

Independent Broad-based
Anti-corruption Commission

Annual Report 2013–14

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Responsible Body's declaration

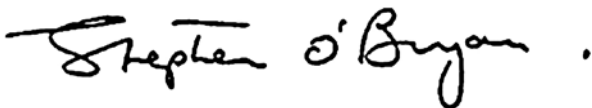
Responsible Body's declaration

To: The Honourable President of the Legislative Council
The Honourable Speaker of the Legislative Assembly

Annual Report 2013–14

In accordance with the *Financial Management Act 1994* and the *Independent Broad-based Anti-corruption Commission Act 2011*, I am submitting the Independent Broad-based Anti-corruption Commission (IBAC) Annual Report for the year ended 30 June 2014.

Yours sincerely

A handwritten signature in black ink that reads "Stephen O'Bryan" followed by a period. The signature is written in a cursive, slightly slanted style.

Stephen O'Bryan QC
Commissioner



Year in review

Year in review

This report covers the first full year of operations for the Independent Broad-based Anti-corruption Commission (IBAC) and is an important milestone in our establishment.

IBAC's principal functions are to investigate and expose, and prevent serious corrupt conduct in the public sector and misconduct by police personnel. Our jurisdiction includes some 3,600 public sector agencies and bodies, 79 local councils, members of Parliament and the judiciary, and Victoria Police.

The heart of IBAC's work is to strengthen the integrity of the Victorian public sector, and enhance community confidence in public sector accountability.

The year was significant, as IBAC managed a full caseload, completed a number of investigations and worked to build the sector's capacity to prevent corruption.

During the year IBAC assessed 4,860 allegations, involving both police and public sector personnel. Three hundred and fourteen of these allegations were assessed to be protected disclosure complaints.

Of the allegations received, many were referred to other agencies for investigation, as they did not involve serious corruption or police misconduct. Where the allegations met IBAC's threshold for serious corrupt conduct or police personnel misconduct, 24 new investigations commenced.

Investigations examined allegations of fraud, theft, unlawful release of confidential information, receipt of secret commissions, perverting the course of justice, bribery, assault, supply of illicit drugs and deception.

Fifteen investigations from the previous year were completed. Many of these were matters carried over from the Office of Police Integrity (OPI) including a significant review of previous OPI and Victorian Ombudsman investigations into the conduct of a former Deputy Commissioner of Victoria Police, Sir Ken Jones QPM, by the Hon Murray Kellam AO QC. This complex matter was the subject of an IBAC special report to Parliament in February 2014



Mr Kellam was also engaged by IBAC to examine the conduct of Victoria Police in relation to the management of human sources. For this purpose, Mr Kellam was delegated all necessary powers by the Commissioner.

This, and a number of other investigations were still underway at the time of writing.

Work commenced on our first public examinations as part of IBAC's Operation Fitzroy into allegations of serious corrupt conduct around the supply of goods and services at the Department of Transport and Infrastructure, and Public Transport Victoria.

Further public examinations are expected over the next 12 months with a number of significant investigations underway across our jurisdiction. Through these investigations, IBAC will provide further insights into the nature and extent of serious corrupt conduct in the Victorian public sector.

Seventy-nine reviews of Victoria Police investigations were completed by IBAC during the year, as part of our work to ensure that matters referred to other agencies for action have been handled fairly and thoroughly. This included reviews of deaths and serious injury associated with police contact.

Year in review

The legislative framework IBAC operates within provides a critical foundation for our work. In April this year, IBAC released a special report reflecting on our first 12 months of being fully operational and outlining a number of important issues for consideration by the Parliament of Victoria. This included the threshold for investigations to commence, the absence of misconduct in public office as something IBAC can investigate, and the desirability of mandatory reporting of possible corrupt conduct to IBAC by public sector body heads and chief executive officers of local councils.

In addition, IBAC's work continued to build the public sector's capacity to prevent corruption and police misconduct. Corruption prevention initiatives were delivered to audiences ranging from community groups to probationary constables, internal police discipline investigators, lawyers, protected disclosure coordinators, and public servants.

IBAC completed its first strategic assessment, which will provide a high-level analysis of corruption risks within the Victorian public sector and inform where IBAC's efforts are best directed to detect and prevent public sector corruption and police misconduct.

Research work also continues to further build understanding of corruption risks and issues across our jurisdiction, including reviews of integrity frameworks in local and state government agencies.

We are also ensuring that issues identified through IBAC's investigative work inform broader learning and capacity building across the public sector. As an example, following a 2013 investigation into allegations of corrupt conduct within a council works depot, IBAC initiated a strategic review of other council depots to identify whether similar issues exist more broadly. The findings of this review will help councils strengthen their corruption prevention practices.

For IBAC's staff, 2013–14 was a year of building on foundational work conducted in the organisation's establishment phase, and consolidating our performance.

