
New South Wales Auditor-General's Report

Performance Audit

Cost of alcohol abuse to the NSW Government

NSW Treasury
NSW Police Force
NSW Ministry of Health
Department of Premier and Cabinet
Department of Attorney General and Justice



The role of the Auditor-General

The roles and responsibilities of the Auditor-General, and hence the Audit Office, are set out in the *Public Finance and Audit Act 1983*.

Our major responsibility is to conduct financial or 'attest' audits of State public sector agencies' financial statements. We also audit the Total State Sector Accounts, a consolidation of all agencies' accounts.

Financial audits are designed to add credibility to financial statements, enhancing their value to end-users. Also, the existence of such audits provides a constant stimulus to agencies to ensure sound financial management.

Following a financial audit the Office issues a variety of reports to agencies and reports periodically to parliament. In combination these reports give opinions on the truth and fairness of financial statements, and comment on agency compliance with certain laws, regulations and Government directives. They may comment on financial prudence, probity and waste, and recommend operational improvements.

We also conduct performance audits. These examine whether an agency is carrying out its activities effectively and doing so economically and efficiently and in compliance with relevant laws. Audits may cover all or parts of an agency's operations, or consider particular issues across a number of agencies.

Performance audits are reported separately, with all other audits included in one of the regular volumes of the Auditor-General's Reports to Parliament – Financial Audits.

audit.nsw.gov.au



© Copyright reserved by the Audit Office of New South Wales. All rights reserved. No part of this publication may be reproduced without prior consent of the Audit Office of New South Wales.

The Audit Office does not accept responsibility for loss or damage suffered by any person acting on or refraining from action as a result of any of this material.

ISBN 978 1921252 747



GPO Box 12
Sydney NSW 2001

Members of Legislative Assembly
Parliament House
Sydney NSW 2000

The Legislative Council
Parliament House
Sydney NSW 2000

In accordance with section 38E of the *Public Finance and Audit Act 1983*, I present a report titled **Cost of alcohol abuse to the NSW Government: NSW Treasury, NSW Police Force, NSW Ministry of Health, Department of Premier and Cabinet, Department of Attorney General and Justice.**

Peter Achterstraat

Peter Achterstraat

Auditor-General

6 August 2013

Foreword

Ever since early settlement, alcohol has been a common feature in Australian society. Alcohol used in moderation generally poses no risk to society. It is an important economic commodity in terms of revenue, employment and tourism.

Most Australians who drink alcohol do so for enjoyment, relaxation and to be sociable, and at levels that cause few health effects. However, a substantial portion drink at levels that increase the risk of alcohol-related harm. Recent media reports of vicious unprovoked attacks on innocent bystanders in the Sydney CBD and Kings Cross have highlighted the dangers associated with alcohol abuse.

Alcohol abuse can cause physical, emotional and social problems. It is associated with domestic violence, assaults and offensive behaviour. It can cause liver disease, brain injury and some forms of cancer. It often generates family and relationship problems and has been linked to depression and low self-esteem.

Consequently, alcohol abuse poses a significant burden to both society and government. Alcohol abuse is often preventable and alcohol abusers take valuable time away from police and emergency services to help manage their self-inflicted problems. Emergency departments are better occupied attending to patients with serious injury and illness rather than intoxicated people, and police are better occupied dealing with serious crime rather than managing the affairs of drunks. Drunkenness is like a parasite drawing the very lifeblood out of government services.

I believe that alcohol abusers should pay for dragging valuable resources away from more pressing work. I'm pleased that some initiatives will attempt to recover the costs of alcohol abuse such as the sobering up centre being trialled in the Sydney CBD. Intoxicated offenders detained by NSW Police will be charged a fee for staying at the centre and the fee will increase for repeat attendances. I think the government should also consider other initiatives, such as a pay-by-installment scheme, to ensure people who abuse alcohol pay for any costs they inflict.

Government agencies are doing a lot of good work to reduce the harm caused by alcohol abuse. However, I think it is also important for government to have good data on the costs of alcohol abuse to allow it to respond effectively to the problem. The community also has a right to know this information so it can inform public debate on the curse of drunkenness and the best ways to combat it.

If the government found that alcohol abuse-related costs were increasing, this could be a trigger for a different policy approach to this issue. This could include supply-side initiatives to limit the availability of alcohol to high risk individuals, and demand side initiatives that would reduce the incentive for people to get drunk. Some initiatives may require Commonwealth Government support, but could be promoted by New South Wales as a possible way forward.

While some of the performance indicators relating to alcohol abuse are improving, we are spending a lot to achieve these results, and hospitalisations keep going up. People who abuse alcohol should take more responsibility for their own actions. At the same time, I acknowledge alcohol abuse can be the result of other factors including addiction, mental health issues, and peer influence. The liquor industry, including alcohol manufacturers, bottle shops and other retailers, hotels and clubs also have a key role regarding the responsible promotion and service of alcohol.

The bottom line is: the community should not have to continue to pay such a high price for the impacts of alcohol abuse.

Peter Achterstraat
Auditor-General

Contents

Foreword	
Contents	1
Executive summary	2
Background	2
Conclusion	2
Supporting findings	3
Recommendations	4
Response from the Department of Premier and Cabinet	5
Introduction	8
1.1 What is the extent of the problem?	8
1.2 What is the NSW Government doing about it?	9
1.3 What is the audit about?	9
Key findings	10
2. Does the NSW Government know the costs incurred by State agencies as a result of alcohol abuse?	10
2.1 What alcohol-related costs does the NSW Government monitor?	10
2.2 What data on alcohol-related costs does the NSW Government publicly report?	14
Appendices	15
Appendix 1: About the audit	15
Appendix 2: Alcohol-related activity data monitored by Ministry of Health	17
Appendix 3: Alcohol-related incident data collected by NSW Police	19
Appendix 4: Alcohol-related court activity and outcomes	21
Appendix 5: Sentenced offenders self-reporting of alcohol-related offences	23
Performance auditing	24
Performance audit reports	25

Executive summary

Background

While most people consume alcohol responsibly, there is a large group that consumes it at levels that present a risk of harm. Excessive alcohol consumption can cause physical, emotional and social problems. These include violence, liver disease, brain injury, and family and relationship problems.

Government agencies devote much time and effort to reduce the harm caused by alcohol abuse. This ranges from proactive policing of alcohol hotspots to alcohol treatment services. The government has recently introduced specific initiatives to reduce the impact of alcohol abuse on the community. These include:

- a new intoxicated and disorderly offence
- ‘three-strikes’ laws for licensees or managers of licensed premises convicted of serious offences under the *Liquor Act 2007*
- management plans for problem areas like Kings Cross
- a trial of sobering up centres.

These activities and initiatives come at a considerable cost to the State. This audit assessed whether the NSW Government knows the costs incurred by State agencies as a result of alcohol abuse. We asked whether:

- the NSW Government effectively monitors the cost of alcohol abuse so it can resource public services to address it
- the NSW Government publicly reports the cost of alcohol abuse to inform the community of its impact on public services.

For the purposes of this audit, ‘alcohol abuse’ means:

- drinking at levels that are likely to cause significant injury or ill health, and
- where drinking has led to a government intervention or response.

A range of key performance indicators show that, in general, alcohol-related incidents are declining. For example, alcohol-related assaults have decreased 23 per cent since 2008. This is a good result which may be due to proactive policing, changes to licensing laws, public education campaigns, and a range of other government initiatives.

Nevertheless, alcohol abuse remains a significant burden to both society and government. To design an effective response the government must know the extent of the problem and what it is costing to limit its harm. Therefore it is important for government to have good data on alcohol abuse including the cost to its services and to society. The community also has a right to know this information so it can inform public debate on drunkenness and the best ways to combat it.

Conclusion

Government agencies monitor and report incidents of alcohol-related harm and some of the costs associated in responding to alcohol abuse. However, we found that agencies do not monitor or report the total cost of alcohol abuse. This means the NSW Government does not have a complete picture of the harm caused by alcohol in terms of its costs and effects on society.

We estimate the total cost of alcohol-related abuse to NSW Government services to be \$1.029 billion per annum.

Supporting findings

Does the NSW Government effectively monitor the cost of alcohol abuse so it can resource public services to address it?

Government agencies monitor some information on program costs associated with alcohol abuse. However, they do not currently collect information on the total cost incurred by government agencies. Therefore data on alcohol-related costs is fragmented at best.

Agencies collect a range of information on the activities and impacts associated with alcohol abuse. For example data is collected on alcohol-related crime and health indicators such as assaults, offensive behaviour, hospital admissions, and risky drinking habits. This data enables agencies to monitor performance measures on the prevalence of alcohol misuse. This assists agencies to determine how well their strategies to reduce alcohol-related harm are working.

However, it is not the complete picture. Agencies advised that there would need to be a good business imperative to isolate alcohol-related service level costs. Most believe a significant amount of resources would be required to do this, with questionable benefits. However, most agreed that an estimate of the costs associated with alcohol abuse would be useful from a government policy perspective. If costs were found to be increasing, a new approach to managing the problem may be required.

