).

During the year the Board had a change of Chairman. David Henry completed his term in December and the role of chair was assumed by Rebecca Boyack. Other members are Hamish Bowen, Howard Fancy and Steve Ruru.

In the past year the Assurance Board focused on the Martin Jenkins report on the Value for Money review of the Department. From this review a new Risk and Assurance operating Principles and Framework has been developed.

APPENDIX 3: REPORT UNDER SECTION 190 OF THE CORRECTIONS ACT 2004

Section 190 of the Corrections Act 2004 prescribes particular issues that must be reported in the Department's Annual Report. These issues and the Department's achievements in the period from 1 July 2009 to 30 June 2010 are detailed below.

SECTION 190(1)(A)

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

Regional Managers are required by the General Manager of Prison Services to engage with local communities on a regular basis. The processes established to assist engagement are described in the following resources:

- Prison Services manuals and guidelines;
- Consultation requirements as set by local authorities; and
- Performance management system.

The primary focus of consultation with community organisations and representative bodies related to prison developments, particularly regarding new or additional facilities. However, regular presentations and engagement occurred throughout the country to build relationships and create community understanding of our operations. This involvement included identifying issues that could both positively and negatively impact on a community, providing opportunities for positive community contributions, and providing information on prison activities. Opportunities were made available for community involvement through public meetings, hui, and the media. Examples of this include speaking engagements by Corrections staff and managers with community groups, prison open days, and reinvigoration of Iwi and Pacific Island relationships.

SECTION 190(1)(B)

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

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 two were received for the year, none of which were upheld, compared to six for the previous year. The reasons for the low volume are twofold. Firstly, the Community Probation Service 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 therefore have ready access to their normal support networks, and the coercive power of the State is significantly less immediate 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 prisoners' 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 floor 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 is required so that prisoners can formally take matters for resolution to their unit 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 was a decrease of 13 percent in the number of formal complaints made to an Inspector during the year. At 2,440 the total is significantly less than the figures noted prior to the introduction and bedding-in of a more robust internal prisoner complaints system by Prison Services since 2005. It is also a decrease on the previous year's formal complaint total of 2,799.

Only 57 of the 2,440 complaints received were found to be justified. At 2.3 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 day. It is also an improvement on the 3.3 percent noted last year. The subject matter of justified complaints related mainly to the timeliness of disciplinary charges and the management of prisoners' personal property. While there are no issues of concern around the management of the disciplinary process, the management of prisoners' personal property still leaves room for improvement. This has been an ongoing subject of concern and is likely to remain so until there is a significant overhaul of the way the Department approaches and manages prisoner property.

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 complain directly to an Inspector during normal business hours. In the year 2008/09 this service took approximately 4,000 calls. In the year 2009/10 the total calls received was approximately 3,700.

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 2,440 of these contacts resulted in formal complaints during 2009/10, the service is of considerable value as a "safety valve". Prisoners' 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. Approximately 1,400 calls were related to the provision of advice or the supply of relevant information, often not related to the prison environment. The Inspector also is in a position to highlight a concern to prison management regarding a prisoner's state of mind and potential risk as a result of these calls.

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 2009/10 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 the 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 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 second 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 2010/11.

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 reduces 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 2010/11.

The Prisons' 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 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. 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 2010/11.

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 health and sanitation checks of the prison are carried out. A reasonable level of assurance can also be given that any shortcomings noted by the health and sanitation inspectors 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 2010/11.

Investigations

In addition to their prison visiting and complaints resolution activities, the Inspectors completed 16 full investigations of significant prison incidents during 2009/10, all of which related to deaths in custody. 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. Fifty-one such monitoring reviews were completed during the year. This represents a decrease of 38 percent in this area of work.

The most consistent areas of concern arising out of the investigations and monitoring assignments carried out by the Inspectors during 2009/10 remain as reported last year. They 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 Prison Services' Policy and Procedure Manual has undergone a full review this year and has been replaced by the Prison Services Operations Manual (PSOM) in order to improve clarity and reinforce key expectations and also to be 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.

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. It is tempting for operational management under these conditions to develop a resistance to negative review findings.

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 reducing incidence of justified complaints to the Inspectorate throughout the year.

