



AUDITOR-GENERAL
AUSTRALIAN CAPITAL TERRITORY



PA 03/06

26 May 2004

The Speaker
ACT Legislative Assembly
Civic Square, London Circuit
CANBERRA ACT 2601

Dear Mr Speaker

I am pleased to forward to you a Performance Audit Report titled “**Administration of Policing Services**”, conducted under the authority contained in the *Auditor-General Act 1996*.

I would appreciate if you could arrange for the distribution of the Report to each member of the Legislative Assembly, and its tabling in the Legislative Assembly pursuant to Section 17(5) of the *Auditor-General Act 1996*.

Yours sincerely

Tu Pham
Auditor-General

ACT Auditor-General's Office
Performance Audit Report

The Administration of
Policing Services

May 2004

Table of Contents

1. REPORT SUMMARY AND AUDIT OPINION.....	1
INTRODUCTION AND BACKGROUND.....	1
AUDIT OBJECTIVES	2
AUDIT SCOPE, FOCUS AND APPROACH.....	2
AUDIT OPINIONS	3
REASONS FOR OPINIONS.....	4
RECOMMENDATIONS.....	7
DEPARTMENT OF JUSTICE AND COMMUNITY SAFETY RESPONSE.....	9
2. BACKGROUND.....	10
INTRODUCTION.....	10
LEGISLATIVE BACKGROUND.....	10
POLICING ARRANGEMENTS PRIOR TO 2000.....	10
3. THE CURRENT POLICING ARRANGEMENT.....	12
INTRODUCTION.....	12
SIGNIFICANT FINDINGS.....	12
DEVELOPING THE ARRANGEMENT.....	13
ANALYSIS OF THE ARRANGEMENT.....	13
MANAGEMENT OF THE ARRANGEMENT.....	19
DEVELOPING THE ANNUAL POLICING PURCHASE AGREEMENTS.....	20
4. PERFORMANCE MEASURES.....	24
INTRODUCTION.....	24
SIGNIFICANT FINDINGS.....	25
DEVELOPMENT OF PERFORMANCE MEASURES.....	25
THE ADEQUACY OF CURRENT PERFORMANCE MEASURES.....	27
QUALITY OF REPORTING ON PERFORMANCE MEASURES.....	33
RESPONSES TO PERFORMANCE RESULTS.....	35
5. OTHER PERFORMANCE REPORTING.....	37
INTRODUCTION.....	37
SIGNIFICANT FINDINGS.....	37
NUMBERS OF POLICE.....	39
6. PAYING FOR POLICING.....	42
INTRODUCTION.....	42
SIGNIFICANT FINDINGS.....	42
REVISING THE POLICE BUDGET.....	45
CONCLUDING COMMENTS ON THE PROCESS OF PAYING FOR POLICING.....	46
JACS' UNDERSTANDING OF THE ACT POLICING COST STRUCTURE.....	47
STRATEGIC DECISIONS ON RESOURCING.....	49
7. THE COST OF POLICING.....	52
INTRODUCTION.....	52
SIGNIFICANT FINDINGS.....	52
THE COST OF POLICING.....	52
APPENDIX A CRITERIA FOR THE AUDIT.....	55

1. REPORT SUMMARY AND AUDIT OPINION

INTRODUCTION AND BACKGROUND

1.1 This performance audit reviewed the management of the arrangements by which the Territory acquires, pays for and monitors the provision of policing services.

1.2 Policing services in the Territory are provided by the Australian Federal Police (AFP) and paid for by the Territory through the Department of Justice and Community Safety (JACS). The basis of the current relationship is a five-year Arrangement, signed in 2000 (the 2000-2005 Arrangement). The Arrangement provides for annual Purchase Agreements between the Chief Police Officer of the ACT and the Minister for Police and Emergency Services for the provision of policing services to the Territory (Policing Purchase Agreements). These Purchase Agreements define the services to be provided, the performance targets the AFP is to aim for, and the price to be paid by the Territory.

1.3 The AFP provides these services through its community policing arm, ACT Policing. ACT Policing is headed by a Chief Police Officer, who is accountable to the Minister for delivery of policing services, but reports operationally to the AFP Commissioner. The Minister may give general directions on policies, priorities and goals. JACS assists the Minister to negotiate Agreements and monitor performance reports, and also organises payment to the AFP.

1.4 There are different views expressed on the nature of the current police arrangements. The Audit Office considers the Arrangement and the annual Purchase Agreements to indicate a purchaser-provider relationship. JACS considers that the current Arrangement should not be compared to regular purchaser-provider contractual arrangements, with ACT Policing being afforded the same status as other major Departments in the ACT administration. The Arrangement, according to JACS, attempts to accommodate the nature of the relationship between two Governments. Similarly, the AFP views the Police Arrangement is first and foremost an intergovernmental relationship, used to fostering partnership through co-operation and consultation.

1.5 While acknowledging the complexity of the relationship between the related parties, and their intention of the Arrangement as highlighted by JACS and the AFP, the relevant and basic issue for the Audit remains on how ACT public funds (\$80.4m) allocated to this function is being managed and monitored to ensure an effective and efficient delivery of agreed policing services. Accordingly, the Audit considers the intentions behind the Arrangement should not impact the audit approaches and objectives.

AUDIT OBJECTIVES

1.6 The objective of this Audit was to provide an independent opinion to the Legislative Assembly on whether the management of the Policing Arrangement covering the provision of policing services to the Territory is effective, in particular whether:

- a. the 2000 – 2005 Policing Arrangement and the annual Policing Purchase Agreements between the Territory and the AFP enable the Government to exercise effective strategic oversight and financial control of policing;
- b. outcomes and measures agreed in the annual Policing Purchase Agreements between the Territory and the AFP are relevant and complete for the purpose of evaluating the effectiveness and efficiency of ACT Policing; and
- c. arrangements for reporting on the provision of policing services to the Government are satisfactory in that they allow for monitoring of timeliness, completeness and reliability.

AUDIT SCOPE, FOCUS AND APPROACH

1.7 The audit did not consider the conduct of policing by the AFP. The scope of the audit was on the management of policing services by JACS, which is the primary ACT agency responsible for advising the Minister on policing matters.

1.8 There is considerable interaction between the AFP and the Minister without involving JACS. For example, the AFP provides services direct to the Minister such as briefs, answers to possible assembly questions, and drafts of speeches, replies to questions on notice and responses to Ministerial correspondence. The audit did not explicitly cover administration of the Policing Arrangement carried out directly by the Minister, although audit staff consulted with the Minister on the nature of Ministerial interaction, and also considered JACS advice to the Minister.

1.9 JACS stated that the current Arrangement stipulates that the Australian Government provider will not report through JACS, which holds the budget by which policing services are purchased, but will report directly to the relevant ACT Minister. Further JACS advised that ‘the formal five-year Arrangement makes no provision for JACS to act in a liaison or brokage role between ACT Policing and the Minister. Indeed, no mention is made of the Department in either the Arrangement or the Annual Agreements.’

1.10 In consideration of the “external” nature of ACT Policing, which is a branch of the Commonwealth body, the AFP, and reports to the AFP Commissioner, Audit considers that it is reasonable to expect that JACS should have the primary role of advising and assisting the Minister in managing the Agreement.

1.11 Accordingly, the audit focused on the:

- suitability of the 2000-2005 Policing Arrangement for the provision of police services to the Australian Capital Territory;
- suitability of the annual Policing Purchase Agreements reached since 2000 that have been made under the auspices of the 2000-2005 Arrangement for the provision of police services to the Australian Capital Territory;
- quality of the performance measures that are part of each Policing Purchase Agreement;
- monitoring of AFP performance by JACS; and
- monitoring of AFP costs by JACS.

1.12 The audit approach included the following steps:

- consultation with JACS regarding the audit's objectives and the audit criteria;
- collecting information on better practice and on comparable costs in other jurisdictions;
- discussions with JACS officers and the review of JACS material related to the negotiation and administration of the policing arrangement, including the Policing Purchase Agreements and performance measures established under the 2000 – 2005 Arrangement;
- discussions with JACS officers and review of JACS material on financial issues, including billing and establishing the right price for police services; and
- consultations with the AFP.

1.13 Audit criteria are at **Attachment A**.

Environmental Issues

1.14 Section 12 of the Auditor-General's Act 1996 provides that in the conduct of a performance audit, the Auditor-General shall, where appropriate, take into account environmental issues relative to the operations being reviewed or examined, having regard to the principles of ecologically sustainable development. For this audit, the Auditor-General determined that it was not appropriate to take into account environmental issues because there were no issues of substance that were relevant to the topic.

AUDIT OPINIONS

1.15 The independent opinions drawn against the audit objectives are set out in the following shaded box.

AUDIT OPINIONS

The management of the Policing Arrangement covering the provision of policing services to the Territory **is not effective**. In particular:

- a) the 2000-2005 Policing Arrangement and the annual Policing Purchase Agreements **have not** provided a robust basis for the Government to exercise effective strategic oversight and financial control of policing;
- b) outcomes and measures agreed in the Policing Purchase Agreement **are relevant, but not complete**, for the purpose of evaluating the effectiveness and efficiency of ACT Policing; and
- c) arrangements for the reporting on the provision of policing services to the Territory against the agreed performance measures **are partially satisfactory**. Reporting is complete and reliable, but not timely.

REASONS FOR OPINIONS

1.16 The opinion that management is not effective has been reached through consideration of the opinions on each of the audit sub-objectives. Although the overall opinion is that the management of the Policing Arrangement could be more effective, the audit identified many positive features, and nothing has come to the attention of the audit that causes any overall concern about the quality of the services provided by the AFP. Nevertheless, improvements in the management of the Arrangement would provide more assurance that policing resources are being well spent and that should the policing outputs and outcomes decline, the ACT Government would be in a position to detect that and take corrective action.

2000 – 2005 Policing Arrangement and Purchase Agreements

Opinion

The 2000-2005 Policing Arrangement and annual Policing Purchase Agreements have not provided a robust basis for the Government to exercise effective strategic oversight and financial control of policing

1.17 This opinion is supported by the following findings.

Positive Findings

- The Policing Arrangement and annual Purchase Agreements meet most of the requirements established by Audit for sound and accountable arrangements. (Chapter 3)
- There are provisions in the Policing Arrangement for the Police Minister to approve the appointment of the Chief Police Officer, and for the Chief Police Officer to be replaced if the ACT Executive loses confidence in him or her. (Chapter 3)

THE ADMINISTRATION OF POLICING SERVICES

- There is provision in the Policing Arrangement for the ACT Minister to give written strategic direction to ACT Policing. (Chapter 3)
- Other budgetary processes, outside the Policing Purchase Agreement framework, have allowed the Government and JACS to exert some financial and strategic oversight of policing. (Chapter 6)
- The overall price paid by the Territory for policing services in 2002-2003 was found by Audit to be comparable with that paid per capita in other Australian jurisdictions. (Chapter 7)

Negative Findings

- Payments to the AFP are not contingent on delivery of agreed policing services. (Chapter 3)
- The Policing Purchase Agreements do not define billing and payment arrangements. (Chapter 3)
- There is no evidence to indicate that the provision in the 2000-2005 Policing Arrangement for the ACT Minister to give written strategic direction to ACT Policing has been used. (Chapter 3)
- Policing Purchase agreements have not been signed on time, and for substantial periods, no Policing Purchase Agreement applied. (Chapter 3)
- Where performance reporting has revealed poor performance by the AFP, JACS has not followed through to ensure corrective action is taken. (Chapter 4)
- The prices agreed in the Policing Purchase Agreements between the Territory and the AFP for policing services have not corresponded to the price paid or the budget target. (Chapter 6)
- Variations to the price to be paid for policing have not been reflected in the Policing Purchase Agreement. (Chapter 6)
- JACS has not sought sufficient information from the AFP to ensure the overall price charged is reasonable. (Chapter 6)
- Components of the overall price for the various outputs or outcomes (e.g. public order, road safety and emergencies) purchased by the Territory have fluctuated widely, without sufficient supporting information. (Chapter 6)
- There have been no options presented by JACS during the budget development process to enable Government to make an informed decision on the trade-off between cost and volume of police services. (Chapter 6)
- Although the overall price paid for policing has increased rapidly in recent years, JACS has not conducted recent analyses to determine how the per capita price compares to those paid by other jurisdictions. (Chapter 7)

Outcomes and Measures

Opinion

Outcomes and measures agreed in the annual Policing Purchase Agreement are relevant, but not complete, for the purpose of evaluating the effectiveness and efficiency of ACT Policing

1.18 This opinion is supported by the following findings:

Positive Findings

- Performance measures are now more focused on outcomes. (Chapter 4)
- Over the period of the 2000-2005 Arrangement the reliability and relevance of performance measures has increased. (Chapter 4)
- There are performance measures in the 2003-2004 Policing Agreement that address all key areas of Police operations. (Chapter 4)

Negative Findings

- Performance measures do not define the key quantity of services to be delivered, and could be supplemented with further measures of timeliness. (Chapter 4)
- The *Criminal Justice Strategic Plan* is not taken into account in setting performance measures. (Chapter 4)
- Information provided in addition to performance measures, such as the *ACT Criminal Justice Statistical Profile*, tabled quarterly in the Assembly, is not thoroughly reviewed by JACS. (Chapter 5)

Reporting Arrangements

Opinion

Arrangements for the reporting on the provision of policing services to the Territory against the agreed performance measures are partially satisfactory. Reporting is complete and reliable, but not timely.