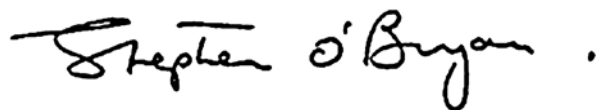
Simon Heath was appointed as Deputy Commissioner in August 2013, completing the recruitment of IBAC's Executive team.

IBAC also has two sessional Deputy Commissioners, Andrew Kirkham RFD AM QC, appointed in April 2013, and Geoffrey Horgan QC, appointed in September 2013.

I would like to thank IBAC's executive team and all staff for their commitment and dedicated work over the year.

I would also like to acknowledge that at the end of 2013, Ron Bonighton AM, formerly the Acting Commissioner, concluded his ongoing advisory role at IBAC. Ron led the establishment of IBAC with the support of a small project team and his guidance made a significant impact on IBAC's establishment and early operation.

Over the next 12 months, IBAC will continue work to help strengthen community confidence in the public sector by exposing and preventing serious corruption and police misconduct, and supporting people from all backgrounds to stand up and report wrongdoing.



Stephen O'Bryan QC
Commissioner

Year in review

Our purpose

IBAC is Victoria's first anti-corruption body responsible for identifying and preventing serious corrupt conduct across the public sector, including Members of Parliament, the judiciary, and state and local government.

IBAC also has a broad oversight role in relation to police personnel misconduct and an important education function to help public sector agencies improve their systems and processes for preventing corrupt conduct.

Our primary purpose is to strengthen the integrity of the Victorian public sector, and to enhance community confidence in public sector accountability.

Objectives and functions

The *Independent Broad-based Anti-corruption Commission Act 2011* (IBAC Act) sets out IBAC's functions, duties and powers which include:

- receiving, assessing and referring complaints and notifications about Victorian public sector corrupt conduct or police personnel misconduct
- identifying, exposing and investigating corrupt conduct by public bodies or officers and police personnel misconduct
- preventing corruption and police personnel misconduct through advice, training and education
- making recommendations or tabling reports in Parliament following an investigation.

IBAC can exercise entry, search and seizure powers, and conduct examinations. In certain circumstances, IBAC can exercise prosecutorial powers. Importantly, IBAC must protect the confidentiality of its operations.

Any person can complain to IBAC about corrupt conduct or police personnel misconduct. IBAC can also receive complaints about improper conduct and detrimental action under the *Protected Disclosure Act 2012* (PD Act). IBAC is also responsible for preparing and publishing guidelines to assist public bodies to interpret and comply with the protected disclosures regime.

The PD Act applies to disclosures about all public bodies and officers within IBAC's jurisdiction. Certain disclosures can only be made to the Victorian Inspectorate or presiding officers of the Parliament.

Various bodies may also make, or are required to make, notifications to IBAC about corrupt conduct, police personnel misconduct, and disclosures under the PD Act.

IBAC acts as a central clearing house for complaints and protected disclosures, and is responsible for referring complaints and protected disclosure complaints to other prescribed bodies for investigation. IBAC can investigate serious matters itself.

IBAC assesses all complaints and notifications and must either:

- investigate the complaint or notification
- refer the complaint or notification to another appropriate body for action
- dismiss the complaint or notification.

IBAC can conduct coordinated investigations with other prescribed bodies, monitor referred investigations, and recall referred investigations to investigate itself, where appropriate.

IBAC also has important functions to educate the public sector and the community about the detrimental effects of corruption and the ways it can be prevented, and helping to improve the capacity of the public sector to prevent corruption and police misconduct.

Year in review

IBAC objectives, actions and progress

A snapshot of IBAC's objectives, actions and progress are outlined below.