Estimating the cost of alcohol abuse is a complex task. In many cases it is difficult to determine whether alcohol is the primary factor contributing to costs. It is also difficult to isolate the cost for individual agencies because one incident often involves multiple agencies or multiple divisions within an agency. Agencies may also have different views about the definition of alcohol abuse.

We estimate the annual cost of alcohol-related abuse to NSW Government services to be \$1.029 billion in 2010. This is equivalent to a cost of \$416 imposed on every household in NSW. The largest cost is to NSW Police, followed by Family and Community Services for out-of-home care and child protection services, and NSW Health for alcohol attributable hospitalisations. We also estimate the total societal costs in NSW to be \$3.87 billion per year, or \$1,565 per household.

This is a significant cost to both government and society. The government should consider recouping some of these costs. For example, initiatives such as pay-by-installment schemes could be introduced so that people who abuse alcohol pay for any costs they inflict.

Does the NSW Government publicly report the cost of alcohol abuse to inform the community of its impact on public services?

Government agencies report on the cost of drug and alcohol programs in their annual reports, however the alcohol component is not isolated due to the barriers discussed above. In 2007 research funded by the National Drug Law Enforcement Research Fund produced an estimate of the cost of police salaries on time spent dealing with alcohol abuse in NSW. Agencies also publicly report on a range of alcohol-related activity indicators including assaults and hospital admissions.

However we found that the NSW Government has not published the total cost of alcohol abuse to the State. This is because the government, as discussed previously, does not monitor or estimate total costs.

Recommendations

The NSW Government should:

1. every three years, estimate the total costs incurred by government agencies as a result of alcohol abuse (page 13)
2. in estimating costs, develop a standard approach to be used by agencies which specifies:
 - a) standard definitions of what constitutes 'alcohol abuse' in each agency
 - b) what data on alcohol-related incidents will be gathered
 - c) how incident data will be used to calculate costs
 - d) how the costs of preventative and response strategies are to be recorded (page 13)
3. examine a range of options to recoup costs from individuals whose alcohol abuse requires a response from government services. These must have regard to:
 - a) a person's ability to pay (in which case pay-by-instalment or community service might be an option)
 - b) whether it may discourage people from seeking treatment
 - c) whether a person has a genuine health problem (page 13)
4. consider additional education strategies for people, whose alcohol abuse requires a response from government services, including compulsory attendance at a course on responsible drinking or counselling sessions (page 13)
5. publish its estimates and advise the community on the total cost to its services of alcohol-related abuse (page 14).

Response from the Department of Premier and Cabinet



**Premier
& Cabinet**

26 JUL 2013

Obj. 2013-272340

Mr Peter Achterstraat
Auditor-General
Audit Office of New South Wales
GPO Box 12
SYDNEY NSW 2000

Dear Mr Achterstraat

Peter

Performance Audit – Cost of alcohol abuse to the NSW Government

I refer to your letter of 4 July 2013, providing a copy of the Audit Office's report *Performance Audit – Cost of alcohol abuse to the NSW Government*.

I would like to thank the Audit Office for the opportunity to provide a formal response to the audit. I would also like to thank the audit team for the collaborative manner in which this audit was conducted.

Please find attached the NSW Government response to the audit report.

Thank you for taking the time to write to me.

Yours sincerely

Chris Eccles
Director General

Governor Macquarie Tower, 1 Farrer Place, Sydney NSW 2000 ■ GPO Box 5341, Sydney NSW 2001
Tel: (02) 9228 5555 ■ F: (02) 9228 5249 ■ www.dpc.nsw.gov.au

NSW Government Response

The NSW Government welcomes the NSW Audit Office's report on the Cost of alcohol abuse to the NSW Government.

The Government notes the report's findings, including that, while most people consume alcohol responsibly, there are a range of harms associated with alcohol misuse and these harms can result in additional costs for the NSW Government. The report estimates these costs to be around \$1 billion per annum.

The report also finds that a range of key performance indicators show the number of alcohol-related incidents is declining. This includes alcohol-related assaults, which the report states have declined by 23% since 2008.

The NSW Government has taken a number of actions to address the impacts of alcohol related harm and is developing others. These include:

- the introduction of a new offence for intoxicated and disorderly conduct
- the introduction of the 'three-strikes' disciplinary scheme for licensees or managers convicted of serious offences under the *Liquor Act 2007*
- a coordinated response to alcohol related issues in Kings Cross, including:
 - expanding the area covered by the special licence conditions
 - continuation of the freeze on new liquor licences in Kings Cross
 - imposing new licensing conditions on venues
 - increasing late night transport options
 - the forthcoming introduction of ID scanners in high risk venues and the power to impose temporary and long-term precinct wide bans on individuals
- trialling one mandatory and two non-mandatory sobering up centres to deal with intoxicated persons who are creating a public nuisance.

The following response is provided on the specific recommendations in the report.

Further data collection and reporting (Recommendations 1, 2 and 5)

As noted in the report, NSW Government agencies collect a range of information on alcohol use and misuse. This includes the level of alcohol related crime and health indicators such as hospitalisations, emergency attendances and drinking habits.

The Government also collects information on the costs of alcohol related services through budget processes.

The Government agrees in principle that more information about the cost of alcohol misuse could help to inform the policy debate and assist the Government in evaluating strategies to reduce alcohol related harm. The estimates provided in the report provide a useful starting point for this and the Government will continue to consider the points raised in the audit when making future decisions on data collection and reporting.

The Government will also need to weigh the costs and benefits of additional data collection, noting that incidence related data already provides a good indication of changes in the pattern of alcohol misuse.

Recouping alcohol related costs from individuals (Recommendation 3)

As noted in the report, a cost-recovery fee currently applies to persons detained at the mandatory sobering-up centre. This fee will increase for any repeat visitors to the centre. In this case, the Government sees this as an effective way to recover some of the costs associated with the trial of sobering-up centres.

However, in many cases recovering the costs of alcohol-related services from individuals will not be the best way to deal with the negative consequences of alcohol consumption, as it may discourage individuals from accessing the services they need.

Further alcohol related education (Recommendation 4)

Existing NSW Government programs provide alcohol related education in schools. These include the 'Alcohol: Celebrations and supply' and 'Out Tonight? Party Right' resources. Information about alcohol consumption is also available from the websites of NSW Government agencies, including the NSW Ministry of Health, the NSW Police Force and the Office of Liquor, Gaming and Racing. At this time, the Government does not support compulsory attendance at education courses as a pre-condition for the provision of government services, such as healthcare.

Introduction

1.1 What is the extent of the problem?

Alcohol is a legal drug that if consumed responsibly is not likely to cause harm. But there are significant risks if people drink too much. There are national guidelines on the amount of alcohol that may cause harm or injury.

Exhibit 1: National guidelines to reduce the health risk of alcohol-related harm

- No more than two standard drinks on any day reduces risk of alcohol-related diseases
- No more than four standard drinks on a single occasion reduces the risk of accidents and injury
- Not drinking is the safest option for children under 15 years and pregnant women
- Delaying drinking is the safest option for children 15 to 17 years.

Source: National Health and Medical Research Council 2009

Note: A standard drink contains 10g or 12.674 millilitres of pure alcohol.

Alcohol abuse can cause physical, emotional and social problems. It is associated with:

- domestic violence, assaults and offensive behaviour
- liver disease and brain injury
- depression and low self esteem
- family and relationship problems
- legal and financial difficulties.

Exhibit 2: How alcohol abuse affects lives in NSW ... alcohol was a factor in ...

In 2011:

- 63 fatal vehicle accident
- 858 crashes resulting in injuries
- 697 crashes with no injuries



1,224 deaths in 2007
50,950 hospitalisations in 2010-11
17,762 treatment episodes in 2011-12

In 2012:

- 1,323 assaults on police
- 13,900 non-domestic assaults
- 37 per cent of all domestic assaults
- 69 per cent of young offenders in custody were intoxicated at the time of offence in 2009



Source: NSW Health, BOCSAR, Department of Attorney General and Justice, Transport for NSW

Currently in New South Wales almost one in three people aged 16 and over drink at levels that put them at risk of harm. Other than social and cultural influences, people may drink alcohol to reduce anxiety and stress, and overcome inhibitions, or to escape or forget their problems.

Australia wide in 2010-11 there were 182 million litres of pure alcohol available for consumption. This means the average annual alcohol available per adult was 833 standard drinks or around 16 standard drinks per week.

1.2 What is the NSW Government doing about it?

A number of NSW Government agencies have a role in minimising alcohol-related harm. This ranges from proactive policing of alcohol hotspots to treatment services for alcohol abuse and dependence.

Exhibit 3: Government agencies' initiatives in reducing alcohol-related harm include:

- Treatment including detoxification, rehabilitation and counselling services
- Liquor accords aimed at reducing alcohol-related violence and fostering safer entertainment precincts
- Alcohol restrictions for violent venues
- Prisoner, probation and parolee programs to assist offenders with alcohol issues
- Programs to assist people facing court with alcohol problems
- Proactive policing activity to reduce alcohol-related crime
- Liquor license enforcement activities
- Child protection and support services to families affected by alcohol abuse
- Grants to local councils to help reduce alcohol-related assaults.