1.19 This opinion is supported by the following findings:

Positive Findings

- There is wide scope in the Arrangement for requesting information from the AFP. (Chapter 3)
- ACT Policing Annual Reports have provided information to supplement the performance measures report. (Chapter 5)

- The quarterly report *ACT Criminal Justice Statistical Profile*, tabled in the Assembly, provides useful statistical information on incidents and offences. (Chapter 5)
- The AFP now provides quarterly reports to the Minister on police numbers. (Chapter 5)

Negative Finding

- Quarterly reports have been received late by JACS: on average two and a half months after the quarter is complete. (Chapter 4)

RECOMMENDATIONS

1.20 The following 11 recommendations are made to address the audit findings detailed in this report. The more significant recommendations (in bold) are 2, 3, 4, 5, 8, 10 and 11.

Chapter 3: The Current Arrangement with the AFP for Policing Services

1. JACS should ensure that each annual Policing Purchase Agreement specifies clearly:
 - a. the total price to be paid for policing services;
 - b. billing and payment arrangements; and
 - c. the terms and conditions under which variations can be made. (Paragraph 3.38)
2. **The Arrangement should clearly provide for JACS to take a primary role in managing the Arrangement and Annual Agreements.**
3. **JACS should negotiate with the AFP a firm timetable for negotiations that would lead to a conclusion of the annual Policing Purchase Agreement before March 31 each year in line with the budget process and timeframe. This could be an interim Agreement with a provision for review, depending on final budget outcomes. (Paragraph 3.58)**

Chapter 4: Performance Measures

4. **JACS should negotiate with the AFP to supplement the current set of performance measures to ensure, when relevant, a balanced assessment across all activities, covering quantity, quality and timeliness, and taking into account at least the ACT Criminal Justice Strategic Plan. (Paragraph 4.43)**

5. **JACS should:**
 - a. review all AFP performance measure reports;
 - b. seek specific action by the AFP to address any significant gaps in performance in a timely manner;
 - c. follow up to ensure that the AFP responds to JACS queries and requests for information; and
 - d. document review and follow-up actions. (Paragraph 4.61)

Chapter 5: Other Performance Reporting

6. JACS should analyse relevant reports with information on policing, brief the Minister on the results of the analysis with recommendations for action where appropriate, and document each review. The reports to be analysed should include:
 - a. ACT Policing Annual reports;
 - b. quarterly Criminal Justice Statistical Profiles; and
 - c. quarterly ACT Policing financial reports. (Paragraph 5.9)
7. JACS should:
 - a. seek sufficient information from the AFP to assure itself of the validity of the reported police numbers.
 - b. analyse quarterly reports on police numbers, brief the Minister on the results of the analysis with recommendations for action where appropriate, and document each review. (Paragraph 5.21)

Chapter 6: Paying for Policing

8. **JACS should ensure that all payments to the AFP are according to the annual Policing Purchase Agreement. Variations, where they occur, should be recorded and the Agreement amended accordingly. (Paragraph 6.21)**
9. JACS should ensure that the amounts in the Budget and in the annual Policing Purchase Agreement remain equal; and if one document is changed, the other is also amended. (Paragraph 6.23)
10. **JACS should seek from the AFP each year, sufficient supporting information on the costing of ACT Policing to allow JACS to satisfactorily validate the proposed prices in the Policing Purchase Agreement. (Paragraph 6.34)**

11. **JACS should analyse funding proposals from the AFP and then make recommendations to the Minister on the annual funding for each output in the Policing Purchase Agreement. (Paragraph 6.46)**
12. JACS should monitor closely the comparative prices of police services across Australia with the aim of ensuring that the overall charge on the ACT taxpayer represents reasonable value for money. (Paragraph 7.11)

DEPARTMENT OF JUSTICE AND COMMUNITY SAFETY RESPONSE

1.21 In accordance with section 18 of the *Auditor-General Act 1996*, a final draft of this report was provided to the Acting Chief Executive of the Department of Justice and Community Safety for consideration and comments. The Acting Chief Executive's response is set out in the following paragraphs. In addition, the response to each recommendation is included in the main body of the report.

1.22 The Acting Chief Executive advised that a major review of policing is to occur this year. The review will look at crime trends and other demographic and environmental features to help determine the policing needs for the ACT, the human and financial resources required to service those needs, and the governance framework necessary to support the relationship between the Territory and service provider.

1.23 JACS agrees with 10 of the recommendations and agrees in principle with the other two. The review could bring about some minor modifications but the responses reflect JACS views at this time.

2. BACKGROUND

INTRODUCTION

2.1 This chapter provides brief background on relevant legislation and on the history of the provision of policing to the Territory. This background provides input to analysis in the later chapters.

LEGISLATIVE BACKGROUND

2.2 Under the principle of ‘independence of the constabulary’, which applies to policing in most developed countries, police officers retain discretion in the enforcement of the law and operate at arm’s length from the Government. In the context of the Australian Capital Territory, the Legislative Assembly passes the laws and approves funding for police services through the appropriation processes. The Government can set broad policies but how the police service enforces the law is left to the police. These considerations tend to constrain the degree of control that any Government has over its police force.

2.3 Prior to 1979, a body called ACT Police carried out local policing. As for all ACT bodies prior to self-government, the ACT Police reported to the Commonwealth Government. The *Australian Federal Police Act 1979* (AFP Act) merged the ACT Police, the Commonwealth Police and some smaller bodies to form the AFP, which continued to provide local policing to the Territory.

2.4 Section 8 of the AFP Act states that one of the functions of the AFP is ‘the provision of police services in relation to the Australian Capital Territory’. Also, the *ACT Self-Government Act 1988* at Section 23 states that the Assembly has no powers to make laws with respect to the provision by the AFP of police services in relation to the Territory. JACS has taken the combined effect of these provisions to mean that the provision of the police services to the Territory by the AFP is mandatory.

POLICING ARRANGEMENTS PRIOR TO 2000

2.5 Immediately after ACT self-government, the AFP continued to provide policing services to the Territory under transitional provisions written in to the AFP Act. Following lengthy negotiations, an Arrangement was signed between the ACT and Commonwealth Governments (the 1990 Policing Arrangement) on 25 July 1990. This initial policing arrangement covered goals and objectives, resource levels and some limited provisions for reporting and monitoring. It omitted items such as annual planning processes with the ACT Minister as the primary governmental approval authority, firm commitments to information access and reporting requirements; and a strong Territory involvement in the selection of the local police head. At the time, the ACT Chief Law Officer advised the Minister that ‘this would leave the ACT in a position of “responsibility without power”’.

2.6 The 1990 Policing Arrangement was for an indefinite period subject to a minimum period of 2 years and 18 months notice of cancellation. The first two annual reviews of the Arrangement restated the need for adequately defined goals and objectives, for effective performance indicators and financial reporting mechanisms, but no significant changes were made to the Arrangements. The Secretary of the ACT Attorney-General's Department commented after the second review that 'the ACT community policing operation is not really accountable, except in a token way, to the ACT Government'

2.7 The accountability arrangements remained a concern throughout the 1990's. In May 1998, the Legislative Assembly expressed its concern about accountability by unanimously passing a resolution 'That, until the Federal Government gives the ACT Government a commitment to accede to the appointment of a Police Commissioner for the ACT, no new contractual arrangement be entered into'. Later in 1998, the Territory and the Commonwealth commenced a process that led to the 2000 Arrangement. This process is discussed in the next chapter.

Audit Comment

2.8 Establishing an Arrangement to cover the provision of policing services was an essential step, but the 1990 Policing Arrangement was clearly deficient with respect to accountability and the mechanisms available for the Territory to influence the delivery of police services. While recognising that there were some attempts before 2000 to address the situation it is in retrospect unsatisfactory that it took ten years to conclude a better arrangement.

2.9 Other mechanisms helped to compensate for the weaknesses of the 1990 Policing Arrangement. These include provision of regular reports by the AFP, and attendance by senior police at Estimates Committees and at meetings with the Minister.

3. THE CURRENT POLICING ARRANGEMENT

INTRODUCTION

3.1 Policing services are currently provided under an arrangement with the Commonwealth signed in 2000 and expiring in June 2005 (the Policing Arrangement). The Policing Arrangement provides for annual Policing Purchase Agreements between the ACT Police Minister and the AFP Chief Police Officer. Each Agreement sets out in an attached schedule the details of services purchased by the Territory, including outcomes, outputs and performance targets, and the agreed price. The Policing Arrangement and Policing Purchase Agreements together define the relationship between the ACT and the AFP.

3.2 This Chapter considers the Policing Arrangement and the main bodies of its annual Purchase Agreements, including the process of negotiating the Policing Arrangement and Policing Purchase Agreements, and their contents.

SIGNIFICANT FINDINGS

Positive Findings

- *The Policing Arrangement and annual Purchase Agreements meet most of the requirements established by Audit for sound and accountable arrangements. (Table 1)*
- *There is wide scope in the Arrangement for requesting information from the AFP. (Paragraph 3.24)*
- *There are provisions in the Policing Arrangement for the Police Minister to approve the appointment of the Chief Police Officer, and for the Chief Police Officer to be replaced if the ACT Executive loses confidence in him or her. (Paragraph 3.29)*
- *There is provision in the Policing Arrangement for the ACT Minister to give written strategic direction to ACT Policing. (Paragraph 3.31)*

Negative Findings

- *Payments to the AFP are not contingent on delivery of agreed policing services. (Paragraph 3.19)*
- *The Policing Purchase Agreements do not define billing and payment arrangements. (Paragraph 3.22)*
- *There is no evidence to indicate that the provision in the 2000-2005 Policing Arrangement for the ACT Minister to give written strategic direction to ACT Policing has been used. (Paragraph 3.31)*
- *Policing Purchase agreements have never been signed on time, and for substantial periods, no Policing Purchase Agreement applied. (Paragraph 3.53)*

DEVELOPING THE ARRANGEMENT

3.3 JACS and AFP established a high-level Steering Group in January 1998 to review ACT policing services. The review dealt with policy issues as well as financial accountability and reporting mechanisms.

3.4 The review covered financial accountability and reporting mechanisms and the methodology for cost apportionment. The consultant who conducted this work recommended a 'purchaser-provider' arrangement as more suitable than the 1990-2000 arrangement. This would entail the ACT Government paying the AFP based on deliverables, not on costs incurred by the AFP, supported by appropriate (less input-focused) performance monitoring. A Working Group of the review team reported to the Steering Group that the consultant 'convincingly concluded that the formula based approach to the attribution of costs for the provision of policing services in the ACT ... is inappropriate'.

3.5 The Steering Group accepted the December 1998 consultancy report on 16 February 1999. They asked the Working Group to examine mechanisms through which the ACT Government could exercise greater policy control.

3.6 As a result of the review, a draft Arrangement was prepared by July 1999 for comment within the ACT Government. The final Arrangement was signed in March 2000.

ANALYSIS OF THE ARRANGEMENT

Nature of the Arrangement

3.7 The existence of annual Purchase Agreements under the overall Arrangement for the provision of policing services implies a 'purchaser-provider' relationship and that the relationship between the Territory and the AFP is at least partly of a contractual nature. In effect, the contractual elements to the relationship include a formal agreement between the parties, and payment for agreed services.

3.8 However, JACS views the Arrangement as not a contract, as the wordings of the Agreement in particular affords ACT Policing a status akin to that of an ACT Agency, allowing it to act independently of JACS. JACS highlights the facts that the Chief Police Officer reports directly to the Minister, ACT Policing appears at Estimates Committees, sits on inter-departmental committees and is given access to Cabinet submissions and is asked to comment on them. Further, resources for policing are decided not according to the Policing Agreement, but by budget submissions originating from ACT Policing. The AFP has also committed to an arrangement where price would approximate cost.

3.9 This implies the current arrangement is not so much a purchaser-provider arrangement as a 'funder-provider' relationship, similar to that which exists for Departments. The payments are made over the year regardless of performance and

the value of outputs has not been linked in a way that payment is not made when services are not provided to agreed standards.