Objectives	Actions	Progress
Exposing and investigating serious corrupt conduct and police misconduct	<ul style="list-style-type: none"> • Receive, assess and coordinate referrals, complaints and notifications • Investigate serious corrupt conduct and police personnel misconduct • Receive information, conduct research and collect intelligence 	<ul style="list-style-type: none"> • 2,567 complaints/notifications received • 4,860 allegations considered as assessable disclosures/complaints • 314 allegations determined to be protected disclosure complaints • 43 allegations determined to be protected disclosure complaints investigated by IBAC • 24 new investigations commenced • 79 reviews of Victoria Police matters • 15 investigations completed from previous year
Preventing corrupt conduct and police misconduct	<ul style="list-style-type: none"> • Examine legislation, systems and practices across the public sector • Provide advice, training and education to the public sector and the community • Publish information and reports • Work with other agencies to ensure a cohesive integrity system for Victoria 	<ul style="list-style-type: none"> • 74 corruption prevention initiatives delivered • 96.7 per cent customer satisfaction rating • More than 1,600 people attended prevention and education sessions • Research published on perceptions of corruption • Projects underway to strengthen integrity frameworks across state and local government • Integrity agency consultative committees established
Building our organisation	<ul style="list-style-type: none"> • Foster a capable and professional workforce, recognising achievement and innovation • Continuously improve governance frameworks and systems to enhance organisational outcomes • Continuously review performance to improve organisational efficiency and effectiveness 	<ul style="list-style-type: none"> • Appropriately skilled operational and administrative professionals recruited • Professional development program implemented • Audit and Risk Management Committee established • Human resource, IT and governance policies and procedures developed • Monthly management and quarterly performance reporting regime implemented
Ensuring accountability	<ul style="list-style-type: none"> • Comply with legislative and regulatory obligations • Report to the Parliament of Victoria and the Victorian Inspectorate • Deliver high-quality public reports that build confidence in our work 	<ul style="list-style-type: none"> • Reporting to: <ul style="list-style-type: none"> – Victorian Inspectorate on witness summonses and controlled operations – Victorian and Commonwealth Attorneys-General on telecommunications interception warrants – Victorian Attorney-General on surveillance device warrants and assumed identities – Commonwealth Ombudsman on stored communications warrants • Reporting on inspections of Victoria Police relating to: <ul style="list-style-type: none"> – the Sex Offender Register – destruction of drugs of dependence – compliance with <i>Melbourne City Link Act 1995</i> • Three special reports provided to Parliament

Year in review

Structural changes

There were no changes made to IBAC's output structure during the financial year.

Operational and budgetary objectives, and performance against objectives

This table details IBAC's outputs, including the actual results against 2013–14 Budget Paper No. 3 *Service Delivery* performance measure targets, for the year ending 30 June 2014.

Output performance measures

Budget Paper 3 performance measures	Unit of measure	2013–14 target	2013–14 actual
(a) Quantity			
1. Corruption prevention initiatives delivered by IBAC <i>Corruption prevention initiatives delivered exceeded the target due to demand for training sessions</i>	Number	70	74
(b) Quality			
2. Recipients of corruption prevention initiatives satisfied	Per cent	> 90	96.7
(c) Timeliness			
3. Proportion of complaints or notifications received and assessed within 60 days <i>Refinement and consistent application of complaint processes has ensured efficient management reflected in the higher number of complaints assessed within the targeted timeframes</i>	Per cent	> 75	94
4. Proportion of IBAC investigations completed within 12 months <i>Completed investigations to date have been relatively straightforward. Current investigations are far more complex and involve greater resources, both technical and physical. It is anticipated that there may be a decrease in the rate of completed investigations in the next reporting period due to the greater complexity of investigations</i>	Per cent	> 60	100

Our values

Fairness

We are objective, consistent and impartial in everything we do demonstrating the highest standards of integrity and independence

Professionalism

- We are responsive and accountable for our actions
- We strive for excellence and take pride in our work

Courage

We are committed and tenacious in realising our purpose

Year in review

Financial summary

	2014 (\$m)	2013 (\$m)
Grants from Department of Justice	27.353	13.335
Total income from transaction	27.402	27.141
Total expenses from transactions	27.335	13.669
Net result from transactions	0.067	13.472
Net cash flow from operating activities	1.073	4.531
Total assets	22.049	21.586
Total liabilities	5.316	4.928

Current year financial review

The Victorian Government considers the net result from transactions (net operating balance) to be the appropriate measure of financial management that can be directly attributed to government policy.

Expenditure in the current financial year has increased significantly over the prior comparative period as IBAC assumed its full operational powers with effect from 10 February 2013. Consequently, the 2013–14 financial year is the first full twelve-month period that IBAC has been fully operational and over that period has gradually recruited staff to fulfil its statutory obligations. This is reflected in staffing costs in 2013–14 of \$17.39 million (2012–13 \$6.81 million).

Capital projects

IBAC does not have any capital projects.

Disclosure of grants and transfer payments (other than contributions by owner)

IBAC has not provided any grants or transfer payments to companies or organisations.

Respect

- We work in a spirit of cooperation and understanding, drawing on the skills and expertise of others
- We are open and responsive, valuing the views of others

Trust

- We promote and sustain public confidence through the quality of our work
- We implicitly trust the competence of people we work with

Year in review

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Report of operations

Report of operations

Investigating and exposing serious corrupt conduct and police misconduct

Any person may make a complaint to IBAC about public sector corruption. Heads of public sector bodies can also notify IBAC of corrupt conduct within their organisation.

Complaints, notifications and information are carefully assessed, with investigation being just one of the options open to IBAC.

IBAC can investigate a matter based on a complaint or a notification, or commence own-motion investigations. However, to investigate a matter in its public sector jurisdiction IBAC must be reasonably satisfied that the conduct is 'serious corrupt conduct'.