Source: Audit Office of NSW research of NSW Government strategies to minimise alcohol abuse

The NSW Government has introduced a range of strategies which aim to reduce the impact of alcohol abuse on the community. These include:

- expanded powers for police to 'move-on' intoxicated people
- a new intoxicated and disorderly offence resulting in fines of up to \$660
- 'three-strikes' laws for licensed venues with high levels of alcohol-related assaults
- management plans for problem areas like Kings Cross
- public education campaigns
- a trial of sobering up centres.

One sobering up centre will attempt to recover its costs. Intoxicated offenders detained by NSW Police in the sobering up centre in Sydney CBD will be charged a fee. The fee will increase for repeat attendances. Another user-pays initiative is the alcohol interlock program introduced in 2003. This program enables drivers convicted of certain alcohol-related offences to continue driving if they pay for the installation of a breath testing device linked to their car's ignition. Fines for alcohol-related offences, such as the penalty for refusing to leave a pub or club when asked by police, are another means of cost recovery.

1.3 What is the audit about?

The audit assessed whether the NSW Government knows the costs incurred by State agencies as a result of alcohol abuse. We asked whether:

- the NSW Government effectively monitors the cost of alcohol abuse so it can resource public services to address it
- the NSW Government publicly reports the cost of alcohol abuse to inform the community of its impact on public services.

The activities reviewed were the NSW Government's processes for monitoring and reporting the cost of alcohol abuse to the State. By 'cost' we mean cost borne by government agencies to minimise and respond to alcohol abuse. By the 'NSW Government' we mean central agencies and key response/service delivery agencies, in particular:

- NSW Treasury
- Department of Premier and Cabinet
- NSW Health
- NSW Police
- Department of Attorney-General and Justice.

See Appendix 1 for more information on the audit scope and focus.

Key findings

2. Does the NSW Government know the costs incurred by State agencies as a result of alcohol abuse?

The NSW Government does not collect information on the total cost incurred by its agencies as a result of alcohol abuse. There are currently two alcohol-related targets in the NSW 2021 State Plan, risky drinking and alcohol-related assaults. Both of these targets measure the prevalence of alcohol abuse rather than the costs to government as a result of abuse.

Agencies collect a range of information on the prevalence and impact of alcohol abuse, and the government activities associated with it. For example, the NSW Bureau of Crime Statistics and Research (BOCSAR) publishes police data on crime where alcohol is a factor, such as assault and offensive behaviour. The NSW Ministry of Health collects data on a range of alcohol-related indicators including hospital admissions, emergency attendances, and drinking habits.

Estimating the costs of alcohol abuse to government is a complex task. In many cases it is difficult to determine whether alcohol is the primary factor contributing to government costs or one of a number of contributing factors.

2.1 What alcohol-related costs does the NSW Government monitor?

Finding: Government agencies monitor some information on program costs associated with alcohol abuse, however they do not currently collect information to estimate the total cost incurred by government agencies.

The NSW Government does not currently collect or monitor information on the total cost incurred by government agencies in response to harm caused by alcohol abuse. We found that:

- there is no framework in place to assist agencies to monitor the cost of alcohol abuse
- there is no routine monitoring of overall activity costs associated with alcohol abuse
- the total cost of alcohol abuse is not isolated as part of the budget process.

There are a number of barriers to collecting data on cost. These include:

- difficulties determining whether alcohol is the primary factor contributing to agency activity and costs
- different views about the definition of alcohol abuse
- whether cost data should include both preventative and responsive strategies
- difficulties isolating the cost for individual agencies because one incident often involves multiple agencies or multiple divisions within an agency.

Agencies advised that there must be a good business imperative to isolate alcohol-related service level costs. Most believe a significant amount of resources would also be required to do this, with questionable benefits. This may include changes to information technology systems to better isolate alcohol-related costs.

However most of the agencies we spoke to agreed that an estimate of the costs associated with alcohol abuse would be useful from a government policy perspective; that is, to inform public debate on the harm caused by alcohol. Although agencies were not able to provide an estimate of the total cost of all alcohol-related activity, they provided some information on program costs associated with alcohol abuse or a snapshot of activity costs.

The NSW Government does not monitor the cost of alcohol abuse

Exhibit 4: Costs of some agency activities and programs (provided by agencies)

Agency	Activity	Cost (000's)	Year
NSW Health	Estimated alcohol component of Drug and Alcohol Program	\$76,500	2012-13
Attorney-General and Justice	Estimated costs of managing alcohol-related offenders in prisons (Corrective Services NSW)	\$135,000	2010
	Local Government grants to reduce alcohol-related assaults	\$780	2007-08 to 2011-12
	Programs to assist defendants in local court (alcohol attributable)	\$228	2012-13
	Juvenile Justice Programs	\$4,866	2011-12
	Youth drug and alcohol court (closed 1 July 2012)	\$1,347	2011-12

Source: NSW Ministry of Health, Department of Attorney-General and Justice

Notes:

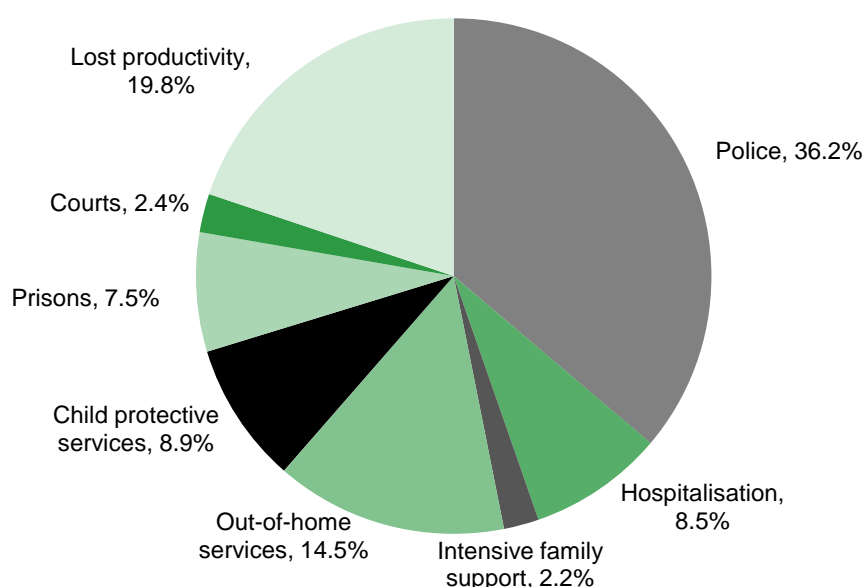
This table does not include costs for all agencies in the public sector. We instead focused on agencies which incur the bulk of direct costs to government associated with alcohol-related abuse. For example, health and police costs, where it might be less difficult to attribute alcohol as primary factor in incidents.

NSW Health data is an estimate of the proportion of the expenditure. Corrective Services NSW data is an estimate. Other programs are actual expenditure.

It is often difficult to isolate costs related specifically to alcohol, rather than other factors like illicit drugs. As can be seen above, the cost data currently available is fragmented. In addition to this data, there have also been some one-off data collections. For example, research funded by the National Drug Law Enforcement Research Fund in 2007 produced an estimate of police time spent dealing with alcohol-related activity in New South Wales (based on 2005 data). It found that alcohol related salary costs were around \$50 million annually.

Because of the difficulties associated with gathering data on costs we engaged Griffith University to estimate the cost of alcohol abuse to NSW Government services. They estimated this cost to be \$1.029 billion in 2010. This is equivalent to \$416 for every household in NSW. The largest cost is to NSW Police, followed by Family and Community Services for out-of-home care and child protection services, and NSW Health for hospitalisations.

Exhibit 5: NSW Government response to alcohol abuse – relative cost by activity area



Source: Griffith University, 2013.

The NSW Government spends around \$416 annually per household responding to alcohol abuse

Our consultant also estimated the total societal cost of alcohol abuse in New South Wales to be \$3.87 billion per annum. This includes lost productivity in the workplace and home, which accounts for the largest portion of total costs.

Exhibit 6: Costs of alcohol-related abuse, NSW 2010 (provided by consultant)

	NSW Government service costs (\$m)	Other societal costs (\$m)	Total (\$m)
Criminal justice system			
- Police	372.4	n/a	372.4
- Courts	24.9	n/a	24.9
- Prisons	76.9	177.6	254.5
- Violence (including loss of life)		263.4	263.4
TOTAL	474.2	441.0	915.2
Community services			
- Child protective services	91.1	n/a	91.1
- Out-of-home services	149.6	n/a	149.6
- Intensive family support	22.4	n/a	22.4
TOTAL	263.1		263.1
Health System			
- Medical (hospitalisation)	87.3	53.5	140.8
- Medical (non-inpatient)	n/a	147.4	147.4
- Nursing homes	n/a	164.1	164.1
- Pharmaceuticals	n/a	96.1	96.1
- Ambulance	n/a	27.3	27.3
TOTAL	87.3	488.4	575.7
Productivity	204.2	1,652.6	1,856.8
Road accidents	n/a	256.6	256.6
GRAND TOTAL	1,028.8	2,838.6	3,867.4

Source: Griffith University, 2013

Notes: n/a means not available.