3.10 In practice, the Commonwealth ownership of ACT Policing means that the formal basis of the relationship cannot be the same as that with an ACT agency, as the Territory does have the same powers of control as it does with its own agencies. As discussed before, given the “external” nature of ACT Policing, Audit considers it is important that JACS performs the functions of providing independent advice to the Minister on policies, resource allocation, the review and management of AFP performance through the management of the Purchase Agreements.

3.11 To the extent that the Agreement has contractual aspects, there are good practices from contract management that can be applied to the management of the Arrangement. For example, JACS could ensure that payment and performance is governed by the annual Agreements, which is not currently achieved.

Better Practice Criteria Which Could be Applied for the Policing Arrangement

3.12 From the discussion of the problems with the 1990 Arrangement in Chapter 2, together with general good practice principles, Audit suggests the following criteria for a sound, accountable Arrangement. The Arrangement should include provisions to address issues such as:

1. the purpose of the Arrangement;
2. definition of the services to be provided, including the goals and objectives to be achieved through provision of the services;
3. pricing and charging provisions;
4. standards or performance levels to be achieved;
5. reporting requirements, including performance, financial and personnel reporting;
6. access to information by parties to the Arrangement;
7. resolution of disputes;
8. consultation on key appointments;
9. provision for the Territory to give strategic direction; and
10. provisions on the agreement itself – its duration and mechanisms to adjust or replace it.

Analysis of the 2000 Arrangement

3.13 The 2000 Arrangement appropriately shifted the focus of the policing arrangement from managing inputs to achieving outputs and outcomes through the specification of performance targets, many of which are outcome-based. It also provided for increased transparency through better reporting to the Territory. The 2000 Arrangement included the need for ACT approval to the appointment of a Chief Police Officer (CPO), the ACT Police Minister being able to give directions to the

CPO and require provision of information from the CPO. The AFP is required to provide audited financial statements, and the Territory may have other financial and performance audits conducted. However, the Territory recognised that the ability of the AFP to provide accurate reports may initially be limited, and that the Policing Purchase Agreements would need to be refined in the light of experience. It was also recognised that the Commonwealth remained responsible for determining AFP terms and conditions of employment.

3.14 Table 1 below summarises audit comments on the arrangement and its supporting agreements against the criteria discussed above. Details follow the table.

Table 1 Analysis of the 2000 Arrangement and Policing Purchase Agreements against Criteria of paragraph 3.13			Annual Policing Purchase Agreements
1	Purpose	Yes.	Yes.
2	Definition of services	Yes. Services defined broadly covers the scope of policing services	Yes, through outcomes, outputs and performance targets.
3	Pricing and charging	Prices referred to in Policing Purchase Agreement	Partly. Dollar figure provided for each output, but no definition of price setting process.
4	Standards or performance levels	Referred to Policing Purchase Agreement	Yes. Defined in performance measures.
5	Reporting requirements	Yes. As required by Police Minister.	Yes. On a quarterly basis.
6	Access to information	Yes. As required by Police Minister; audit arrangements also defined.	Yes.
7	Resolution of disputes	Referred to Ministers and may be difficult to be implemented.	No. Not defined.
8	Key appointments	Partly. Chief Police Officer defined, not others.	Not applicable.
10	Strategic direction by the ACT	Yes. Minister may give general directions.	Not applicable.
11	Duration and modification	Yes. Five years duration, to negotiate two years prior.	Yes. Term defined.

Purpose of Services (criterion 1)

3.15 The purpose of the 2000 Arrangement and the annual Policing Purchase Agreements are clearly defined.

Definition of Services (criterion 2)

3.16 The definitions section of the Arrangement describes policing services as including, but not necessarily limited to the preservation of peace and good order, the prevention and detection of crime and the protection of persons from injury or death, and the protection of property from damage, whether arising from criminal acts or otherwise.

Audit Comment

3.17 Although this definition does not reflect outputs documented in the policing agreement, it satisfactorily captures the scope of policing services.

Pricing and Charging (criterion 3)

3.18 The 2000 Arrangement is silent on whether the price should be according to cost (as in the old arrangement), or according to outputs (as recommended by the consultancy). The 2000 Arrangement stated:

- 3.1 The Commonwealth and ACT Government agree that the AFP will provide police services to the ACT Government in accordance with the Purchase Agreement.
- 3.2 The ACT shall pay the AFP for the provision of police services pursuant to this Arrangement the amounts specified in the Purchase Agreement.

3.19 Although the two paragraphs are adjacent, the Arrangement does not state that payments should be contingent on the satisfactory delivery of police services. Such an explicit link would be expected in a purchaser-provider agreement, but JACS considers it inappropriate to the nature of the relationship.

3.20 Schedule 1 to the 2003-2004 Policing Purchase Agreement lists dollar figures at the end of the description of each output but does not explicitly state that these are the prices to be paid (since they are not defined, they could be estimates, for example). Also, the Agreement does not state the total price, nor say that the price is as described in the Schedule. In other words, the Agreement should clarify the price.

3.21 Listing of dollar figures against each output implies that the price is related to the outputs. However, the price that is paid at the end of the year is not dependent on the outputs achieved.

3.22 The Policing Purchase Agreement does not refer to billing and payment. Current arrangements for monthly payments are reasonable, but should be included in the Agreement.

Standards or Performance Levels (criterion 4)

3.23 The measures with their targets are defined in an Appendix to each Policing Purchase Agreement. These documents did not describe how differences between agreed and actual service delivery will be handled.

Reporting Requirements (criterion 5)

3.24 The Arrangement is wide in scope, stating that ‘The Chief Police Officer shall provide to the Police Minister such information, reports and recommendations in relation to the provision of services to the ACT under this Arrangement as the Police Minister may from time to time require’. These requirements are defined by the Policing Purchase Agreement, which currently requests quarterly reports separately covering performance, finance and personnel.

3.25 Policing Purchase Agreements from March 2003 provide that reports will be in a format agreed by the parties. The current format as at May 2003 includes the target, the result, the variation, and the assessment as to whether or not the measure is on target. Audit’s view is that together with the accompanying commentary on measures, this is now a satisfactory reporting format.

3.26 The Policing Purchase Agreement does not specify that the ACT Policing Annual Report shall be in an agreed format, although reports have broadly conformed to Territory annual reporting guidelines.

Access to Information (criterion 7)

3.27 There is a broad definition in the Arrangement, providing scope for satisfactory access by the Territory to AFP information.

Resolution of Disputes (criterion 8)

3.28 At present, the Arrangement refers disputes to the two Ministers, Territory and Commonwealth. As it is written, this provision for resolving any disputes between the Territory and the AFP appears to be weak, especially as the relationship is managed at high levels and so any elevation rapidly reaches at least the level of ACT Minister and Chief Police Officer. Should a dispute reach the Minister-to-Minister level, they would be difficult to resolve. The Ministers are the parties to the Arrangement, so if they were in agreement, the dispute would not have arisen; and if they differ, the dispute cannot be resolved easily.

Key Appointments (criterion 9)

3.29 The Arrangement makes sound provisions with respect to the appointment and removal of the Chief Police Officer. It states that the Chief Police Officer shall be appointed with the approval of the Police Minister. It also provides that Chief Police Officer will be replaced if the Police Minister advises the AFP Commissioner that the Chief Police Officer no longer enjoys the confidence of the ACT Executive, and the reasons for that lack of confidence.

3.30 The Territory has sought to be made aware of other senior movements or appointments, and the AFP has agreed to provide advance notice where possible. JACS could seek to include in the next Policing Arrangement a provision for the AFP to notify the ACT Government prior to the movement of senior ACT Policing personnel.

Strategic Direction by the Territory (criterion 10)

3.31 The Arrangement states that the Police Minister may give to the Chief Police Officer general directions in writing as to policy, priorities and goals. This provision for the ACT Minister to give written strategic direction is sound, but has not been used.

3.32 There are regular meetings between the Minister and the Chief Police Officer, as well as policy briefs put to the Minister and directions through Cabinet Decisions. Another mechanism to permit strategic direction by the Territory is involvement in key strategic planning forums of ACT Policing. For example, there was a senior JACS representative on the team working on the early stages of the ACT Policing Strategic Plan, and again more recently during its final stages of development. Decisions of various policy development forums, such as on domestic violence, illicit drug use and criminal law reforms, also impact on police work.

3.33 Reliance on informal mechanism rather than explicit direction for strategic direction can lead to a lack of transparency to the ACT community, and it would be difficult to document and monitor the compliance by the AFP to any such directions.

Duration and Modification (criterion 11)

3.34 Although JACS holds the view that provision of policing services by the AFP is mandatory, the Arrangement provides for the possibility that the AFP may wish to withdraw services, or the Territory seek an alternative provider. The Arrangement provides that 'If either party decides the Arrangement shall not be continued or renewed, it shall give at least 2 years notice in writing to that effect'.

3.35 The Arrangement defines that each Policing Purchase Agreement is to be updated annually by March of each year, and that if the Agreement has not been signed by May, the price will be the current year adjusted for actual and projected

price movements. This is a reasonable provision. However, as discussed in Chapter 4, it has never been applied.

3.36 There are no general provisions for adjustments to the annual agreements during the course of the year. As discussed later, the initial 2002-2003 agreement had a specific provision to allow for later variations to the performance measures. In principle, an arrangement can be changed by mutual consent at any time, but it may be more efficient to specify mechanisms for such changes.

Summary

3.37 The analysis above shows that the Arrangement and Agreements are generally sound, although the lack of a clear linkage between price paid and delivery of services is still of concern. Nevertheless, the current Arrangement is a significant improvement over the 1990-2000 Arrangement described in Chapter 2.

Recommendation 1

3.38 JACS should ensure that each annual Policing Purchase Agreement specifies clearly:

- a) the total price to be paid for policing services;
- b) billing and payment arrangements; and
- c) the terms and conditions under which variations can be made.

JACS Response

3.39 “*Agreed.*”

MANAGEMENT OF THE ARRANGEMENT

Allocation of ACT Government Responsibilities

3.40 Although JACS administers the Policing Arrangement, it is not a Police Ministry. In NSW, for example, the Ministry for Police provides independent advice to the Minister for Police and coordinates the formulation and implementation of policy and the allocation of resources affecting the Minister’s portfolio.

3.41 The Police Minister signs both the Arrangement and the annual Purchase Agreements on behalf of the Territory. Based on this responsibility, the Police on many occasions deal directly with the Minister rather than JACS. This is reasonable, but can create difficulties if there is not effective communication between the Minister and JACS. This has shown itself in the past as, for example, the 2000-2001 performance statement and some quarterly reports not being referred to JACS for

advice and policing budget initiatives initially at least by-passing JACS. JACS may wish to consider taking steps to ensure communication with the Minister on these matters remains effective.

Resources Employed by JACS

3.42 Notwithstanding the significance of the policing function, and that policing accounts in 2003-2004 for over 34% of the total funds to be expended through the Justice and Community Safety Portfolio, JACS has given the management of the policing arrangement limited emphasis or resources. It was not one of the ‘key issues’ reported by JACS in any Annual report from 2000-2001 to 2002-2003, even though 2000-2001 was the year in which the new Arrangement commenced. There are no staff whose prime function is management of the policing Arrangement. Based on estimates by Departmental staff, about 0.3 staff are deployed on managing and paying for the policing arrangement at a total salary cost per year of \$32 000 or 0.04% of the Policing expenditure. This does not include resources expended directly by the Minister and his staff, but there are limited resources in the Minister’s office to provide support to the Minister.

Audit Comment

3.43 Audit was surprised that so few resources were expended on the administration of this significant task. Some of the other findings and recommendations relating to the need for better analysis and review may be reflective of the current low level of resourcing. Any reliance on the Minister and the limited resources of the Ministerial Office for effective administration and monitoring of the Arrangement would not be satisfactory.

Recommendation 2

3.44 The Arrangement should clearly provide for JACS to take a primary role in managing the Arrangement and Annual Agreements.

JACS Response

3.45 “*Agreed*, but in agreeing this department recognizes that if the recommendation for “*JACS to take a primary role in managing the Arrangement*” is to be workable then the current direct reporting relationships between the minister and police are likely to be substantially altered.”

DEVELOPING THE ANNUAL POLICING PURCHASE AGREEMENTS

3.46 This section discusses the process of the development of agreements, focusing on the timeliness of this process. The contents of the main bodies of the agreements have been discussed above, and discussion of the performance measures attached to the agreements is in Chapter 4.