IBAC can determine that a complaint or notification does not warrant investigation including if, in IBAC's opinion, the subject matter of the complaint or notification is trivial or unrelated to the functions of IBAC, frivolous or vexatious, lacks substance or credibility, or has already been investigated or otherwise dealt with by IBAC.

IBAC can also refer matters to other agencies if they are outside IBAC's jurisdiction, or to the relevant public authority for action. Matters can also be used to inform corruption prevention work with the relevant public authority.

Depending on the nature of the matter, IBAC may decide to:

- refer the matter to the agency that is the subject of the complaint or to another integrity agency to investigate and where appropriate, report back to IBAC
- conduct assessment enquiries, for example, to establish whether the agency involved or another integrity body has already dealt with the matter
- commence an investigation if the matter constitutes serious corrupt conduct
- develop corruption prevention advice for the organisation concerned and for the broader public sector if the matter raises systemic issues
- take no further action.

Key statistics

	2013–14
Total notifications/complaints received	2,567 cases
Total allegations received	4,860 allegations
New investigations commenced	24
Investigations completed from previous year	15
Enquiries received	1,023
Interpreter/translator-assisted enquiries received	22
Corruption prevention initiatives delivered	74

Report of operations

Complaints and notifications

Assessments

During the year, IBAC received more than 1,000 enquiries – 95 per cent by telephone – from members of the public. These are in addition to calls relating to existing cases.

More than 2,500 cases were received under the IBAC and PD Acts.

Assessment data

Enquiries	1,023
Cases received	2,567
Allegations assessed	4,860
Incoming telephone calls logged against existing cases	2,131

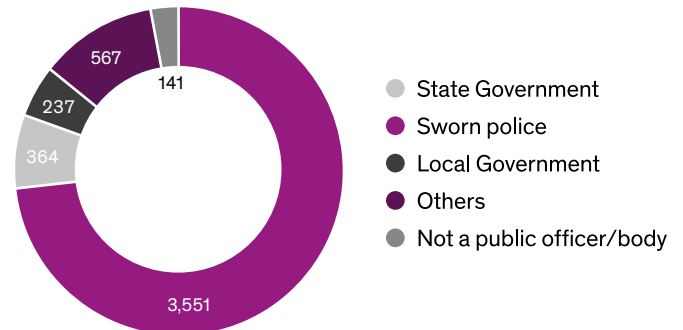
Allegations

Complaints and notifications may contain multiple allegations against different entities and/or officers (eg. one complaint may contain three allegations against three separate government departments). Recording each allegation enables IBAC to manage different aspects of each complaint or notification and provides more detailed information to identify trends in complaints.

An allegation is a specific claim of serious corrupt conduct made against a public officer or public body or a specific claim of misconduct against a member of Victoria Police personnel. IBAC conducts a protected disclosure assessment for each allegation received as part of a complaint made directly to IBAC or a notification made to IBAC under the PD Act, and then decides on the appropriate action.

From the total cases received, IBAC assessed 4,860 individual allegations.

Allegations assessed (by sector)

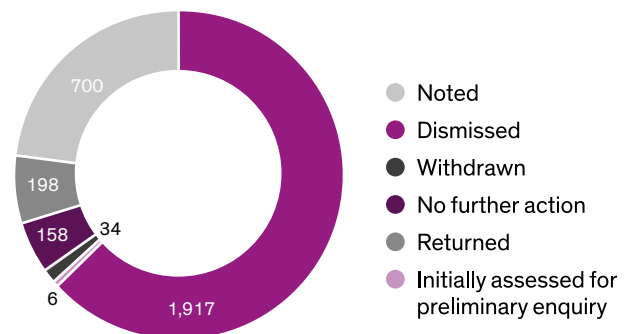


Those determined as ‘not a public officer/body’ were allegations assessed relating to individuals, agencies or entities that are not public officers or public bodies under the IBAC Act, for example allegations against Commonwealth departments or staff employed by private companies.

The majority of allegations related to police personnel due to mandatory reporting under the *Police Regulation Act 1958*. Most of those do not reach the threshold for investigation by IBAC and are investigated by Victoria Police; these matters are noted awaiting outcome reports at the conclusion of the investigations.

During 2013–14, there were by operation of the IBAC Act, 1,917 allegations dismissed¹ as they did not warrant investigation. Thirty-four allegations were withdrawn at the request of the complainant; IBAC will not take further action.

Allegations assessment outcomes (where allegation does not proceed)



¹ Section 67 of the IBAC Act provides that a complaint or notification that does not warrant investigation is dismissed where IBAC determines:

- the subject matter of the complaint or notification is trivial or unrelated to IBAC’s functions
- the complaint or notification is frivolous or vexatious
- the complaint or notification lacks credibility
- the matter has already been the subject of a complaint or notification which has been investigated or otherwise dealt with
- the complaint or notification relates to conduct that occurred at too remote a time to justify investigation
- the complaint or notification was made for a mischievous purpose
- in all the circumstances, the conduct does not warrant investigation.