The estimates provided by agencies (Exhibit 4) focus largely on specific programs to minimise harm, whereas the estimates provided by the consultant (Exhibit 6) relate more to the costs associated with responding to incidents. The differences between these estimates illustrates how difficult it is to get a picture of the true cost to NSW Government services.

We believe that work is required in this area to provide reliable and consistent estimates of alcohol-related costs. This will contribute to the policy debate on alcohol abuse and, over time, will assist the government's assessment of how well its strategies to reduce alcohol-related harm are working.

If the government found that alcohol abuse-related costs were increasing, this could be a trigger for a different policy approach to this issue. This could include supply-side initiatives to restrict the availability of alcohol to high risk individuals, and demand-side initiatives that would reduce the incentive for people to get drunk. The government could also consider initiatives, such as a pay-by-installment scheme or community service, to ensure people who abuse alcohol pay for any costs they inflict.

In the same way that governments have succeeded in reducing tobacco use in Australia, a continued focus on alcohol abuse is warranted. In fact, alcohol abuse costs government agencies more than tobacco use. This is because a larger proportion of costs associated with tobacco use are borne by individuals rather than government. In 2006-07 tobacco use in NSW was estimated to cost government around \$150 million per annum. This is much lower than our estimate of around \$1 billion per annum for alcohol abuse.

Recommendations

NSW Government should:

1. every three years, estimate the total costs incurred by government agencies as a result of alcohol abuse
2. in estimating costs, develop a standard approach to be used by agencies which specifies:
 - a) standard definitions of what constitutes 'alcohol abuse' in each agency
 - b) what data on alcohol-related incidents will be gathered
 - c) how incident data will be used to calculate costs
 - d) how the costs of preventative and response strategies are to be recorded
3. examine a range of options to recoup costs from individuals whose alcohol abuse requires a response from government services. These must have regard to:
 - a) a person's ability to pay (in which case pay-by-instalment or community service might be an option)
 - b) whether it may discourage people from seeking treatment
 - c) whether a person has a genuine health problem
4. consider additional education strategies for people, whose alcohol abuse requires a response from government services, including compulsory attendance at a course on responsible drinking or counselling sessions.

Although we found that the cost of alcohol abuse is not monitored by government agencies, some flag whether alcohol is a factor in crime, illnesses and injuries. For example, police officers record whether alcohol is a factor when someone commits an offence. Similarly, hospitals record whether alcohol is a factor when someone presents to an emergency department or is hospitalised.

Capturing this data enables agencies to monitor alcohol-related performance measures on the prevalence of alcohol abuse. For example, this includes:

- alcohol-related assaults
- charges for exceeding the prescribed concentration of alcohol
- alcohol attributable hospital admissions
- alcohol-related emergency department attendances
- drinking habits.

There are currently two alcohol-related targets in the NSW 2021 State Plan. The first is to reduce the rate of non-domestic violence assaults. The other is to reduce the proportion of people aged 16 or older who drink more than two standard drinks on any day to below 25 per cent.

A range of key performance indicators (Appendices 3 and 4) show that, in general, alcohol-related incidents are declining. For example, the number of alcohol-related assaults have decreased 23 per cent since 2008. This is a good result which may be due to proactive policing, changes in licensing laws and a range of other government initiatives. Any increased activity will, not surprisingly, also increase costs.

One issue raised by agencies relates to difficulties accessing data from other agencies on alcohol-related incidents. For example, if NSW Police want to develop a complete picture of alcohol-related violence in a Local Area Command, access to data on alcohol-related hospital presentations would be useful. This is because not all alcohol-related violence is reported to police. Both NSW Police and the Ministry of Health advise that they are investigating options to improve information sharing between the two agencies.

2.2 What data on alcohol-related costs does the NSW Government publicly report?

Finding: Government agencies report on the cost of drug and alcohol programs in their annual reports. An estimate of the cost of police time spent dealing with alcohol abuse has also been published. However, the NSW Government has not published the total cost of the government's response to alcohol abuse.

The NSW Government does not publicly report on the total cost incurred by its agencies in response to alcohol abuse. This is because the government, as discussed previously, does not monitor or estimate total cost. We recognise that other jurisdictions in Australia do not regularly report the costs associated with alcohol-abuse.

However, the government has reported some cost data in relation to NSW Police. As previously mentioned, in 2007 research was published on the cost of police time spent dealing with alcohol-related activity in New South Wales.

Some agencies also report on program costs in their annual reports. These include various drug and alcohol initiatives, although the alcohol component is not isolated due to the barriers previously discussed. If the government also published total costs associated with alcohol abuse, it would improve transparency and help inform public debate on alcohol abuse and the best ways to reduce it.

Recommendation

5. NSW Government should publish its estimates and advise the community of the total cost to its services of alcohol-related abuse.

Appendices

Appendix 1: About the audit

Audit objective

The audit assessed whether the NSW Government knows the costs incurred by State agencies as a result of alcohol abuse. We asked whether:

- the NSW Government effectively monitors the cost of alcohol abuse so it can resource public services to address it
- the NSW Government publicly reports the cost of alcohol abuse to inform the community of its impact on public services.

Scope

The activities to be reviewed are the NSW Government's processes for monitoring and reporting the cost of alcohol abuse to the State.

By 'cost' we mean costs borne by government agencies to minimise and respond to alcohol abuse. By the 'NSW Government' we mean central agencies and key response/service delivery agencies, in particular:

- NSW Treasury
- Department of Premier and Cabinet
- NSW Health
- NSW Police
- Department of Attorney-General and Justice.

By 'alcohol abuse' we mean:

- drinking at levels that are likely to cause significant injury or ill health, and
- where drinking has led to a government intervention or response.

Audit exclusions

We did not:

- review other community costs such as lost productivity in the work place
- assess the effectiveness of government programs to mitigate the harm associated with alcohol abuse.

Note that we did comment on these issues where they affected our findings or provided context.

Audit approach

We collected evidence by:

- interviewing agency personnel responsible for:
 - collecting and processing data and other information relevant to alcohol abuse
 - collating and reporting data and information relevant to alcohol abuse
- gathering information from other stakeholders as appropriate
- examining:
 - reviews conducted to assess the cost of alcohol abuse
 - information associated with the cost of alcohol abuse
 - relevant policies and strategies to reduce the harm associated with alcohol misuse
 - data from NSW Police Force, NSW Ministry of Health and the Department of Attorney General and Justice associated with alcohol abuse.

Agency selection

We chose NSW Police and Attorney General and Justice because they incur the bulk of direct costs to government associated with alcohol-related crime including violence.

We chose the NSW Ministry of Health because it incurs the bulk of direct costs to government associated with the negative health impacts of alcohol, including violence, intoxication, disease and mental health issues.

We chose the Department of Premier and Cabinet and NSW Treasury because we expected them to have an overview of alcohol abuse related costs to guide government policy direction.

Consultant

We engaged researchers from Griffith University to estimate the cost of alcohol abuse. The researchers provided an estimate of the total cost of alcohol-related problems to NSW Government services. The largest cost is to NSW Police, followed by Family and Community Services for out-of-home care and child protection services, and NSW Health for alcohol attributable hospitalisations. The researchers also provided an estimate of the total societal costs of alcohol-related problems in New South Wales.

The costs used were based on data supplied from various NSW Government agencies and empirical evidence from peer reviewed published papers. All costs are adjusted where necessary to reflect present value in 2010 Australian dollars. The methodology applied was identical to that used in Manning et al. (2013) and involved an adaptation of the Moolenaar (2009) and Collins and Lapsley (2008) approaches.

Audit selection

We use a strategic approach to selecting performance audits which balances our performance audit program to reflect issues of interest to Parliament and the community. Details of our approach to selecting topics and our forward program are available on our website.

Audit methodology

Our performance audit methodology is designed to satisfy Australian Audit Standards ASAE 3500 on performance auditing, and to reflect current thinking on performance auditing practices. Our processes have also been designed to comply with the auditing requirements specified in the *Public Finance and Audit Act 1983*.

Acknowledgements

We gratefully acknowledge the co-operation and assistance provided by the NSW Ministry of Health, NSW Police Force, Department of Attorney General and Justice, Department of Premier and Cabinet and NSW Treasury. In particular we wish to thank our liaison officers and staff who participated in interviews and provided material relevant to the audit.