3.47 The main body of the annual Policing Purchase Agreement has had very few changes up to 2002, although the March 2003 revision introduced a number of changes, including:

- a significant reduction to the number of relevant measures of quantity;
- replacing outcomes with a single policing outcome and associated outputs; and
- including a requirement for reports to cover performance, finance and personnel, and be in a format agreed by the parties.

The 2000-2001 Policing Purchase Agreement

3.48 The first Policing Purchase Agreement under the 2000 Policing Arrangement was signed on 28 June 2000, just in time for the start of the year, but three months later than envisaged in the Arrangement.

The 2001-2002 Policing Purchase Agreement

3.49 In 2001, there were protracted delays due to negotiations over enabling costs, for which the AFP was seeking an additional amount of \$9.9m. There were subsequent delays in recruiting and hence fewer police than planned. (Enabling costs refer to services such as human resources management, finance, forensics and information technology that are shared across the AFP; see paragraph 6.28 for details.) The Territory commissioned a review that found that costs were hard to estimate, but the best estimate was in excess of the AFP request.

3.50 The AFP provided a draft Policing Purchase Agreement on 29 August 2001. From that time, all of the negotiations were related to the performance measures and targets. Analysis was conducted rapidly by JACS, with the Minister being briefed and comments returned to the AFP by 3 September. The Agreement was finally signed on 11 September 2001, over five months late.

The 2002-2003 Policing Purchase Agreement

3.51 The Policing Purchase Agreement was signed on 17 August 2002, over four months late. Initial changes to measures from 2001-2002 were limited. It was envisaged that there would be an amendment in the first quarter of the financial year, i.e. by September 2002, to revise the performance indicators. An amended set of measures was agreed to on 6 March 2003.

The 2003-2004 Policing Purchase Agreement

3.52 JACS and the AFP agreed in May 2003 to carry over performance measures to 2003-2004, but with possible adjustments to performance targets. The 2003-2004 Policing Purchase Agreement was signed on 21 November 2003. The delay was partially due to the late (July 2003) ratification of the AFP certified agreement.

Audit Comment

3.53 The Arrangement requires that each annual Policing Purchase Agreement be concluded by March of each year. The dates of signing the agreements are as below:

28 June 2000
11 September 2001
17 August 2002
21 November 2003

3.54 The Purchase Agreements have never been signed on time, and are on average five months later than the March 31 target. As these are annual agreements that expire on June 30 each year, there have been substantial periods for which no Policing Purchase Agreement applied. In July 2001, the AFP Commissioner wrote to the Chief Minister suggesting that the Agreement be settled no later than April each year. In early 2002, JACS set up an Agreement Review Committee, noting the need to negotiate Agreements by March each year. However, these actions appear to have had no effect.

3.55 With the budget being brought down in May each year, the March target set out in the Arrangement may not be practicable. Nevertheless, budget guidance should be sufficient to reach an interim agreement by March of each year, with the agreement completed following the passing of the budget.

3.56 The Audit considers it poor management practice to have no Purchase Agreement defining the services or the payment well into the year in question. Further, the delay in concluding the annual Purchase Agreements has had undesirable consequences in the timely use of approved resources.

3.57 Audit accepts that uncertainty over future costs, such as when AFP salaries are under negotiation, makes the conclusion of a Policing Purchase Agreement difficult. In such cases, the desirable approach is to agree to an interim price and the processes by which the price can be renegotiated. This approach was taken, with respect to performance indicators, in 2002, as discussed in paragraph 3.51 above.

Recommendation 3

3.58 JACS should negotiate with the AFP a firm timetable for negotiations that would lead to a conclusion of the annual Policing Purchase Agreement before March 31 each year. In line with the budget process, this should be an interim Agreement with a provision for review, depending on final budget outcomes.

JACS Response

3.59 “*Agreed in principle.* March 31st is too early to have a signed agreement in place. Police have been reluctant to commit in writing to any outcomes when the budget is not normally finalised until May. Rather than signing an interim agreement JACS would seek to have negotiations finalised by 31 March with a view to signing as soon as the budget is confirmed.”

4. PERFORMANCE MEASURES

INTRODUCTION

4.1 Inputs, outputs, and outcomes are key concepts used by organisations in managing its resources to achieve its goals. In brief:

- an input refers to a resource that is used. Examples of input measures are the expenditure on police and the number of police officers;
- an output refers to a measurable product or service produced. Examples of performance measures of outputs might be number of patrols, or number of incidents attended; and
- an outcome refers to the final result that affects the community. It is often not totally controlled by the provider. An example of a performance measure of an outcome might be the level of a specific type of crime, or fear of crime as indicated by responses to a survey.

4.2 Performance measures are used to assess the extent to which output and outcome targets have been achieved. Most purchaser-provider agreements define what is to be provided using outputs as these can be reliably measured and are controlled by the provider. The purchaser wishes to achieve outcomes that are strongly influenced, but not necessarily controlled, by the provider. For example, the Territory, as purchaser, wishes to achieve an outcome of low road casualties, but this is only partly influenced by Police output measures such as the number of person-days spent enforcing traffic laws.

4.3 The annual Policing Purchase Agreement specifies the outcomes, outputs, performance measures and targets. This process was discussed in the previous Chapter.

4.4 The performance measures are reported quarterly and in the annual Statement of Performance included in the Annual Report of ACT Policing.

4.5 This Chapter discusses:

- the development of performance measures;
- the adequacy of current performance measures;
- the quality of reporting on current performance measures; and
- responses to performance results.

SIGNIFICANT FINDINGS

Positive Findings

- *Performance measures are now more focused on outcomes. (Paragraph 4.9)*
- *Over the period of the 2000-2005 Arrangement the reliability and relevance of performance measures has increased. (Paragraph 4.13)*
- *There are performance measures in the 2003-2004 Policing Agreement that address all key areas of Police operations. (Paragraph 4.15 onwards)*

Negative Findings

- *Performance measures do not define the quantity of key services to be delivered, and could be supplemented with further measures of timeliness. (Paragraph 4.30 onwards)*
- *The Criminal Justice Strategic Plan is not taken into account in setting performance measures. (Paragraph 4.40)*
- *Quarterly reports have been received late by JACS: on average two and a half months after the quarter is complete. (Paragraph 4.50)*
- *Where performance reporting has revealed poor performance by the AFP, JACS has not followed through to ensure corrective action is taken. (Paragraph 4.55 onwards)*

DEVELOPMENT OF PERFORMANCE MEASURES

4.6 The Government recognised that the performance measures would need to be refined over a two to three year period following the commencement of the Policing Arrangement. Performance measures have been modified each year as JACS and the AFP seek to improve the relevance and reliability of the measures and address audit criticisms. The nature and number of measures has varied considerably over the last three years, as depicted in Table 2 below.

Table 2 Variation in number of performance measures

	Year				
	2000-2001	2001-2002	2002-2003	2003-2004	2003-2004
Quantity	37	37	36	5	5
Quality	24	29	28	27	27
Timeliness	13	7	7	9	9
TOTAL	74	73	71	41	41

Notes. Some revised 2002-2003 timeliness measures had two parts, e.g. Priority One response times within 8 minutes and within 12 minutes. For this purpose, they are counted as two measures.

The revised 2002-2003 measures have been classified as ‘quantity’, ‘quality’ and ‘timeliness’ measures by the Audit, as they are not listed in the Purchase Agreement by this classification.

Audit of Measures

4.7 The Australian National Audit Office (ANAO) audits the financial statements of ACT Policing, as it is part of a Commonwealth body, the AFP. The ANAO also conducts special purpose audits of ACT Policing’s performance measures in each financial year, which provides assurance on the reliability of reporting by the AFP. The ANAO audits address validity and reliability but not relevance or appropriateness of the reported measures. Table 3 summarises the ANAO audit results.

Table 3 Summary of ANAO audits of Performance Measures.

	2000-2001	2001-2002	2002-2003	2002-2003 (revised)
Number of Outcomes	6	6	6	1
Number of Outputs	17	16	17	4
Number of Measures	74	73	71	41
Number of Measures Qualified	30	12	n.a.	0
% of Measures Qualified	40%	16%	n.a.	0%

Sources: Purchase Agreements; ACT Policing Annual reports; separate ANAO audit for 2000-2001.

4.8 The results of the ANAO’s audits are reported in the ACT Policing Annual Report. The ANAO qualified many of the reported performance measures, for reasons such as absence of measurement systems, inadequate systems and no reported

results. In response to these criticisms, the AFP and JACS agreed to change or remove completely a number of performance measures, while some measures were carried forward. The ANAO audit opinion on the 2002-2003 performance measures was unqualified. ACT Policing reported no results for four of the measures, but the Minister had given written approval for these to be exempted from the reporting requirement.

The 2002-2003 Measures

4.9 There was a substantial revision of performance measures in March 2003. This led to a significant reduction in their number, particularly of quantitative measures. Those measures focusing on outcomes or quality were reshaped and revised. For example, a measure of number of person-days of patrols was removed, and measures on the percentage of persons concerned about being victims of crimes were added. Overall, performance measures are now more focused on outcomes.

Audit Comment

4.10 Early changes were made to improve relevance of the performance measures and address ANAO qualifications, but the most substantial change occurred in 2003. This change reduced the number of measures, and concentrated on outcome or quality measures. The AFP drove the process of change, but changes were only made after discussions and negotiation with the Department and approval by the Minister.

4.11 Audit agrees that since development of sound performance measures is difficult, a three-year time frame for their development is reasonable. Since it is over three years since the Arrangement commenced, the measures should now be mature.

4.12 Changes to performance measures also balanced the number of measures according to the cost of the area of policing to which they referred. Previously, the less material areas, such as minimising the impact of emergencies, supporting prosecutions and providing information and regulatory needs, had had almost as many indicators as those reflecting crime and traffic management.

4.13 Over the period of the 2000-2005 Arrangement, therefore, the reliability and relevance of performance measures has increased.

THE ADEQUACY OF CURRENT PERFORMANCE MEASURES

Introduction

4.14 The current Policing Agreement includes four outputs, which are listed below together with the prices for 2003-2004. The outputs are listed in Table 4 below.

Table 4 Policing Agreement Outputs		
		Percentage
Output 1: Crime and safety management	\$70.9m	83.5%
Output 2: Traffic law enforcement and road safety.	\$5.6m	6.6%
Output 3: Prosecution and judicial support	\$3.7m	4.4%
Output 4: Crime prevention.	\$4.7m	5.5%

4.15 Some performance measures cover more than one output. They are presented in the 2003-2004 Policing Agreement under the following categories:

- level of crime;
- fear of crime;
- police responsiveness;
- public confidence in police;
- road safety;
- supporting the judicial process; and
- crime prevention

Level of Crime

4.16 There are measures for offences reported, and clear-up rates, in the two broad categories of property offences and offences against the person. Each of these is a measure of quality. There is no specific quantitative measure, although the clear-up rate multiplied by the number of offences gives the number of offences cleared, which is a measure of activity.

Fear of Crime

4.17 In this area, there are six measures, all relating to quality, based on opinion surveys.

Police Responsiveness

4.18 There are nine measures of responsiveness. Over the period of the Agreements, the targets for these measures have been adjusted, as indicated in Table 5 below.

Table 5 Change in responsiveness standards

									000 calls
									54 sec
2000-01	70%	-	60%	-	-	-	99%	100%	-
2001-02	70%	-	60%	-	-	-	98%	100%	-
2002-03	60%	90%	60%	95%	60%	95%	95%	90%	98%

Notes

Two levels for each of priorities one, two and three were only introduced in 2002-2003

Priority 1: Life threatening or time critical situations

Priority 2: Situations where the information provided indicates that time is important, but not critical

Priority 3: Situations where there is no immediate danger to safety or property, but where police attendance is needed without undue delay

Priority 4: Situations requiring police attendance, but at which time is not important, includes circumstances where a time is agreed with the complainant.

* Before Priority 3 was put into place, the 24-hour priority was called Priority 3.

4.19 In 2002-2003, more detail was added by inserting a Priority Three, and in addition adding targets such as 90% of Priority One calls to be attended within 12 minutes, as listed in Table 5 above. These measures are now consistent with other emergency services such as the fire brigades and ambulance.

4.20 The reduction in the target for 000 calls was considered necessary because incidents with multiple witnesses (e.g. car accidents on a busy road) can cause a flood of 000 calls. The reduction in standard for Priority Four was explained by clients sometimes not being available to speak to police for these lower priority cases; and then other priorities can prevent the police calling back at a preferred time for the client.

Road Safety

4.21 All six performance measures for this area related to quality; there are no measures of quantity or timeliness. The quality indicators relate to the accident rate and to survey results of driver behaviour such as speeding, drink-driving, and not wearing seat belts.