Report of operations

Allegation assessment outcomes – where an allegation proceeds

Investigate by IBAC	64
Referred to other agencies ²	1,783

Allegation assessment outcomes referred to other agencies

Victoria Police	1,427
Ombudsman	263
Others	93

As most allegations received by IBAC relate to police personnel, a higher number of allegations have been referred to Victoria Police as the most appropriate agency to investigate or take other appropriate action (80 per cent).

Many allegations received relate to maladministration within the Victorian public sector and are referred to the Victorian Ombudsman for action. Other matters are referred to the relevant public sector agencies to investigate in the first instance. Should those investigations identify evidence of serious corrupt conduct or police personnel misconduct those agencies may refer the matter back to IBAC for further consideration.

Protected disclosures

Under the PD Act, a single test is applied to disclosures made or notified to IBAC to determine whether the matter is a protected disclosure. The only entities which can investigate protected disclosure complaints under the protected disclosure scheme are IBAC, the Victorian Ombudsman, the Chief Commissioner of Police and the Victorian Inspectorate.

The PD Act enables people to make disclosures about improper conduct and detrimental action within the public sector.

Protected disclosure data

Protected disclosures made direct to IBAC	2,446 cases
Protected disclosures notified to IBAC by Victoria Police ³ or other entities ⁴	121 cases
Disclosures determined by IBAC to be protected disclosure complaints ⁵	314 allegations
Protected disclosure complaints investigated by IBAC	43 allegations
Protected disclosure complaints referred by IBAC to another investigating entity	230 allegations
Protected disclosure complaints dismissed by IBAC	38 allegations
Disclosures IBAC has been unable to either investigate or refer to another investigating entity	0
Recommendations made by IBAC as a result of a review ⁶	0
Action taken by entities as a result of recommendations made by IBAC as a result of a review	0
Applications for injunctions made by IBAC ⁷	0

² Section 73 of the IBAC Act specifies that IBAC must refer complaints or notifications that IBAC determines are relevant to the functions of a person or body and where it would be more appropriately investigated by that person or body.

³ Under section 22 of the PD Act. The Chief Commissioner can also refer matters involving unsworn members under section 21 of the PD Act.

⁴ Under section 21 of the PD Act.

⁵ Under section 26 of the PD Act.

⁶ Under section 61 of the PD Act.

⁷ Under section 50 of the PD Act.

Report of operations

The Act provides certain protections for people who make disclosures, and creates certain obligations of confidentiality preventing the disclosure of the identity of the person who has made a disclosure and the content of the disclosure (except in certain specified circumstances).

Disclosure of either the identity of a discloser, or the content of their disclosure that is not covered by any of those specified exceptions, is a criminal offence.

IBAC has a key role in receiving, assessing and investigating disclosures about improper conduct and detrimental action taken in reprisal for a disclosure by public bodies or public officers. IBAC either receives disclosures directly or via notification from a public body that can receive a disclosure.

This year, the number of disclosures made directly to IBAC has remained constant at approximately 600 per quarter.

However, the number of matters notified to IBAC by investigating entities and other entities that can receive disclosures has halved over the year. This may reflect increased understanding by public bodies about what may be considered to be a protected disclosure as a result of IBAC's education initiatives that target protected disclosure coordinators, IBAC's guidelines, and public bodies developing their own procedures to deal with protected disclosures.

IBAC determines the majority of assessable disclosures, either made directly or notified to IBAC, not to be protected disclosure complaints.

Disclosures notified to IBAC are returned to the notifying organisation to be dealt with as ordinary complaints. Other disclosures made directly to IBAC can be referred to a relevant agency for investigation as a complaint.

IBAC assesses the disclosures made directly to IBAC as complaints and determines whether or not to dismiss, investigate or refer them to another entity.

The majority of matters determined by IBAC as protected disclosure complaints are referred to investigating entities – 230 allegations in total were referred to other integrity agencies. IBAC has investigated 43 allegations which were determined to be protected disclosure complaints.

Most of the protected disclosures made directly or notified to IBAC are about Victoria Police. This is reflected not only in the numbers of protected disclosure complaint allegations referred to Victoria Police (such protected disclosure complaints cannot be referred by IBAC to any other organisation than Victoria Police), but also in the percentage of complaint allegations received and assessed by IBAC about Victoria Police (around 72 per cent of all complaints received or notified to IBAC).

The most common types of improper conduct alleged in protected disclosures made or notified to IBAC have been about:

- abuse of procurement processes
- misuse of public funds and public resources
- unauthorised disclosure of confidential information
- inappropriate personal behaviour such as unlawful assault, threatening behaviour, bullying, and rudeness
- unprofessional conduct from failing to take appropriate action
- conflicts of interest
- committing perjury and perverting the course of justice.