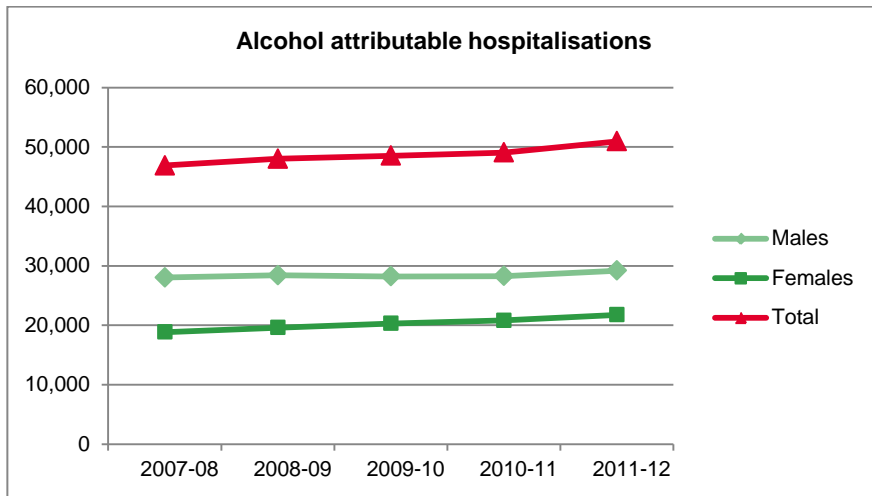
Audit team

Tiffany Blackett and Neil Avery conducted the performance audit. Jane Tebbatt and Sean Crumlin provided direction and quality assurance.

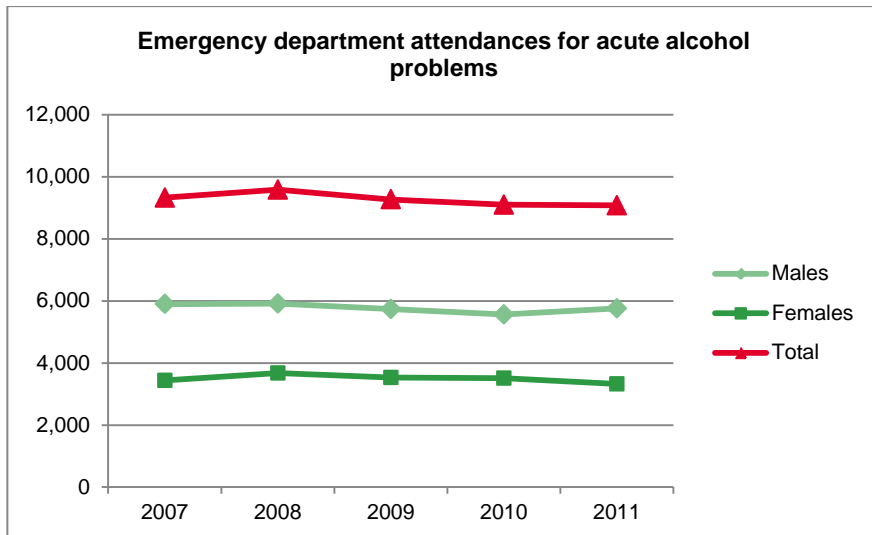
Audit cost

Including staff costs, printing costs and overheads, the estimated cost of the audit is \$136,576.

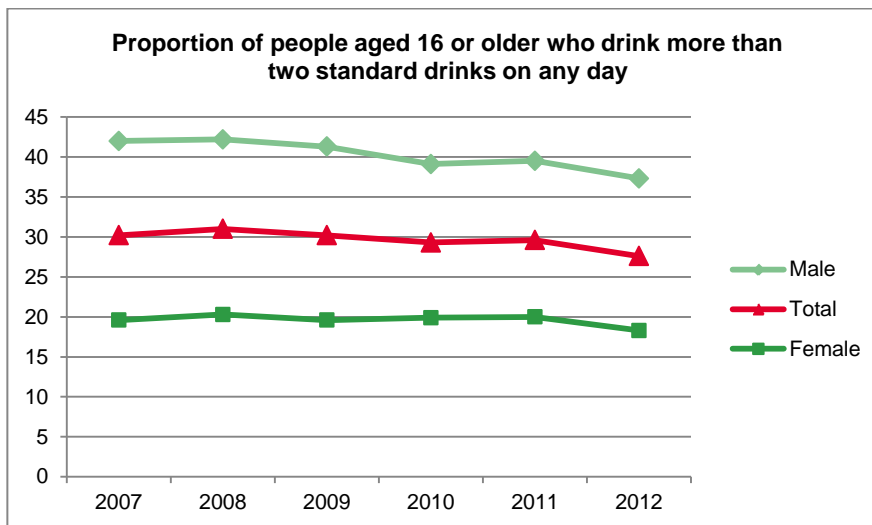
Appendix 2: Alcohol-related activity data monitored by Ministry of Health



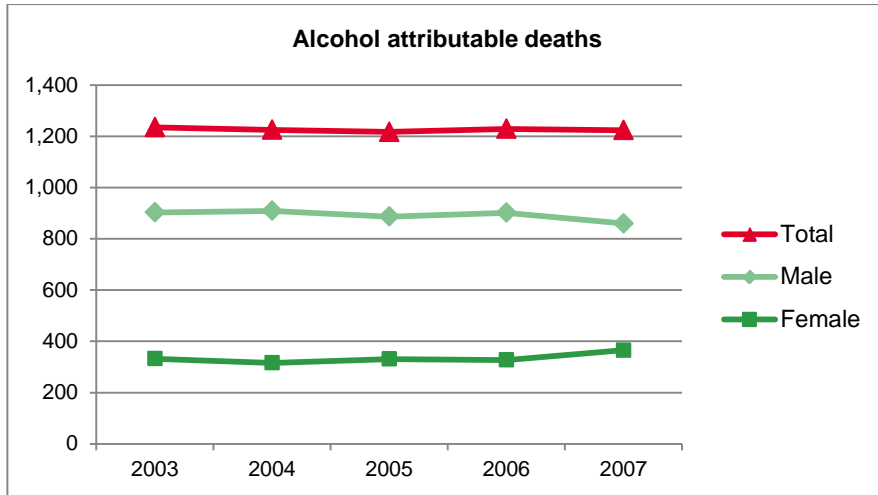
Source: NSW Ministry of Health.



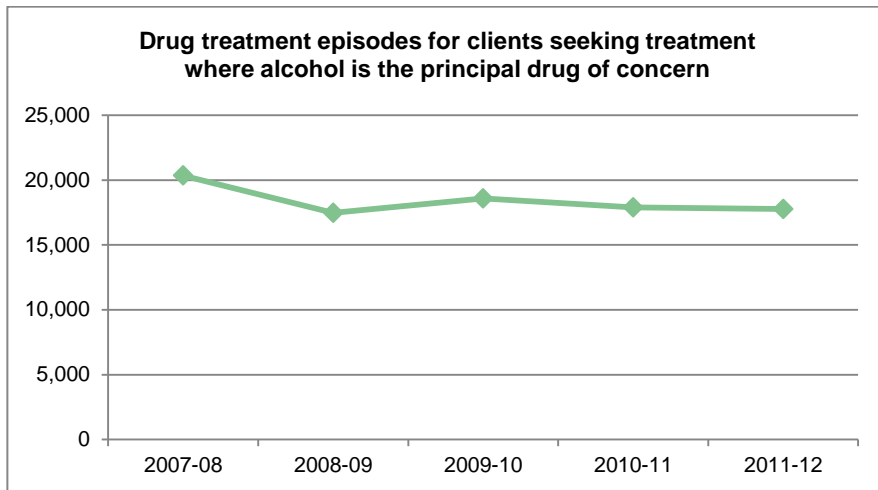
Source: NSW Ministry of Health.



Source: NSW Ministry of Health.

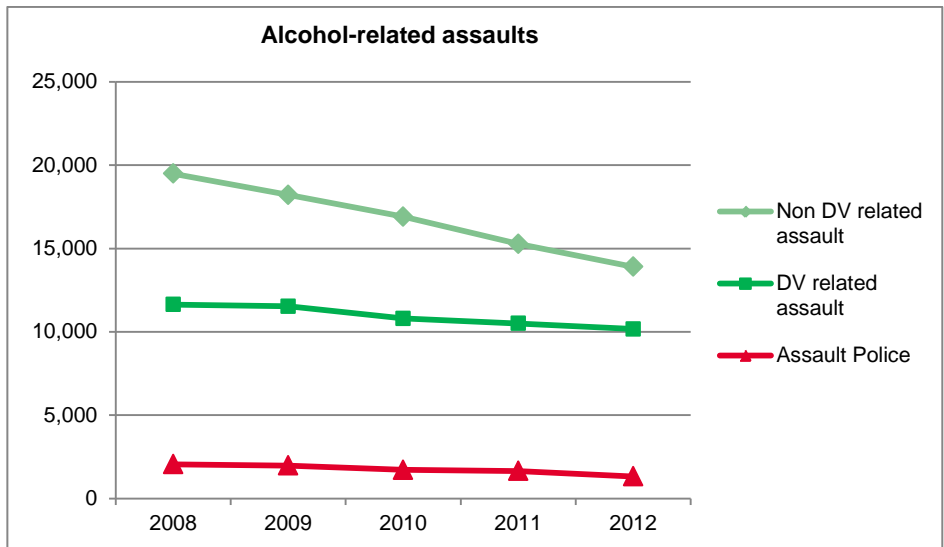


Source: NSW Ministry of Health.