4.22 There are currently no quantity indicators to reflect the level of activity. The measure on number of accident scenes attended each year was dropped in March 2003 and the measure on number of traffic breaches detected was dropped in 2001.

4.23 Timeliness measures relating to response to road accidents involving injury or death were dropped in March 2003, although accident calls are reflected in the overall police responsiveness targets discussed above.

Supporting the Judicial Process

4.24 Four performance measures are defined, one on quantity and three on quality, related to outcomes of prosecutions. As systems to measure the three quality indicators were still under development, only one performance measure was reported in 2002-2003.

4.25 This area had previously had many more measures. Two measures considered significant by audit were dropped. One was 'percentage of orders served', the other 'Number of arrests, summonses, VATACs and diversionary conferences'. Most of the information omitted is in the annual report, but it is not audited.

4.26 There are now no timeliness measures for this area. The measure 'Percentage of police briefs of evidence delivered in accordance with timeliness guidelines' was dropped notwithstanding the problems in achieving timeliness in the past.

Crime Prevention

4.27 Six performance indicators were identified in this area, three referring to quantity, and three to quality.

Overall Considerations

4.28 As noted in Table 2, the current performance measures include 28 measures of quality, nine of timeliness and four of quantity. For example, there are no measures of quantity of services delivered in the areas of level of crime or road safety.

4.29 There are no performance measures specifically relating to the 'safety management' part of Output 1. However, the AFP reports on its response to disasters through specific reports and processes such as coronial inquests, and safety management will give rise to some of the incidents reflected in the responsive measurement.

Audit Comments

The Role of Output Measures

4.30 As discussed in Chapter 3, Audit considers that a suitable Arrangement would have both clear definition of services, goals and objectives, and standards or performance levels to help in assessing whether objectives have been met. In Chapter 3, we found that the framework of the Agreement was satisfactory for these purposes.

4.31 However, Audit considers that for any purchase agreement, one of the primary requirements is to define the quantity of product or services that are to be delivered. Definition of quality is also important, but it is hard to have a satisfactory purchase agreement that does not answer the question ‘how much are we buying?’

4.32 Audit therefore considers that there should be in the Policing Agreement a requirement that performance measures cover all facets of performance, namely quantity, quality, timeliness, and cost. There are only four measures of quantity overall. Audit believes this may lead to performance measures being inadequate in that they do not provide sufficient assurance that the Territory is receiving a reasonable quantity of services, in addition to assurance of quality and timeliness.

4.33 Audit considers that appropriate and meaningful measures of quantity, when considered with other measures, often provide context and further information to support the outcomes. For example, if questions are raised about achievement of outcomes, quantity measures such as number of incidents responded to or number of patrols could provide assurance that there was an adequate response. Police numbers are now the subject of quarterly reporting, and Audit considers this measure should be part of the suite of audited performance measures under the Policing Agreement.

4.34 The AFP has concerns that specification of requirements in lower level terms could divert resources and constrain police from conducting higher priority activities. They noted that ‘earlier purchase agreements ... produced an unintelligible mix of input, activity and output measures.’ However, Audit considers that good practice in performance measures, for example in the various balanced scorecard approaches to measuring performance, involves simultaneous consideration of a number of aspects of performance. The issue is to have a clear awareness of the connection between the various types of performance measure, such as activities, outputs, output areas, purpose and goal. Such frameworks explicitly record that the only reason for the activities and outputs is to reach the purpose and goal. The framework would therefore allow ACT Policing to have flexibility to respond to emerging priorities.

4.35 Audit also accepts that specification of output measures that satisfactorily define policing activities is difficult. The Productivity Commission in its 2004 Report on Government Services noted that ‘it has proved difficult to develop efficiency indicators ... due to the absence of agreed output measures’.¹ The Commission is therefore looking at defining output as the sum of actions taken to address issues of prime importance.

4.36 At present, the only efficiency indicators presented by the Productivity Commission, and by several Police Forces, are the costs of each output or closely related items such as police person-hours. South Australia Police present a wide range of performance indicators such as taskings (patrols), number of incident reports taken at Police Stations and number of events planned and managed by police. In

¹ Productivity Commission, *Report on Government Services 2004*, p. 5.67

NSW, the indicators used to assess the performance of the NSW Police covered resources used (inputs) efforts made (outputs) and outcomes achieved.²

4.37 A further issue is accountability for budget funding where objectives are set in terms of inputs. This issue is discussed further in Chapter 6, where the audit view is that objectives of budget proposals should be set in terms of outputs and outcomes. But where budget proposals are submitted, and agreed by the Government, based on inputs such as the number of police officers, the funds should be accounted for using appropriate input measures.

Timeliness Measures

4.38 The only timeliness measures were for overall police response times, which relate mostly to output 1 and partly to output 2. Audit considers the measure 'Percentage of police briefs of evidence delivered in accordance with timeliness guidelines' should be considered for reinstatement to provide a more adequate set of performance measures for output 3. Audit understands that the reliability of information in this area is problematical, but suggests that JACS work with the Director of Public Prosecutions with a view to generating a suitable reliable indicator of timeliness in this area.

Criminal Justice System Strategic Plan

4.39 The ACT Criminal Justice System Strategic Plan 2002-2005, issued in November 2002, defines a number of activities to be carried out for all agencies involved in criminal justice, including ACT Policing. 'Expediently and fairly manage cases through the courts' was one area for action. Measurement of achievements would have been easier with the retention of the timeliness measure discussed above.

4.40 This Plan was not mentioned in file records on performance measures, and only one of the Plan's 22 actions on ACT Policing is reflected in a performance measure. Audit concludes that the Criminal Justice Strategic Plan is not taken properly into account in setting performance measures.

4.41 In summary, audit considers that the current set of performance measures are deficient as they do not define the quantity of key services to be delivered, and could be supplemented with further measures of timeliness. It is recognised that performance measures should continue to emphasise outcomes, and it is further recognised that it is difficult to derive appropriate output measures. Nevertheless, additional supporting information on outputs and timeliness would be helpful for assessing performance, especially if linked to the outcome measures.

² Council on the Cost and Quality of Government, *Overview of NSW Government Services, 1997-2002*, March 2004, p. 43

4.42 It is noted that information on a number of quantity indicators have already been provided elsewhere in other reports. There should not be any resources implications for the AFP to collect data and report on these as part of the Purchase Agreement. It is useful to include the important and relevant ones as mentioned above, in the Agreement so that the level of services can be more formally reported and properly audited and examined.

Recommendation 4

4.43 JACS should negotiate with the AFP to supplement the current set of performance measures to ensure as far as practicable a balanced assessment across all activities, covering quantity, quality, and timeliness, and taking into account at least the ACT Criminal Justice Strategic Plan.

JACS Response

4.44 “*Agreed in principle*, but JACS will not commit to further quantity performance measures that do not contribute to providing better policing outcomes. Quantity measures such as the number of patrols or the number of incidents responded to are only measures of activity and once in place have the potential to drive the way police provide their services in a way that is not necessarily conducive to better outcomes.”

QUALITY OF REPORTING ON PERFORMANCE MEASURES

4.45 This section discusses reporting against the performance measures required under the Policing Arrangement. This reporting is contained in the Statement of Performance attached to the Policing Annual report, and quarterly reports on performance to the Minister.

Annual Statement of Performance

4.46 The Statement of Performance is a document included in the Annual Report of ACT Policing. Similar Statements are included in annual reports of ACT Government agencies. They list the agreed performance measures, the targets, and the achieved results. Although the AFP had always reported on the performance of its policing activities in the ACT, the Statement of Performance, as a single document bringing together audited performance data, was only instituted with the 2000 Arrangement.

4.47 The first Statement of Performance for 2000-2001 was not included in the Annual Report, signed on 31 August 2001. The audit of the Statement by the ANAO was signed off on 30 November 2001. The ACT Policing Statement of Performance for 2001-2002 was incorporated in the ACT Policing Annual Report and included for the first time variances from targets.

Audit Comments

4.48 Audit considered the format of the Statement of Performance for 2001-2002 acceptable as it clearly stated target and actual performance. However, it could have been further improved by explanations for all significant variations from targets. In 2002-2003, there were comments against each significant variation, but one of these (speed of response – priority two) was not an explanation, only a comment that the measure would be closely monitored.

4.49 Audit considers that Management Discussion and Analysis reporting in a similar format to that requested from ACT Government departments would require the AFP to provide a succinct and balanced account of its performance as described in the financial statements and the performance measures.

Quarterly Reports to the Minister

4.50 Each of the Annual Policing Agreements had a provision that ‘The Chief Police Officer shall report to the ACT Minister on a quarterly basis on the AFP’s performance under this Agreement’. From July 2000 to June 2003, this represented a total of twelve such reports. However, JACS only had records for three of these. The reports received by JACS were received late by JACS; on average two and a half months after the quarter is complete, as listed below:

First Quarter 2001-2002:	14 December 2001
Third Quarter 2001-2002:	unknown date
Third Quarter 2002-2003:	26 May 2003
First quarter 2003-2004:	21 November 2003

4.51 JACS stated that the reason for the lack of reports was a misunderstanding with the Minister’s office whereby these reports were not forwarded to JACS, but this misunderstanding has now been resolved. Also, the AFP has agreed to forward quarterly reports direct to JACS from May 2003.

4.52 For the fourth quarter 2002-2003, the AFP did not submit a report, but referred to the Annual report. JACS has accepted this omission for this particular quarterly report only.

Audit Comments

4.53 The capacity for JACS to effectively monitor performance against the Agreement is hampered if quarterly reports are not available for analysis within a reasonable time after the completion of the quarter. JACS could negotiate with the AFP to achieve more timely quarterly reporting, and insert the agreed reporting dates in the Annual Purchase Agreement.

RESPONSES TO PERFORMANCE RESULTS

4.54 This section briefly discusses the performance achieved and the response by JACS. The objective is not to comment on the achievement by police of performance targets (as this is an audit of JACS and not of the AFP), but how JACS reacted to this information.

2000-2001

4.55 As noted, no quarterly reports were on JACS files for 2000-2001, and so there was no evidence of any response to them. Although the AFP reported in the 2000-2001 Statement of Performance several cases where agreed performance levels were not met, as well as some instances of inability to report against agreed measures, there was no evidence on file of any JACS response to this report.

2001-2002

4.56 In the first quarter, ACT Policing reported that it was on track to achieve 33 of the 73 targets, and was under-performing for at least nine measures. For the remaining measures, data were unavailable or the measures were ambiguous. For several of the under-performing measures, the AFP undertook to investigate. In addition, JACS stated that the AFP would be asked to report findings and recommendations on all measures currently under-performing in subsequent quarterly reports. However, no record of any request to the AFP was on file, and the only subsequent report on file did not include such findings and recommendations.

4.57 The JACS file contained third quarter results, but without a covering letter or any analysis by the AFP or by JACS. Of the nine measures under-performing in Quarter 1, there had been some turn-around for five of the measures, but no improvement or further decline in the other four. There is no evidence on file that JACS sought any explanation from the AFP regarding this underperformance.

2002-2003

4.58 The first report against the revised Purchase Agreement negotiated in March 2003 was for the third quarter. It was received on 26 May, almost two months after the end of the quarter.

4.59 Of the 37 measures, the AFP was unable to report against four, and was below the target for 13. JACS briefed the Minister on 8 July 2003, who subsequently wrote to the Chief Police Officer outlining seven measures with unacceptable results. Performance for the full year 2003-2003 and in the first quarter of 2003-2004 remained below target on all seven of the measures raised by the Minister. However, there was no evidence that JACS had pursued the issue with the AFP.

Audit Comment

4.60 The presentation of performance information by the AFP in the annual Statement of Performance and the quarterly reports appears balanced. On most occasions, explanations for performance being below target are provided, and proposed action by the AFP to further investigate variations is noted. However, files do not record how, or whether, JACS followed up matters to ensure corrective action was taken.

Recommendation 5

4.61 JACS should:

- a) review all AFP performance measure reports;
- b) seek specific action by the AFP to address any significant gaps in performance in a timely manner;
- c) follow up to ensure that the AFP responds to JACS queries and requests for information; and
- d) document review and follow-up actions.

JACS Response

4.62 “*Agreed*”

5. OTHER PERFORMANCE REPORTING

INTRODUCTION

5.1 Chapter 4 discussed JACS' management of performance measures under the Policing Agreement, and noted that there were some gaps, especially on measures of quantity of services delivered. A brief to the Minister on the revised 2002-2003 performance measures explained that many of the measures dropped from previous Purchase Agreements were now in other reports. These reports include quarterly personnel and financial reports, the ACT Policing annual report and the Criminal Justice Statistical Profile.

5.2 This Chapter considers the management of these reports by JACS. All the reports contain unaudited information and some are not provided under the Purchase Agreements. Particular focus is on the issue of reporting on police numbers.