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

Reports on the processes and systems in place to supervise and control the monitoring of prisoner phone calls, including statistics on the proportion of prisoner calls monitored and the number and percentage of calls disclosed under section 117(1) and (2):

- to any person other than an employee of the Chief Executive or a contractor
- to an employee of the Chief Executive or a contractor, and
- of those disclosed, the number of proceedings against a person for a disciplinary offence in which a recording of any of those calls was used in evidence.

Legislative authority for the Department to monitor prisoners' telephone calls is provided under section 113 of the Corrections Act 2004.

Monitoring prisoners' telephone calls is a key step in preventing crime. Legislative authority for the Department to monitor prisoners' telephone calls is provided under sections 111 to 113 of the Corrections Act 2004. The Prisoner Telephone Monitoring System was first introduced in 2007 with the purpose of increasing public safety by making it easier to prevent, discourage, detect, investigate and prosecute offences that involve prisoners. It is an important part of ensuring prisoners are not committing or organising criminal activities from within prison.

During 2009/10, the Department completed implementation of all systems across all prisons and recruited staff to monitor prisoners' telephone calls and collect information/intelligence so that appropriate action could be taken. Between 1 July 2009 and 30 June 2010, 1,774,922 (compared to 1,318,041 during the financial year 2008/09) calls were made by payphones in prison. Of this number 26,421 (compared to 18,477 during the financial year 2008/09) calls were monitored, or 1.5 percent (compared to 1.4 percent during the financial year 2008/09). This figure can include repeats of the same call which is often the case due to the difficulty in hearing/understanding the call content during monitoring, the requirement to transcribe the calls and for peer reviews.

During the financial year 2009/10, 419 (compared with 356 for 2008/09) internal and external disclosure reports were completed and entered into the Secure Intelligence Database. This information is shared with the New Zealand Police and has contributed to a number of arrests (of prisoners, visitors, members of the community) for a variety of offences. It has also resulted in several 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 Crimestoppers 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 delivering drug and alcohol treatment programmes to reduce the incidence of drugs in prisons and drug related re-offending. These have contributed to the continuing reduction in the number of prisoners identified as drug users in the prison population since October 2007. The percentage of positive general random drug tests for the 2009/10 financial year was 10 percent, based on a total of 3,828 resulted tests. The percentage of positive general random drug testing for the 2008/09 financial year was 11 percent.

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) services in Auckland and Northland came into operation on 1 February 2010. First Security has met all the obligations in its contract with the Department (through to 30 March 2010) 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 2009/10 year PECCS undertook 36,520 court escorts and 11,876 court supervisions.

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 S214(2) and (3);
- a summary of reports made to the Chief Executive under S215(2)(b); and
- a summary of actions taken in relation to the management of contract prisons as a result of matters raised in any report forwarded.

No prisons were operated under contract during 2009/10.

APPENDIX 4: REPORT UNDER SECTION 15A OF THE PAROLE ACT 2002

Section 15A(4) of the Parole Act 2002 specifically requires the Department of Corrections to include in its Annual Report the following information about the use of electronic monitoring. The information required covers:

- the number of offenders who were at any time subject to an electronic monitoring condition

For the financial year ending 30 June 2010, the average number of offenders who were subject to parole with electronic monitoring was 129.

- the average number of offenders who were subject to an electronic monitoring condition and the average duration of the condition

As per above, as at the financial year ending 30 June 2010 the average number of offenders who were subject to parole with electronic monitoring was 129. The average duration of the monitoring was 4.64 months

- the percentage of offenders who, while subject to an electronic monitoring condition attaching to an extended supervision order, were convicted for a breach of the condition, or convicted of any other offence

By the end of 2009/10, there were 19 offenders subject to electronically monitored residential restrictions with 10 of them with person to person monitoring. Of those:

- Four have been convicted of further breaches or other offending.
- One has an outstanding active charge for further sex offending while on RoC (released on conditions) just before becoming subject to ES (extended supervision) with EM (electronic monitoring).
- One has an outstanding active charge for further violent offending.
- One has an outstanding breach.
- a description of processes and systems relating to electronic monitoring that were in place during the year reported on.

Offenders on residential restrictions (RR) must wear an electronic anklet at all times 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 on RR at all times can work outside the address, but only if authorised by the probation officer. They may also apply for approved absences to attend rehabilitation, study, or healthcare. These absences are also monitored.

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