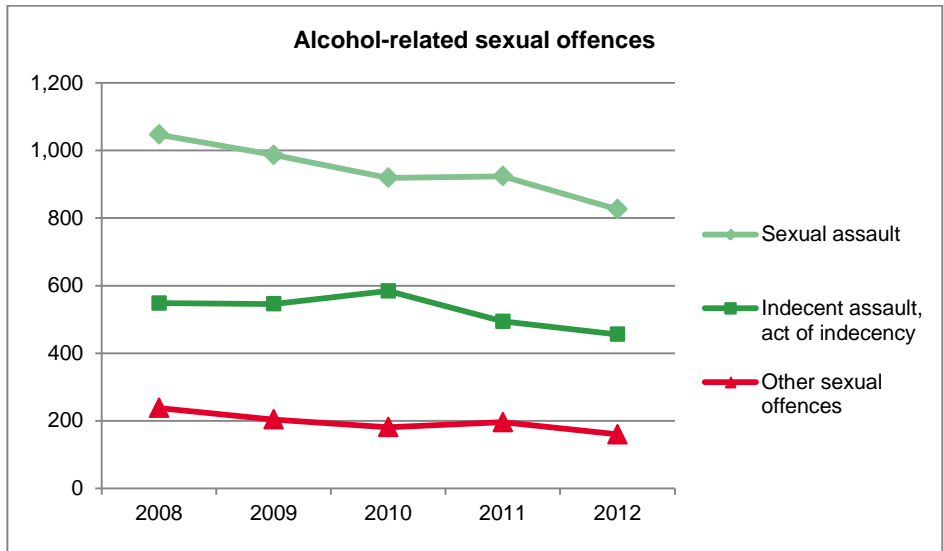
Source: NSW Ministry of Health and Australian Institute of Health and Welfare.

Appendix 3: Alcohol-related incident data collected by NSW Police

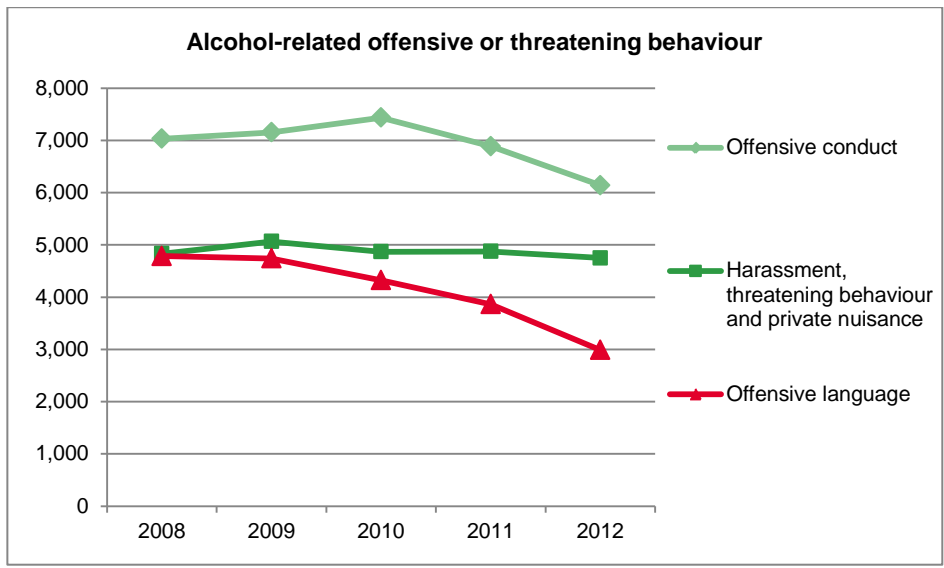


Source: NSW Bureau of Crime Statistics and Research 2013 (ref. jf13-11260)

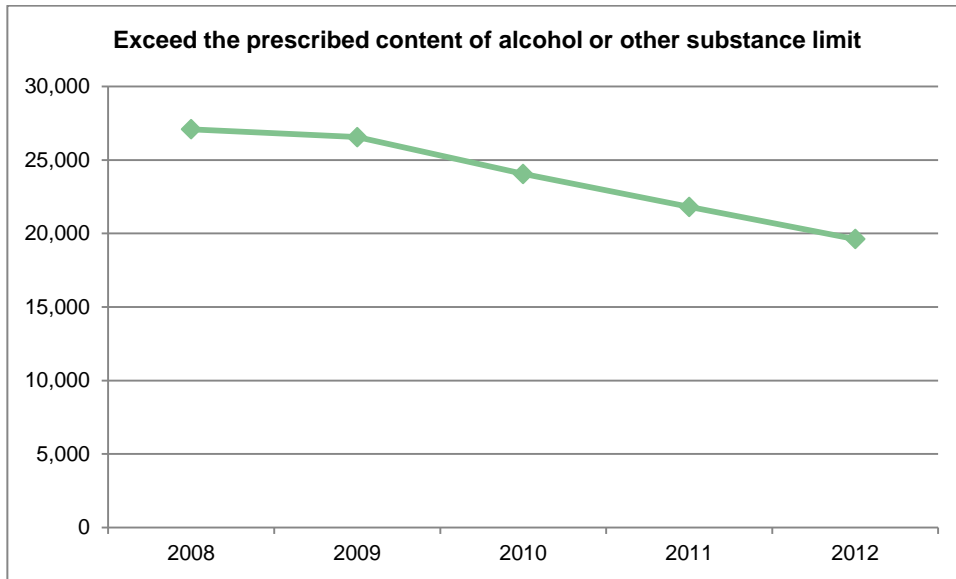
Note: 'DV' means domestic violence.



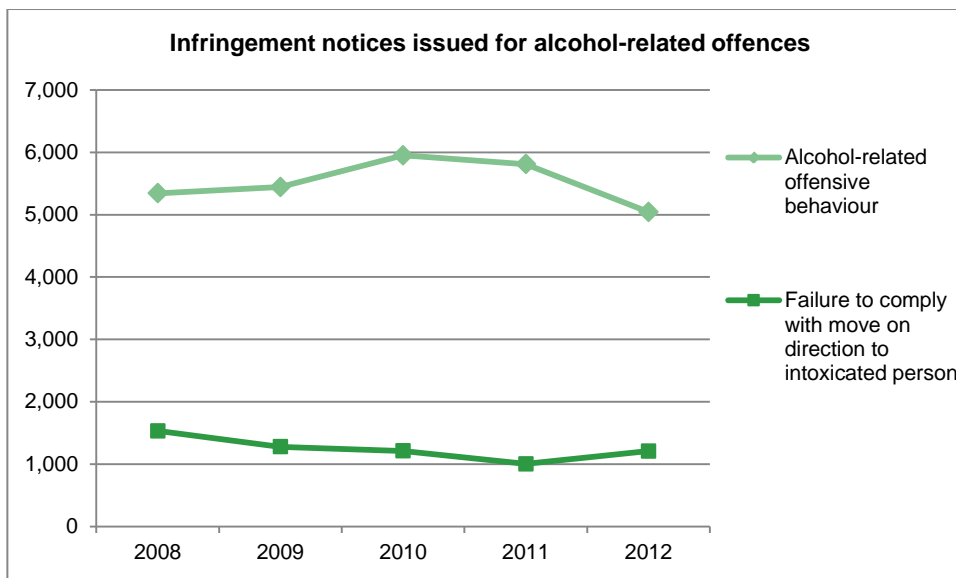
Source: NSW Bureau of Crime Statistics and Research 2013 (ref. jf13-11260)



Source: NSW Bureau of Crime Statistics and Research 2013 (ref. jf13-11260)

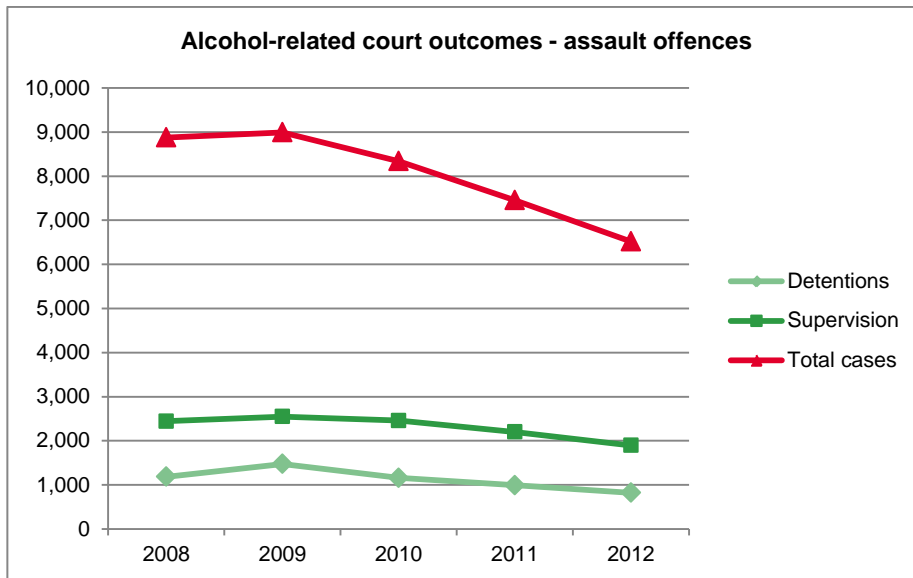


Source: NSW Bureau of Crime Statistics and Research 2013 (ref. jf13-11260)