SIGNIFICANT FINDINGS

Positive Findings

- *ACT Policing Annual Reports have provided information to supplement the performance measures report. (Paragraph 5.3)*
- *The quarterly report ACT Criminal Justice Statistical Profile, tabled in the Assembly, provides additional data on incidents and offences. (Paragraph 5.5)*
- *The AFP now provides quarterly reports to the Minister on police numbers. (Paragraph 5.17)*

Negative Finding

- *Information provided in addition to performance measures, such as the ACT Criminal Justice Statistical Profile, tabled quarterly in the Assembly, is not thoroughly reviewed by JACS. (Paragraphs 5.4, 5.6 and 5.8)*

Annual Report

5.3 ACT Policing Annual Reports have provided information to supplement the report on performance measures provided to the Territory under the Arrangement. For example, Annual reports disclose the number of incidents responded to and the number of patrols despatched.

5.4 There was no record on file of any analysis by JACS of the information in the Annual Report.

Criminal Justice Statistical Profile

5.5 The 'Criminal Justice Statistical Profile', tabled each quarter in the Assembly, provides additional data to that provided by the performance measures called for in the Purchase Agreement. It includes the number of incidents and offences, a breakdown of types of offences and their clearance rates, traffic accident and infringement data, and drug seizures and arrests.

5.6 Audit found no record of analysis by JACS of the data in the Criminal Justice Statistical Profile, although JACS stated that there are analyses for the Attorney-General and by other criminal justice agencies of the Department. Additional analysis for the Police Minister of the police component of the report could further assist the Minister in AFP performance management

Quarterly Financial Reporting

5.7 Starting from the first quarter of 2002-2003, the AFP provides the Minister and JACS with a quarterly report of financial performance. This report describes expenditure to date in similar categories as in the annual financial report, namely employee expenses, enabling expenses,³ administrative expenses and depreciation and amortisation. No information is presented on expenditure by output. The report presents actual and pro rata expenditure and presents predictions of full year outcomes. It also mentions specific issues. For example, the March 2003 report noted delayed expenditure on the DNA back-capture project* and foreshadowed a request for rollover.

5.8 There was no record on file of any analysis by JACS of the information in the quarterly financial report, and in particular no response to the reported over- or under-expenditure.

Recommendation 6

5.9 JACS should analyse relevant reports with information on policing, brief the Minister on the results of the analysis with recommendations for action where appropriate, and document each review. The reports to be analysed should include:

- a) ACT Policing Annual reports;
- b) quarterly Criminal Justice Statistical Profiles; and
- c) quarterly ACT Policing financial reports.

³ Enabling expenses fund work in areas such as human resources management, finance, forensics and information technology and are shared across the AFP; see paragraph 6.28 for details.

* This is a project to collect DNA from convicted serious offenders for inclusion on a national DNA database

JACS Response

5.10 “Agreed”

NUMBERS OF POLICE

The Need for Reporting on Police Numbers

5.11 Although the current Policing Arrangement is focused on outcomes rather than inputs, the number of police continues to be an issue of significance to the community and to the Government. For example, there is a specific commitment by the Government to increase the number of police by 20 over the course of the current Assembly. To meet such reporting requirements, the AFP is now (since March 2003) requested to report on police numbers as well as performance measures each quarter.

Definition of Police Numbers

5.12 The definition of police numbers is complex in part because of the relationship between ACT Policing and the rest of the AFP. The police numbers in Table 6 below were calculated by starting with ACT Policing numbers, subtracting police working on Commonwealth tasks and adding AFP National staff working on enabling tasks for ACT Policing.

5.13 For 2000-2001, the AFP estimated that 5% of ACT police were engaged on Commonwealth duties, compared with a figure of approximately 13% established by a 1998 consultancy. The 5% ratio was based on an annual survey where AFP personnel recorded their time over a week. JACS has not sought further information on this survey to assure itself of its validity, but instead relied on ANAO audits. As police numbers are not a formal performance measure, they are only audited in so far as they affect the financial statements. However, the ANAO report states that no opinion is expressed on the appropriateness of a set of accounting policies that includes the activity-based costing used to apportion costs.

Table 6 Reported Police numbers			
			18 June 2003
Total for ACT Policing (unaudited)	780	803	817
Sources: ACT Policing Annual Reports			

5.14 However, not all reports on police numbers have used the definition described above. In 2001, ACT Policing stated to the Assembly that they were maintaining an average of 694 staff. This was the *overall* ACT Policing strength, including Commonwealth-funded positions, but not including enabling staff. The AFP and JACS also use the concept of a ‘funding establishment’ for ACT Policing, being

positions funded at the long-term salary average for ACT Policing. In 2002-2003 the 'funding establishment' was 679 positions. This figure did not include enabling staff, estimated at 90 thus accounting for some of the difference with the total police numbers at June 2002 of 803 in Table 6.

5.15 The reason for using 'funding establishment' as a benchmark is that as police gain promotion or salary increments, actual numbers must fall to remain within the budget. Conversely, if there are more junior police than normal, actual numbers can be above the funding establishment.

Trends in Police Numbers

5.16 It is not practicable for the AFP to achieve the exact number of police planned. For example, in 2001-2002, there was a shortfall due to lags in recruiting, and during 2003, the attrition rate for police was overestimated, leading to an increase in numbers over that planned. This oversupply allowed the deployment of police to the Solomon Islands to occur while still achieving the target numbers for ACT Policing.

5.17 The AFP now provides quarterly reports to the Minister on police numbers, starting with a draft report in the first quarter of 2002-2003. JACS was concerned about police officers who may be deployed on Commonwealth duties, and decided to seek more information in the 2003-2004 reports. Over the six months to March 2003, staffing rose by 10 to a total of 813.24, being 595.89 sworn and 217.35 unsworn. The reason for the fractional numbers is that police are allocated between Territory duties and federal duties according to a ratio. For example, 0.9 of the Chief Police Officer's time was allocated to Territory duties.

Audit Comments

5.18 The current definition of policing numbers by ACT Policing as used in its Annual Report reflects numbers of police working for the Territory community and so is appropriate. However, there is some confusion because other documents sometimes use different definitions. This is significant when assessing whether Government commitments such as 'an increase in 20 police over the life of the Government' are on track for being met. It would aid clarity of reporting if all information on police numbers used consistent definitions.

5.19 Basic information on numbers of police and unsworn staff reporting to the Chief Police Officer, the percentage allocated to the Territory, the numbers of enabling staff in the various components, and their percentage allocated to the Territory, should all be reported to the Territory to provide further information and assurance on the accuracy of police numbers. At present, only the portion attributed to the Territory is reported.

5.20 JACS should then review this detailed information, and take steps to assure itself that the data are sufficiently correct. In particular, audit is concerned about the discrepancy between the 13% ascribed to Commonwealth duties in 1998 and the 5% figure used more recently, especially since the latter is based on only annual week-

long surveys. The AFP advises that results of the annual activity survey are more reliable than previous ‘interview’ based methods.

Recommendation 7

5.21 JACS should:

- a) seek sufficient information from the AFP to assure itself of the validity of the reported police numbers.
- b) analyse quarterly reports on police numbers, brief the Minister on the results of the analysis with recommendations for action where appropriate, and document each review.

JACS Response

5.22 “Agreed”

6. PAYING FOR POLICING

INTRODUCTION

6.1 Effective strategic oversight and financial control requires, among other things, robust budgeting and financial control processes to ensure the prices agreed are based on sound knowledge of the cost of policing, and the prices paid to the AFP for policing services are both in accordance with the Arrangement and reasonable.

6.2 This Chapter considers the process of budgeting and paying for police services. The next chapter considers the prices paid.

SIGNIFICANT FINDINGS

Positive Finding

- *The budgetary processes, outside the Policing Purchase Agreement framework, have allowed the Government and JACS to exert some financial and strategic oversight of policing. (Paragraph 6.14 and Table 9)*

Negative Findings

- *The prices agreed in the Policing Purchase Agreements between the Territory and the AFP for policing services have not corresponded to the price paid or the budget allocation. (Tables 7 and 8)*
- *Variations to the price to be paid for policing have not been reflected in the Policing Purchase Agreement. (Paragraph 6.14)*
- *JACS has not sought sufficient information from the AFP to ensure the overall price charged is reasonable. (Paragraph 6.33)*
- *There have been no options presented by JACS during the budget development process to enable Government to make an informed decision on the trade-off between cost and volume of police services. (Paragraph 6.37)*
- *Components of the overall price for the various outputs or outcomes (e.g. public order, road safety and emergencies) purchased by the Territory have fluctuated widely, without sufficient supporting information (Paragraph 6.40)*

COMPARING EXPENSES, AGREEMENT AND BUDGET

Expenses Compared With Agreement

6.3 The price actually paid to the police as recorded in the JACS finance system and JACS and ACT Policing Annual Reports should be as per the Purchase Agreement. However, there were significant discrepancies, as indicated in Table 7 below.

Table 7 Actual Expenses on Policing Compared to Policing Agreement, 2000-2001 to 2003-2004

Source	Expenses on Behalf of the Territory (\$000)		
	Financial Year		
		2001-2002	2002-2003
Policing Agreement	60 018	75 900	80 388
Payment as per JACS finance system	64 378	74 537	78 699
Difference	4 360	-1 363	-1 689

Audit Comment

6.4 The payment differs in each year from the prices agreed in the Purchase Agreement. There are reasons for some of these variances. In 2000-2001, for example, the additional cost is mostly explained by costs for the civilianisation of the communications centre and for additional police. However, Audit is concerned that these additional payments were not incorporated in the Purchase Agreement and so were in excess of those agreed. The payments are also inconsistent with the Purchase Agreement, which states that it covers all the goods and services to be purchased by the ACT from the AFP for that year.

6.5 In 2002-2003, the payment according to the JACS finance system (\$78.699m) varied from the payment recorded in the JACS Annual Report, namely \$79.570m. The difference, \$871 000, is the payment for the bushfire emergency. It is of some concern that the JACS finance system did not capture all payments to the AFP.

6.6 There are also discrepancies in each year between the prices recorded by JACS as paid to the AFP and the prices reported by the AFP as received from JACS. Reconciliations were provided by the AFP.

Budget Compared with Agreement

6.7 The difference between agreed expenditure and actual expenditure can be traced back to the budget setting process. The budget figures differed in each year from the prices agreed under the Purchase Agreement, as shown in Table 8 below.

Table 8 Planned Expenses on Policing. 2000-2001 to 2003-2004

Source	Expenses on Behalf of the Territory (\$000)			
	Financial Year			
	2000- 2001			2003-2004
Policing Purchase Agreement	60 018	75 900	80 388	84 969
Budget allocation	70 649	67 548	78 699	80 769
Difference	-10 631	8 352	1 689	4 200

Sources: Policing Purchase Agreements 2000-2001, 2001-2002, 2002-2003, 2003-2004; Budget allocation refers to 'Expenses on Behalf of the Territory', taken from Budget Paper No. 4.

6.8 There are explanations for these discrepancies.

- In 2000-2001, increased costs for new initiatives (see paragraph 6.4 above) and for GST were accounted for in the budget figure presented on 23 May 2000, but not included in the Purchase Agreement, concluded on 28 June 2000.
- In 2001-2002, an additional \$8.4m was agreed after the May budget to pay for additional enabling costs (see paragraph 6.28 below). This together with a rounding of \$48 000 applied to the Purchase Agreement explains the difference.
- In 2002-2003, the amount of \$1.689m added to the budget figure refers to an agreement to use savings from the previous year for DNA backcapture. Again, the Purchase Agreement was not modified to reflect the increased costs.
- Audit has not explored in detail the 2003-2004 variation, but understands it was primarily due to increased AFP salaries.

Audit Comment

6.9 Some of the differences between the budget and the Policing Purchase Agreements were due to items being excluded from the purchase agreements. However, the Policing Purchase Agreement states that all items purchased by the Territory from the AFP should be included in the Purchase Agreement. Other differences were due to changes occurring between the budget finalisation and the signing of the Purchase Agreement; however, as discussed earlier, the Agreement should be negotiated on a similar timescale to the preparation of the budget, and if circumstances arise requiring changes, then both documents can be amended.

6.10 The rounding of \$48 000 in 2001-2002 is excessive when all other figures are presented to the nearest \$1 000. The amount could have been corrected before the Purchase Agreement was signed in September 2001.

Expenditure Compared With Budget

6.11 Table 9 shows that although there were discrepancies in earlier years, payments agreed with the budget by 2002-2003.