Public bodies that can receive disclosures are required to establish and publish procedures about making, handling and notifying disclosures. All public bodies are required to establish and publish procedures about protecting people from detrimental action taken in reprisal for a disclosure.

Under section 60 of the PD Act, IBAC may review procedures established by public bodies to ensure that they are consistent with the Act, Regulations and IBAC guidelines, and that officers of public bodies and the general public have been made aware of the Act. IBAC is currently undertaking such a review.

IBAC has established a Protected Disclosure Liaison Group including the two Parliamentary Presiding officers, the Victorian Ombudsman's office, the Victorian Inspectorate and Victoria Police. This group meets quarterly to discuss issues of mutual interest and concern around the exercise of functions under the PD Act, and to ensure that the system of facilitating, managing and investigating protected disclosures is efficient and cohesive. Four meetings have been held during this financial year. IBAC officers have also met regularly with officers from the Victorian Ombudsman.

All relevant IBAC staff have been trained in the assessment and investigation of protected disclosure complaints.

Report of operations

Investigations

IBAC has established a fully functional multi-disciplined investigative capability. Recruitment has targeted staff with considerable experience and specific expertise, allowing IBAC to competently undertake protracted and complex investigations. The investigations unit can also utilise specialist operational support from within IBAC, including forensic IT and accounting services.

In 2013–14, IBAC commenced 24 investigations and completed 15 investigations that were continued from the previous year.

Investigations relate to the broader public sector as well as a number relating to police personnel conduct. Investigations conducted, and currently underway, include allegations of fraud, theft, unlawful release of confidential information, receiving secret commissions, perverting the course of justice, bribery, assault, supplying of illicit drugs and deception.

These investigations involved execution of a number of search warrants, private coercive examinations, a controlled operation, telephone intercept and surveillance device warrants, the use of powers under section 84 of the IBAC Act and criminal charges being laid.

The complexity and scale of some investigations has been challenging. Convoluted webs of companies and fiscal transactions designed to mask corrupt conduct provides investigative challenges, as does staying abreast of technological advances which assist perpetrators to communicate and conduct their activities in secret.

In April 2014, IBAC requested information from Victoria Police about its handling of confidential police informants. IBAC appointed the Hon Murray Kellam AO QC to examine the conduct of Victoria Police in relation to the management of human sources, and in particular, the issue of whether or not such management has complied with appropriate ethical and legal obligations.

A sample of investigation summaries is presented in the following section.

Sample of investigations

Operation Wyong: alleged bribery at a metropolitan cemetery

Allegations of mismanagement and misconduct at cemeteries have been the subject of public concern, and various inquiries by the Victorian Public Sector

Commission, the Victorian Ombudsman and the Victorian Auditor-General's Office over many years. These audits and reviews have highlighted inadequate governance arrangements.

In early 2013, IBAC was informed of alleged attempts to bribe employees of the Greater Metropolitan Cemeteries Trust (GMCT), in order to secure gravesites at a metropolitan cemetery, additional to those allowed under cemetery rules.

IBAC also received information alleging similar corrupt conduct elsewhere, due to high demand and limited supply of new gravesites, particularly at inner suburban cemeteries. At some cemeteries, for example, a maximum of two sites are offered when a deceased person needs to be buried: often the family's preference is for more.

IBAC's investigation, which included witness interviews and use of electronic interceptions, assumed identity and controlled operations powers, was also accompanied by a targeted GMCT audit of relevant gravesite and burial records.

Charges have been laid and are currently before the courts.

IBAC is continuing work with the GMCT to consider potential prevention and education initiatives.

Operation Continent: alleged corrupt conduct at a local council works depot

In early 2013, Mitchell Shire Council notified IBAC of allegations of corrupt conduct by council employees at the Broadford Works Depot. The report was determined to be a protected disclosure complaint.

The allegations investigated by IBAC included:

- a corrupt business relationship between a council employee and an external contractor
- unauthorised work by council employees, using council materials, in return for cash payments
- invoicing of the council for work not undertaken, and improper use of council staff and property by an external contractor
- theft of council equipment and property, including fuel, tools and vehicle parts, by council employees
- fraudulent purchasing of goods by council employees.

The IBAC investigation, which included physical and electronic surveillance and targeted council audits, confirmed fraudulent purchasing, but could not substantiate the other allegations.

Report of operations

However, the investigation did reveal a number of issues in the conduct, management and supervision of the Broadford Works Depot including:

- poor record keeping
- a lack of registers for managing physical assets
- inadequate controls such as regular audits and effective separation of duties
- inappropriate relationships with external contractors.

Following this investigation, IBAC has commenced a prevention and education project to review whether the issues identified in the investigation exist more broadly across the local government sector.