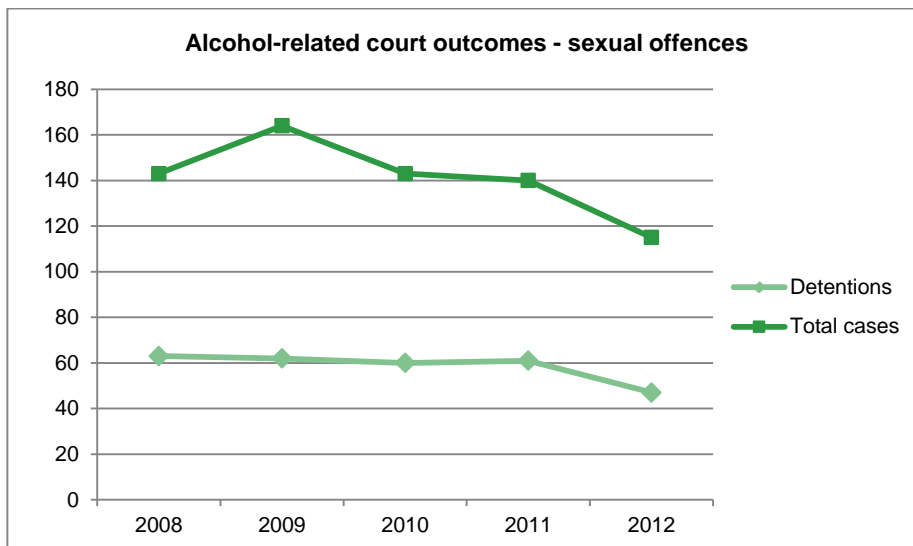


Source: NSW Police 2013

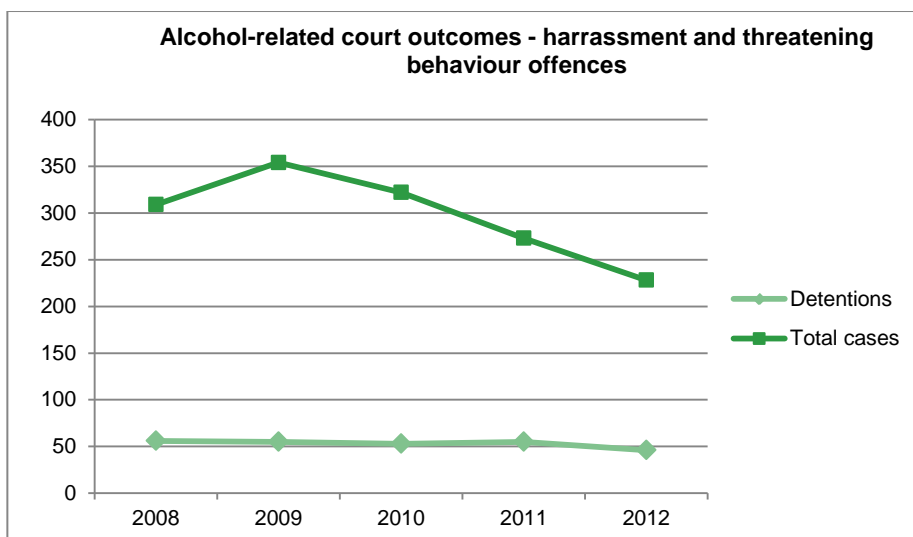
Appendix 4: Alcohol-related court activity and outcomes



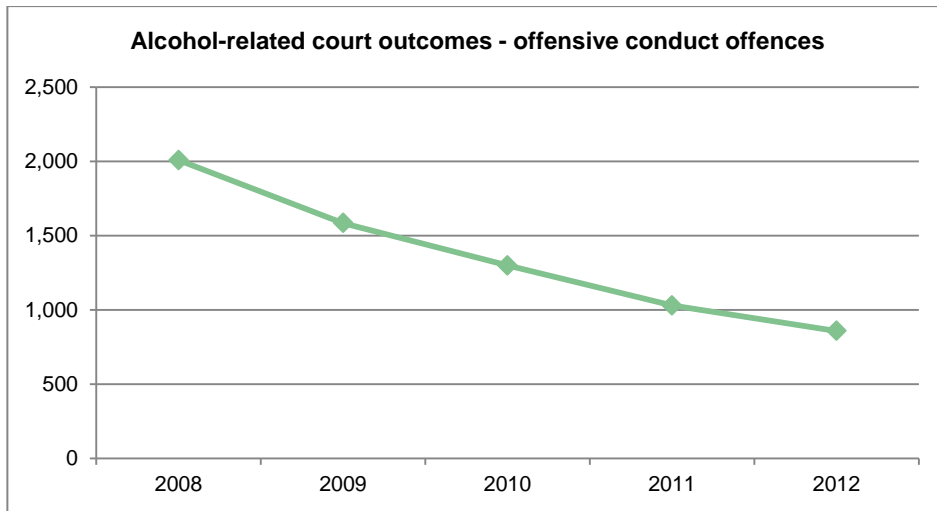
Source: Bureau of Crime Research and Statistics 2013 (ref. dg-11326)



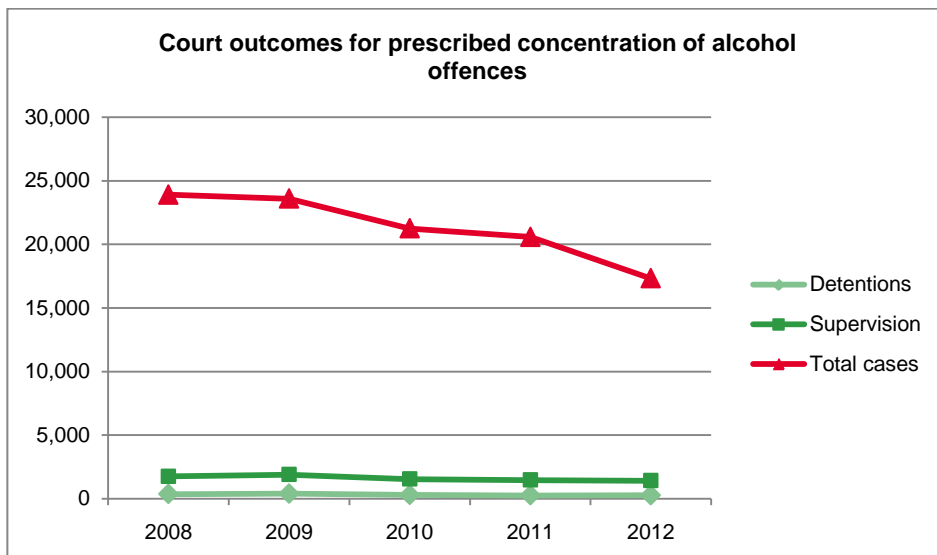
Source: Bureau of Crime Research and Statistics 2013 (ref. dg-11326)



Source: Bureau of Crime Research and Statistics 2013 (ref. dg-11326)



Source: Bureau of Crime Research and Statistics 2013 (ref. dg-11326)



Source: Bureau of Crime Research and Statistics 2013 (ref. dg-11326)

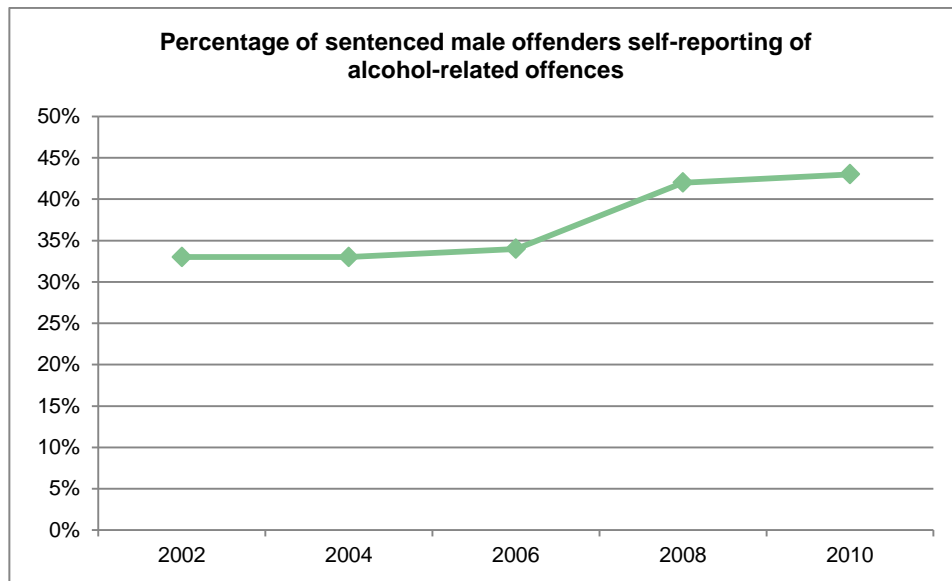
Notes: The data in this appendix does not include court records that could not be matched to police incidents.