Table 9 Budgets compared with expenditure, 2000-2001 to 2003-2004			
Source	Expenses on Behalf of the Territory (\$000)		
	Financial Year		2002-2003
Budget allocation	70 649	67 548	78 699
Payment as per JACS finance system	64 378	74 537	78 699
Difference	6 271	-6 989	0
May Budget estimated outcome	64 378	75 948	78 699
Payment as per JACS finance system	64 378	74 537	78 699
Difference	0	1 411	0

Sources: Budget allocation refers to 'Expenses on Behalf of the Territory', taken from Budget Paper No. 4.

6.12 Corrections were required in 2000-2001, primarily because of an earlier mistake in provision for GST. The error in 2001-2002 related to accounting for the underspend and overpayment already referred to.

REVISING THE POLICE BUDGET

6.13 The budget for the policing function is built up from a baseline funding based on the 1998-99 budget, and additional funding for initiatives from year to year, in much the same way as Departmental budgets are developed. The budget initiatives in the past few years have been:

- 2000-2001: Certified Agreement
 Civilianisation of Communications Centre
 Additional Policing
- 2001-2002: Real Terms maintenance
 New Patrol Officers for Gungahlin
 Match Task Force capacity
- 2002-2003: Increase in Police Numbers

6.14 These initiatives are therefore expressed in input terms, i.e. allowing for increased costs, increased numbers or specific increased capabilities. The resulting variations to the price to be paid for policing have not been accurately reflected in the Policing Purchase Agreement. Nevertheless, the budgetary processes of considering and approving these initiatives have allowed the Government and JACS to exert some financial and strategic oversight of policing.

Revisions During the Year

6.15 In addition to annual changes, there is occasionally the need to revise budgets after the May budget is brought down. For example, in 2000-2001 there was a supplementary appropriation for 'DNA technology for crime prevention' and 2001-2002 there was revised AFP funding to pay for an increase in enabling costs. Neither of these changes was reflected in any change to the Purchase Agreements. Indeed, there have been no revisions in any year to the agreed prices in the annual Policing Purchase Agreements.

Audit Comment

6.16 Revisions to resourcing for police, whether through the annual budget or otherwise, have not been reflected in the Policing Purchase Agreement, which should be the main instrument defining the services delivered and the price to be paid.

CONCLUDING COMMENTS ON THE PROCESS OF PAYING FOR POLICING

6.17 Audit has significant concerns with the inconsistencies in both dollar amounts and processes in paying for policing. In many instances, the budget as formulated by JACS and presented to the Assembly is input-based. It starts with a base funding, and adds on budget initiatives that relate to inputs such as numbers of police, costs of police salaries and specific infrastructure, a similar process to how Departments and Authorities are funded. It bears little relation to the Policing Agreement, the legal instrument by which the Territory purchases policing services, which is formulated in terms of supply of defined outputs and outcomes in return for a predetermined price. In practice, this price is different to that specified in the budget and to that actually paid.

6.18 To avoid such discrepancies in the future, the policing Purchase Agreement (or at least an Interim Agreement) needs to be concluded in sufficient time to have the agreed sum for policing services reflected in the Territory's budget. Any variation due to the Budget process and final approved appropriation will then be followed up with adjustment to the Agreement

6.19 Further, the Purchase Agreement should be used as the key financial planning document for police services. As discussed earlier, it should be finalised within the normal budget formulation timescale. The sum agreed can then be inserted as a single line as the amount for Policing Services in the JACS Budget. Where changes are necessary, they should be negotiated as a change to the Purchase Agreement.

6.20 There continue to be issues relating to funding special projects, such as whether to fund separately a nationally agreed paedophile register. The Audit view is that, as far as practical, it is appropriate for the funding for such projects be included, for completeness and transparency, within the price for the appropriate output as defined in the Policing Purchase Agreement.

Recommendation 8

6.21 JACS should ensure that all payments to the AFP are according to the annual Policing Purchase Agreement. Variations, where they occur, should be recorded and the Agreement amended accordingly.

JACS Response

6.22 “Agreed”

Recommendation 9

6.23 JACS should ensure that the amounts in the Budget and in the annual Policing Purchase Agreement remain equal; and if one document is changed, the other is also amended.

JACS Response

6.24 “Agreed”

JACS’ UNDERSTANDING OF THE ACT POLICING COST STRUCTURE

6.25 It is particularly important in a case of a sole supplier such as the AFP that the Territory has an understanding of the components of the overall cost in order to be satisfied that the costs of policing services are reasonable. In the case of ACT Policing, this cost structure is complex. ACT Policing provides services both to the Territory and to the Commonwealth, for example policing of the Parliamentary triangle and upholding of federal laws. The Territory also pays for some central AFP costs, known as ‘enabling costs’. The basis for allocation of costs between the Territory and the Commonwealth needs to be clear to justify the price charged to the Territory.

6.26 During the 1990-2000 Arrangement, an agreed formula allocated 86% - 87% of ACT Policing costs to the Territory over the period 1993-1998. This was confirmed by a 1998 review, which established an overall figure of 86.58% of ACT Policing costs being attributable to the ACT Government, the remainder being Commonwealth duties. However, the attribution rate has since been varied. An activity survey in 2000 found that the staff time on Commonwealth matters was 4.94%, and in 2000-2001, the AFP in their reported police numbers assessed that 5% of ACT Policing staff were involved in Commonwealth matters. This meant the Territory was bearing 95% of all ACT Policing costs.

6.27 JACS has not reviewed the basis for the ACT Policing cost allocation, and in particular why the current cost attribution to the Territory is significantly higher than the detailed figure derived in 1998.

Enabling Costs

6.28 In December 2000, the AFP wrote to JACS suggesting they had been underpaid for enabling costs. These costs refer to services such as human resources management (HRM), finance, forensics, and information technology (IT) that are shared across the AFP. The AFP had conducted an internal review that suggested that the Territory should be paying some \$14.5m, compared with a payment of \$7.159m in 2000-2001. The Territory subsequently commissioned a review.

6.29 This review found that the best estimate of cost was \$16.7m, \$2.2m more than estimated by the AFP. However, the consultants also commented that they were unable to verify the total enabling costs, as there remained several assumptions and calculations to be confirmed or revised. These included difficulty in verifying costs, the possibility that the AFP may have received funds from the Territory to cover certain expenditure (eg equipment) and an inability to verify the depreciation component of the enabling charge. Following extensive negotiations (noted in paragraph 3.49) the Territory agreed to pay \$8.4m extra in 2001-2002 and \$9.0m in succeeding years.

6.30 JACS now seeks a quarterly report on financial performance; the first one was provided in March 2003. This report divides expenditure into employee expenses (salary, leave etc.), enabling expenses broken down by type, (IT, forensic services, etc.) administrative expenses (such as accommodation and vehicles), and depreciation and amortisation. As noted above, costs to the Territory are determined by apportioning AFP costs, and this apportionment is not presented, only the amount allocated to the Territory.

6.31 The 2002-2003 ACT Policing Annual Report provided a different enabling cost budget for 2002-2003 than that reported in the previous (March 2003) quarterly financial report. For example, the budget for Commercial Support and Policy was 42% higher in the Annual Report than the March report, while that for Technical Operations had decreased by 36%. Also, Technical Operations expenditure reported for the nine months to March of \$577 000 was more than the expenditure reported for the twelve months to June (\$491 000). There was no record of JACS having commented on these variations.

Audit Comments

6.32 The issues raised above indicate that the costs of ACT Policing are not easy to determine. The difference between the estimates of the Commonwealth proportion of costs of around 5% in recent years and 13% in the 1990's creates an additional cost to the Territory in excess of \$6m per year. However, Audit found no evidence of attempts since 2000 to find the reason for the difference or otherwise to validate the cost of provision of police services to the Territory.

6.33 The changes during the 2002-2003 year to the enabling cost budget without sufficient explanation raise issues that JACS should address. At present, JACS has

not sought sufficient information from the AFP to ensure the overall price charged is reasonable.

Recommendation 10

6.34 JACS should seek from the AFP each year, sufficient supporting information on the costs of ACT Policing to allow JACS to satisfactorily validate the proposed prices in the Policing Purchase Agreement.

JACS Response

6.35 “Agreed”

STRATEGIC DECISIONS ON RESOURCING

6.36 Strategic input can be provided through resourcing decisions. As part of management of the policing Arrangement, Audit would expect to see a considered debate around the appropriate level of resourcing, with various costed options leading to advice to Government on the preferred level of resourcing. These decisions would then be reflected in both the Purchase Agreement and the Budget.

6.37 With the strong emphasis on performance measurement at the outcome level, Audit would expect to see budget proposals being framed in terms of the expected impact on outcomes. However, there is little evidence that negotiations on the Budget or the Purchase Agreement considered cost vs. output/outcome trade-offs. For the 2001-2002 year, there were lengthy discussions on funding, but these related to establishing what the AFP costs were, not on the level of service.

6.38 The cost of policing consists of a baseline cost established prior to the current arrangement, together with incremental adjustments through the budget process to reflect salary increases, increased police numbers and changes to enabling costs. Budget proposals to achieve these adjustments are normally originated by the AFP and contain only a single option. The ACT Cabinet Handbook states ‘While clearly favouring preferred recommendations, Submissions should outline options for Cabinet’s consideration’. The generation of a set of options provides Executive Government with the ability to make a considered choice and thereby inject strategic input to the direction of Policing.

6.39 None of the budget proposals defined changes in police capability in terms of outcomes, outputs or performance measures. Relating increases in funding to improvements in outcomes as measured by the performance measures should provide the basis for consideration of the merits of various cost options. Not doing so means that the Territory does not get the full value of the outcome-based Arrangement that has been established.

Costs by Output

6.40 This part considers the variations in prices for outcomes and outputs as defined in the annual Policing Agreement. The Audit examined this matter because there have been significant variations in prices, but these were unrelated to delivery of services. Further, Audit found no record of discussion or negotiation with the AFP on the reasonableness of the prices for each output. Table 10 below shows the prices of outcomes for the first three years of the current Policing Arrangement. These six outcomes were replaced by one outcome with four outputs in March 2003.

Table 10 Trends in agreed prices for outcomes, 2000-2001 to 2002-2003

				Variation over period
1. Public Order	30.283	40.760	37.215	+22.9%
2. Crime Investigations	14.453	22.035	25.779	+78.4%
3. Road Safety	6.389	5.648	5.557	-13.0%
4. Emergencies	2.381	3.015	5.616	+135.9%
5. Judicial Processes	3.900	3.265	5.387	+38.1%
6. Client Needs	2.612	1.177	0.834	-68.1%
TOTAL	60.018	75.900	80.388	+33.9%

* Note: the names of the outcomes have been abbreviated for the purposes of this table. Full names are:

1. A level of public order and community confidence which enables people to go safely about their lawful pursuits
2. The incidence and impact of crime are minimised through effective investigations
3. Road safety is maximised in the ACT
4. The adverse effect of public emergencies/disasters and risk associated with major events is minimised
5. Prosecution and judicial processes are effectively supported
6. The regulatory requirements and information needs of clients are satisfied

6.41 The individual outcomes showed significant variation in prices. Crime Investigations rose by over 78% while Emergencies more than doubled. Meanwhile, Road Safety reduced slightly in price, and the price of Client Needs was cut by over two thirds.

6.42 JACS reported that variations in funding for particular outputs and outcomes are indicators only of priority and resource allocation and do not rigidly depict allocation of resources. However, the increase in funding for emergency response does reflect increased resources for terrorism response.

6.43 The AFP commented that the three largest percentage increases were broadly reflective of real increases in resources, but the two reductions have reflected changes in allocation rules or reorganisation of the function.

Audit Comment

6.44 Audit has two major concerns. The first is that a potentially valuable budgeting and strategic control mechanism has not been used effectively. The Arrangement is supposed to be outcome focused, and yet the prices, (and by inference the resources employed) for the various outcomes and outputs have been the subject of no recorded debate or discussion in JACS.

6.45 Secondly, Audit questions whether the shifts in allocations of resources amongst outputs classes have reflected the strategic direction or priorities of the ACT Government on policing.

Recommendation 11

6.46 JACS should analyse funding proposals from the AFP and then make recommendations to the Minister on the annual funding for each output in the Policing Purchase Agreement.