Operation Blackwood: alleged council interference in property sale

In August 2013, IBAC received a complaint principally alleging interference in the sale of St Brigid's Church in Crossley by a Moyne Shire Councillor.

It was alleged that the Councillor interfered with the private tender process of the sale of St Brigid's Church with the intent to assist a community group to purchase the property at a reduced price.

A particular concern for IBAC was an allegation that the Councillor had falsely told the unsuccessful higher tenderer that the Council would not issue works permits or allow development of the property. This allegedly facilitated a financial advantage for the community group, being a \$150,000 reduction in the sale price of St Brigid's Church.

The IBAC investigation included examination of open source information, Council minutes and extended interviews with a number of interested parties.

IBAC's investigation led it to conclude that the complaint was unfounded and the complainant was informed accordingly.

Operation Herbert: alleged unlawful disclosure of information concerning a protected witness identity

In July 2013, Victoria Police notified IBAC of a complaint that a member of its Witness Protection Unit, contrary to the *Witness Protection Act 1991*, had disclosed information about a person who had been in the Victoria Police witness protection program.

IBAC's investigation, which included examining relevant documents and conducting interviews, established that the member had released information about the person.

However, this was done as part of an application to the Supreme Court of Victoria. The purpose of the application was to release such information to the Victorian Civil & Administrative Tribunal (VCAT), as part of a review of an earlier decision to refuse the person's application for an individual private security licence. In early September 2013, the Court granted the application and authorised the release of the information to VCAT.

As such, IBAC found the allegation against the police member to be unsubstantiated. The conduct was part of a lawful process which required the Court to consider certain documents relating to the witness, in the public interest. All interested parties were informed by IBAC of this outcome, including the Chief Commissioner of Police, earlier this year.

Operation Tamar: alleged creation of false penalty notices

IBAC investigated an allegation that police officers at a metropolitan police station were falsely issuing penalty notices (predominantly for smoking in the local mall) against known offenders, without the notices ever being served on the offender. The allegation was that the practice had been adopted to secure impressive work performance statistics.

Through the careful analysis of certain raw data and other police station records, IBAC established that the allegations were without foundation, and no pattern of misconduct could be established. IBAC so notified the Chief Commissioner of Police in January 2014.

Report of operations

Public examinations

In 2013–14, IBAC commenced preparation for its first public examinations linked to Operation Fitzroy. The examinations were held in July and August 2014, and focused on allegations of serious corrupt conduct around the supply of goods and services at the Department of Transport (DOT) and Public Transport Victoria (PTV).

The examinations looked at the circumstances around the supply of goods and services in transport-related infrastructure projects; focused on one or more current and former employees, as well as the businesses contracts were awarded to. This included examining the tendering and selection process, any actual and potential financial benefits obtained by any such employees and members of their respective families and their associates, and the systems and controls in place at the DOT and PTV concerning procurement.

Reviews

IBAC conducts reviews of investigations carried out by Victoria Police and public bodies to ensure matters have been thoroughly investigated and appropriately dealt with.

This involves ensuring all relevant legislation, policies and procedures have been followed and an appropriate investigation has taken place. IBAC also seeks to ensure the investigation was fair and there was no actual or perceived conflict of interest.

Review data

Cases received and identified for review	131
Reviews completed	79

Victoria Police reviews

IBAC can direct the Chief Commissioner of Police to take further action, if IBAC believes a complaint has not been adequately investigated.

IBAC's complaints data has also identified issues as 'areas of review interest'. IBAC may review Victoria Police investigations where one or more of the areas have been identified.

These reviews help identify any ongoing areas of concern around the application and development of Victoria Police policy and practices. The information also helps to inform IBAC's broader prevention and education functions.

During 2013–14 IBAC completed 79 reviews of police investigations.

A sample of review summaries is presented from page 24.

Deaths and serious injury associated with police contact

In May 2013, the IBAC Commissioner initiated an own motion investigation into Victoria Police and their handling of incidents involving death and/or serious injury associated with police contact.

IBAC may choose to review a Victoria Police investigation when the incident is of significant public interest or relates to identified areas of concern. The review also focuses on the application and effectiveness of Victoria Police systems and practices.

IBAC has reviewed a number of investigation files and has agreed with Victoria Police's findings in the majority of cases.

Report of operations

Independent inquiry into Victoria Police complaints handling

The OPI previously reviewed 14 Victoria Police investigations relating to members' unauthorised downloading of computer software. Advice from the OPI led to Victoria Police initiating an independent review of its complaint handling processes by retired NSW Police Assistant Commissioner Paul Carey APM.

The review concluded with IBAC endorsing the recommendation that Victoria Police develop or invest in a stand-alone complaint investigation and management system that is centrally controlled and owned by the Professional Standards Command.