'Detentions' include imprisonments, control orders, home detentions, periodic detentions and intensive correction orders.

'Supervision' includes suspended sentences with supervision, community service orders, probation orders and bonds with supervision.

Assault offences include serious assault resulting in injury, serious assault not resulting in injury & common assault. Sexual offences include aggravated sexual assault & non-aggravated sexual assault. Harassment and threatening behaviour offences include harassment and private nuisance & threatening behavior. Offensive conduct offences include offensive language, offensive behaviour, vilify or incite hatred on racial, cultural, religious or ethnic grounds & cruelty to animals.

Appendix 5: Sentenced offenders self-reporting of alcohol-related offences



Source: Corrective Services NSW 2013

Performance auditing

What are performance audits?

Performance audits determine whether an agency is carrying out its activities effectively, and doing so economically and efficiently and in compliance with all relevant laws.

The activities examined by a performance audit may include a government program, all or part of a government agency or consider particular issues which affect the whole public sector. They cannot question the merits of government policy objectives.

The Auditor-General's mandate to undertake performance audits is set out in the *Public Finance and Audit Act 1983*.

Why do we conduct performance audits?

Performance audits provide independent assurance to parliament and the public.

Through their recommendations, performance audits seek to improve the efficiency and effectiveness of government agencies so that the community receives value for money from government services.

Performance audits also focus on assisting accountability processes by holding managers to account for agency performance.

Performance audits are selected at the discretion of the Auditor-General who seeks input from parliamentarians, the public, agencies and Audit Office research.

What happens during the phases of a performance audit?

Performance audits have three key phases: planning, fieldwork and report writing. They can take up to nine months to complete, depending on the audit's scope.

During the planning phase the audit team develops an understanding of agency activities and defines the objective and scope of the audit.

The planning phase also identifies the audit criteria. These are standards of performance against which the agency or program activities are assessed. Criteria may be based on best practice, government targets, benchmarks or published guidelines.

At the completion of fieldwork the audit team meets with agency management to discuss all significant matters arising out of the audit. Following this, a draft performance audit report is prepared.

The audit team then meets with agency management to check that facts presented in the draft report are accurate and that recommendations are practical and appropriate.

A final report is then provided to the CEO for comment. The relevant minister and the Treasurer are also provided with a copy of the final report. The report tabled in Parliament includes a response from the CEO on the report's conclusion and recommendations. In multiple agency performance audits there may be responses from more than one agency or from a nominated coordinating agency.

Do we check to see if recommendations have been implemented?

Following the tabling of the report in parliament, agencies are requested to advise the Audit Office on action taken, or proposed, against each of the report's recommendations. It is usual for agency audit committees to monitor progress with the implementation of recommendations.

In addition, it is the practice of Parliament's Public Accounts Committee (PAC) to conduct reviews or hold inquiries into matters raised in performance audit reports. The reviews and inquiries are usually held 12 months after the report is tabled. These reports are available on the parliamentary website.

Who audits the auditors?

Our performance audits are subject to internal and external quality reviews against relevant Australian and international standards.

Internal quality control review of each audit ensures compliance with Australian assurance standards. Periodic review by other Audit Offices tests our activities against best practice.

The PAC is also responsible for overseeing the performance of the Audit Office and conducts a review of our operations every four years. The review's report is tabled in parliament and available on its website.

Who pays for performance audits?

No fee is charged for performance audits. Our performance audit services are funded by the NSW Parliament.

Further information and copies of reports

For further information, including copies of performance audit reports and a list of audits currently in-progress, please see our website www.audit.nsw.gov.au or contact us on 9275 7100.

Performance audit reports

No	Agency or Issues Examined	Title of performance Audit Report or Publication	Date Tabled in Parliament or Published
235	NSW Treasury NSW Police Force NSW Ministry of Health Department of Premier and Cabinet Department of Attorney General and Justice	<i>Cost of alcohol abuse to the NSW Government</i>	6 August 2013
234	Housing NSW NSW Land and Housing Corporation	<i>Making the best use of public housing</i>	30 July 2013
233	Ambulance Service of NSW NSW Ministry of Health	<i>Reducing ambulance turnaround time at hospitals</i>	24 July 2013
232	NSW Health	<i>Managing operating theatre efficiency for elective surgery</i>	17 July 2013
231	Ministry of Health NSW Treasury NSW Office of Environment and Heritage	<i>Building energy use in NSW public hospitals</i>	4 June 2013
230	Office of Environment and Heritage - National Parks and Wildlife Service	<i>Management of historic heritage in national parks and reserves</i>	29 May 2013
229	Department of Trade and Investment, Regional Infrastructure and Services – Office of Liquor, Gaming and Racing Independent Liquor and Gaming Authority	<i>Management of the ClubGRANTS scheme</i>	2 May 2013
228	Department of Planning and Infrastructure Environment Protection Authority Transport for NSW WorkCover Authority	<i>Managing gifts and benefits</i>	27 March 2013
227	NSW Police Force	<i>Managing drug exhibits and other high profile goods</i>	28 February 2013
226	Department of Education and Communities	<i>Impact of the raised school leaving age</i>	1 November 2012
225	Department of Premier and Cabinet Division of Local Government	<i>Monitoring Local Government</i>	26 September 2012
224	Department of Education and Communities	<i>Improving the literacy of Aboriginal students in NSW public schools</i>	8 August 2012
223	Rail Corporation NSW Roads and Maritime Services	<i>Managing overtime</i>	20 June 2012
222	Department of Education and Communities	<i>Physical activity in government primary schools</i>	13 June 2012
221	Community Relations Commission For a multicultural NSW Department of Premier and Cabinet	<i>Settling humanitarian entrants in NSW services to permanent residents who come to NSW through the humanitarian migration stream</i>	23 May 2012
220	Department of Finance and Services NSW Ministry of Health NSW Police Force	<i>Managing IT Services Contracts</i>	1 February 2012
219	NSW Health	<i>Visiting Medical Officers and Staff Specialists</i>	14 December 2011

No	Agency or Issues Examined	Title of performance Audit Report or Publication	Date Tabled in Parliament or Published
218	Department of Family and Community Services Department of Attorney General and Justice Ministry of Health NSW Police Force	<i>Responding to Domestic and Family Violence</i>	8 November 2011
217	Roads and Traffic Authority	<i>Improving Road Safety: Young Drivers</i>	19 October 2011
216	Department of Premier and Cabinet Department of Finance and Services	<i>Prequalification Scheme: Performance and Management Services</i>	25 September 2011
215	Roads and Traffic Authority	<i>Improving Road Safety: Speed Cameras</i>	27 July 2011
214	Barangaroo Delivery Authority Department of Transport NSW Treasury	<i>Government Expenditure and Transport Planning in relation to implementing Barangaroo</i>	15 June 2011
213	Aboriginal Affairs NSW Department of Premier and Cabinet	<i>Two Ways Together - NSW Aboriginal Affairs Plan</i>	18 May 2011
212	Office of Environment and Heritage WorkCover NSW	<i>Transport of Dangerous Goods</i>	10 May 2011
211	NSW Police Force NSW Health	<i>The Effectiveness of Cautioning for Minor Cannabis Offences</i>	7 April 2011
210	NSW Health	<i>Mental Health Workforce</i>	16 December 2010
209	Department of Premier and Cabinet	<i>Sick leave</i>	8 December 2010
208	Department of Industry and Investment	<i>Coal Mining Royalties</i>	30 November 2010
207	Whole of Government electronic information security	<i>Electronic Information Security</i>	20 October 2010
206	NSW Health NSW Ambulance Service	<i>Helicopter Emergency Medical Service Contract</i>	22 September 2010
205	Department of Environment, Climate Change and Water	<i>Protecting the Environment: Pollution Incidents</i>	15 September 2010
204	Corrective Services NSW	<i>Home Detention</i>	8 September 2010
203	Australian Museum	<i>Knowing the Collections</i>	1 September 2010
202	Industry & Investment NSW Homebush Motor Racing Authority Events NSW	<i>Government Investment in V8 Supercar Races at Sydney Olympic Park</i>	23 June 2010
201	Department of Premier and Cabinet	<i>Severance Payments to Special Temporary Employees</i>	16 June 2010
200	Department of Human Services - Ageing, Disability and Home Care	<i>Access to Overnight Centre-Based Disability Respite</i>	5 May 2010

Performance audits on our website

A list of performance audits tabled or published since March 1997, as well as those currently in progress, can be found on our website www.audit.nsw.gov.au.

Our vision

To make the people of New South Wales proud of the work we do.

Our mission

To perform high quality independent audits of government in New South Wales.

Our values

Purpose – we have an impact, are accountable, and work as a team.

People – we trust and respect others and have a balanced approach to work.

Professionalism – we are recognised for our independence and integrity and the value we deliver.

Professional people with purpose

Making the people of New South Wales
proud of the work we do.

Level 15, 1 Margaret Street
Sydney NSW 2000 Australia

t +61 2 9275 7100

f +61 2 9275 7200

e mail@audit.nsw.gov.au

office hours 8.30 am–5.00 pm

audit.nsw.gov.au