JACS Response

6.47 “Agreed”

7. THE COST OF POLICING

INTRODUCTION

7.1 This chapter briefly reviews the overall cost of policing to the Territory, and the trends in cost.

SIGNIFICANT FINDINGS

Positive Finding

- *The overall price paid by the Territory for policing services in 2002-2003 was found by Audit to be comparable with that paid per capita in other Australian jurisdictions. (Paragraph 7.9)*

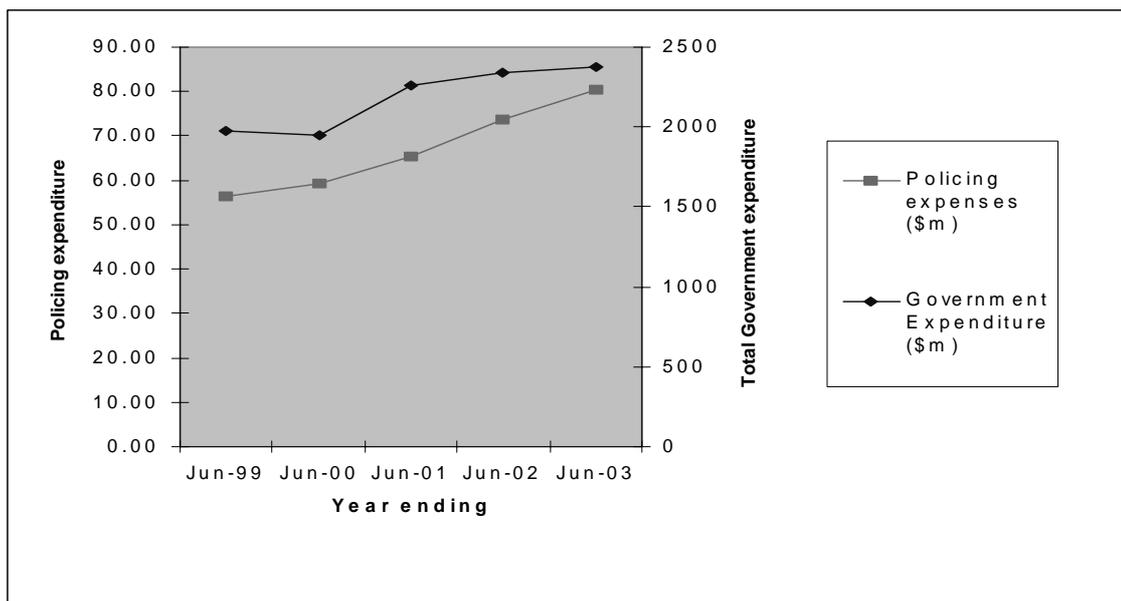
Negative Finding

- *Although the overall price paid for policing has increased rapidly in recent years, JACS has not conducted analyses to determine how the per capita price compares to those paid by other jurisdictions. (Paragraph 7.10)*

THE COST OF POLICING

7.2 As Figure 1 shows, expenditure on policing has risen rapidly, from \$56.5m for the year ending June 1999 to \$80.2m for the 2002-2003 year, an increase of 42% over four years. This compares with overall Government expenditure in that time rising by 20%.

Figure 1 Policing expenditure compared with Government expenditure



Comparison with Other States

7.3 One way of considering whether prices paid for the Territory’s policing services are reasonable is to consider relevant cost data in other Australian jurisdictions. The main component of costs is personnel, which is driven by numbers of police staff.

7.4 Table 11 shows that the number of police staff in the ACT of 248 per 100 000 people is significantly (13%) less than the overall Australian figure of 285 for 2002-2003.

	ACT					SA		NT	Aust
Sworn police staff	184	212	210	220	248	248	231	396	221
Unsworn police staff	62	60	46	87	60	64	74	189	64
Total	248	272	256	307	308	312	306	585	285

Source: Productivity Commission, *Report on Government Services 2004 Table 5A. 17*

7.5 The 2004 Report on Government Services issued by the Productivity Commission indicated that the Territory’s expenditure in 2002-2003 of \$252 per head of population is comparable with the rest of Australia at \$248. The reason that policing costs are similar to the national averages, while police numbers are fewer is largely due to higher salary costs or higher on-costs per head. Based on the above numbers, the total cost per police staff person in the ACT is 14% higher than average.

Special Fiscal Needs

7.6 Special fiscal needs is a special category of Commonwealth funding recommended by the Commonwealth Grants Commission. The Territory is assessed as having special fiscal needs for police because it does not have control over the terms and conditions of the AFP officers employed in ACT Policing.

7.7 According to ACT budget papers, special fiscal needs funding for police is to rise from \$10.7m in 2002-2003 to an estimate of \$11.7m in 2006-2007. However, in March 2004 the Commonwealth Grants Commission recommended a reduction in special fiscal needs funding for the ACT for Police for 2004-2005 from \$10.9m to \$7.4m, indicating that this funding is not assured.

7.8 The \$10.7m funding in 2002-2003 is approximately 13% of the cost of policing, and the proposed 2004-2005 funding of \$7.4m represents some 9% of budget. These figures can be compared to the earlier calculation that Territory costs per police person are some 14% more than the Australian average.

Conclusions

7.9 Per capita expenditure on policing in 2002-2003 was comparable to that in other Australian jurisdictions. However, the price charged by the AFP per police staff person is higher than the average Australian price. Special Fiscal Needs funding from the Commonwealth partly offsets the costs to the ACT, but the overall cost per police staff person, after taking into account Commonwealth funding, is still higher than that paid by other Australian jurisdictions.

7.10 Although the overall price paid for policing has increased rapidly in recent years, JACS has not conducted recent analyses to determine how the per capita price presently compares to those paid by other jurisdictions.

Recommendation 12

7.11 JACS should monitor closely the comparative prices of police services across Australia with the aim of ensuring that the overall charge on the Territory taxpayer represents reasonable value for money.

JACS Response

7.12 “*Agreed*”

APPENDIX A CRITERIA FOR THE AUDIT

The following are the criteria used to guide the conduct of the audit and to enable the objectives of the audit to be achieved

1. **Suitable negotiation mechanisms are used to manage provision by the AFP of policing services to the ACT.**
 - Effective formal and informal negotiation mechanisms have been established and followed.
 - The Purchase Agreement and Arrangements include essential components consistent with better practice service level agreements for example, performance standards, performance reporting requirements, monitoring mechanisms, breach, remedy and dispute mechanism clauses.

2. **Management identify the right products to be negotiated and purchased.**
 - Management has analytical capability (including information sources) sufficient to identify policing needs relevant to the Territory.
 - The Territory has suitable strategic management input for the provision of the service.
 - Management evaluate the proposed services to be provided by the AFP.

3. **Management has identified the correct price for ACT Policing Services.**
 - Management has formally compared the price for ACT Policing Services with other jurisdictions.
 - Management has evaluated and formally assessed the price for services from historic costs.
 - Management formally assess and evaluate costs of proposed AFP services.
 - Management review the reasonableness of the allocation of the AFP's costs from shared services to the cost of ACT Policing Services.

4. **Management ensure that the Territory receives the services they have paid for.**
 - *Performance Reporting* - Management receive reliable performance reporting information that enables them to assess the provision of policing services.
 - Management requests additional information to assess the effectiveness and efficiency of ACT Policing services where necessary.
 - *Monitoring* - Management ensures services are delivered as specified in the Agreement.

THE ADMINISTRATION OF POLICING SERVICES

- *Remedial action* - Mechanisms available to management to redress deficiencies in service provision (i.e. when services have not been delivered to required standards) are suitable and are exercised.
- 5. Management pay the correct price for ACT Policing Services.**
- Suitable reports are received by management that demonstrate the actual services provided and cost of those services.
 - Management formally assess that prices charged relate to services actually provided.

PREVIOUS AUDIT REPORTS⁴

Reports Published in 2003

1. Effectiveness of Annual Reporting
2. Belconnen Indoor Aquatic Leisure Centre
3. Emergency Services
4. Management of Fraud and Corruption Prevention in the ACT Public Sector
5. Lease of FAI House
6. Allegations of Financial Mismanagement University of Canberra Union
7. Compliance Performance Audit – Recruitment Processes
8. Financial Incentive Package for Fujitsu Australia Ltd (FAL)
9. Annual Management Report for the Year Ended 30 June 2003
10. Financial Audits with Years Ending to 30 June 2003

Reports Published in 2002

1. Special Purpose Review of Part of the Commission of Audit Report on the State of the Territory's Finances at 31 October 2001
2. Operation of the Public Access to Government Contracts Act
3. Governance Arrangements of Selected Statutory Authorities
4. Frameworks for Internal Auditing in Territory Agencies
5. V8 Car Races in Canberra – Costs and Benefits
6. Annual Management Report for the Year Ended 30 June 2002
7. Financial Audits with Years Ending to 30 June 2002

Reports Published in 2001

1. Financial Audits with Years Ending to 30 June 2000
2. Enhancing Professionalism and Accountability
3. Market Research and Marketing (Second Report)
4. Peer-Based Drug Support Services Tender – 1998
5. The Administration of Payroll Tax
6. Annual Management Report for the Year Ended 30 June 2001

⁴ 46 Reports were issued prior to 1996. Details can be obtained from the ACT Auditor-General's Office or the ACT Auditor-General's homepage: <http://www.audit.act.gov.au>.

Reports Published in 2001 (con't)

7. Managing Canberra Urban Parks and Open Spaces
8. Canberra Tourism and Events Corporation – Relocation to Brindabella Business Park
9. Agents Board – Financial Administration of Training Grant Program
10. Corrective Services – Review of Certain Allegations
11. Financial Audits with Years Ending to 30 June 2001
12. The Freedom of Information Act

Reports Published in 2000

- 1 Bruce Stadium Redevelopment — Summary Report
- 2 Bruce Stadium Redevelopment — Value for Money
- 3 Bruce Stadium Redevelopment — Costs and Benefits
- 4 Bruce Stadium Redevelopment — Decision to Redevelop the Stadium
- 5 Bruce Stadium Redevelopment — Selection of the Project Manager
- 6 Bruce Stadium Redevelopment — Financing Arrangements
- 7 Bruce Stadium Redevelopment — Stadium Financial Model
- 8 Bruce Stadium Redevelopment — Actual Costs and Cost Estimates
- 9 Bruce Stadium Redevelopment — Market Research and Marketing
- 10 Bruce Stadium Redevelopment — Stadium Hiring Agreements
- 11 Bruce Stadium Redevelopment — Lawfulness of Expenditure
- 12 Bruce Stadium Redevelopment — Governance and Management
- 13 Annual Management Report for the Year Ended 30 June 2000

Reports Published in 1999

- 1 Stamp Duty on Motor Vehicle Registrations
- 2 The Management of Year 2000 Risks
- 3 Annual Management Report for Year Ended 30 June 1999
- 4 Financial Audits With Years Ending to 30 June 1999

Reports Published in 1998

- 1 Management of Preschool Education
- 2 Lease Variation Charges - Follow-up Review
- 3 Major IT Projects - Follow-up Review
- 4 Annual Management Report for Year Ended 30 June 1998
- 5 Management of Housing Assistance
- 6 Assembly Members' Superannuation and Severance Payments to Former Members' Staffers
- 7 Magistrates Court Bail Processes
- 8 Territory Operating Losses and Financial Position
- 9 Financial Audits with Years Ending To 30 June 1998
- 10 Management of Schools Repairs and Maintenance
- 11 Overtime Payment To A Former Legislative Assembly Member's Staffer

Reports Published in 1997

- 1 Contracting Pool and Leisure Centres
- 2 Road and Streetlight Maintenance
- 3 1995-96 Territory Operating Loss
- 4 ACT Public Hospitals - Same Day Admissions
Non Government Organisation - Audit of Potential Conflict of Interest
- 5 Management of Leave Liabilities
- 6 The Canberra Hospital Management's Salaried Specialists Private Practice
- 7 ACT Community Care - Disability Program and Community Nursing
- 8 Salaried Specialists' Use of Private Practice Privileges
- 9 Fleet Leasing Arrangements
- 10 Public Interest Disclosures - Lease Variation Charges and Corrective Services
- 11 Annual Management Report for Year Ended 30 June 1997
- 12 Financial Audits with Years Ending to 30 June 1997
- 13 Management of Nursing Services

Reports Published in 1996

1. Legislative Assembly Members – Superannuation Payments/Members’ Staff – Allowances and Severance Payments
2. 1995 Taxi Plates Auction
3. VMO Contracts
4. Land Joint Ventures
5. Management of Former Sheep Dip Sites
6. Collection of Court Fines
7. Annual Management Report For Year Ended 30 June 1996
8. Australian International Hotel School
9. ACT Cultural Development Funding Program
10. Implementation of 1994 Housing Review
11. Financial Audits with Years Ending to 30 June 1996

Availability of Reports

Copies of Reports issued by the ACT Auditor-General's Office are available from:

ACT Auditor-General's Office
Scala House
11 Torrens Street
BRADDON ACT 2612

or

PO Box 275
CIVIC SQUARE ACT 2608

Phone (02) 62070833 / Fax (02) 62070826

Copies of Reports are also available from the
ACT Auditor-General's Homepage: <http://www.audit.act.gov.au>