Outstanding recommendations from OPI reviews

Following proclamation of the *Independent Broad-based Anti-corruption Commission Amendment (Investigative Functions) Act 2012 (Vic)*, any outstanding recommendations that OPI made to Victoria Police transferred to IBAC.

Under the IBAC Act, the Chief Commissioner of Police must adopt a recommendation made by IBAC or take the requested action, or provide a report to IBAC stating the reasons for not adopting the recommendation or taking the requested action.

OPI maintained a recommendations register to monitor and manage the progress of recommendations arising from various reviews into systems and practices, and own motion investigations. IBAC reviewed OPI's recommendations register to identify where matters remain outstanding. This review identified that OPI made a total of 311 recommendations.

The IBAC Commissioner wrote to the Chief Commissioner of Police in August 2013 regarding the outstanding recommendations. After reconciliation, 18 recommendations were identified as still to be implemented.

As at 30 June 2014, Victoria Police has further implemented three recommendations and advised one will not be implemented.

Section 78(2) reports

IBAC may seek investigation reports under section 78(2) of the IBAC Act from public bodies to ensure they are conducting investigations appropriately into complaints referred by IBAC concerning corruption and misconduct.

These reports may relate to an investigation conducted by the principal officer of a government department or another public body. In each case, IBAC examines the report to consider if appropriate action has been taken and all aspects of the complaint have been addressed. After considering the section 78(2) report, IBAC may decide to conduct a review and request that the agency provide the full investigation file for review.

This process aims to assist other public sector bodies with developing their complaints handling and anti-corruption practices through the review of investigations undertaken by those agencies.

No reviews were conducted of investigations undertaken by other agencies during this reporting period.

New integrity system legislation

In April 2014, IBAC reported to Parliament on its first 12 months of operations, including discussion of the new Victorian integrity framework legislation. The report explained IBAC's approach to aspects of the legislation, highlighted areas that may benefit from amendment, and identified some aspects of the legislation that restrict the performance of IBAC's investigative functions.

The report reflected ongoing practical experience by IBAC, and is intended to contribute to further consideration of the issues by the Parliament.

Report of operations

Sample of reviews

Allegations about the conduct of Sir Ken Jones QPM

A significant review, which was the subject of a special report to Parliament in February this year, concerned previous OPI and Victorian Ombudsman reports into allegations about the conduct of a former Deputy Commissioner of Police, Sir Ken Jones QPM.

The review concluded that the evidence set out in the OPI report did not support an allegation that Sir Ken had engaged in serious misconduct by leaking or facilitating leaking to the media of confidential police information.

Operation Preston: Bairnsdale Police Station social club racist stubby holders

IBAC reviewed a Victoria Police investigation into allegations that the Bairnsdale Police Station social club was improperly involved in the design, production and sale of racist 'stubby holders'.

The Victoria Police investigation of the allegations against members of the social club resulted in findings of 'unsubstantiated', except for one police officer, a former Senior Constable, against whom the allegation was 'not proceeded with'.

IBAC found the investigation considered each alleged racist element of the stubby holders in isolation, and did not take into account the collective narrative of the design, which if read in sequence depicted the following:

- police member arrives at a call out in Bairnsdale
- member is called 'Yadawg' by an Indigenous person
- member deploys capsicum spray ('Bairnsdale handshake')
- the capsicum spray is implicated in the person catching alight ('Not that flammable')
- the member reports back to the station GOANODAAC ('Gone on arrival, no offence detected, all apparently correct').

IBAC considered the Victoria Police conclusion that the terms used were not racist as contentious, and inconsistent with Victoria Police values.

On 16 January 2014, IBAC recommended to the Chief Commissioner of Police that the outcome of the investigation be amended to 'substantiated' for the former senior constable and serving Sergeant, and that disciplinary proceedings be considered.

Victoria Police accepted the recommendation.

Operation Cobalt: police and victims of crime assistance

In 2013, IBAC reviewed an OPI investigation, Operation Cobalt, into the alleged improper involvement of police officers in applications to the Victims of Crime Assistance Tribunal (VOCAT).

As a result of the review, IBAC confirmed a practice within sections of Victoria Police first identified by OPI of:

- applying for victims of crime assistance for injuries incurred in the course of their duties, which may be inappropriate and which may conflict with other processes such as WorkSafe compensation
- receiving applications to VOCAT on behalf of victims of crime, and referring those applications to select solicitors who are former Victoria Police officers.

IBAC brought the matter to the attention of the Chief Commissioner of Police in July 2013 and recommended Victoria Police consider relevant policy to ensure:

- clear advice on whether or not members may assist victims of crime to submit applications to VOCAT
- a consistent process to any referral of applications to solicitors, with controls to prevent restrictive and inappropriate referral practices
- applications by police for victims of crime assistance to be subject to independent review
- the entitlements of police injured in the course of duty – including victims of crime assistance – to be clearly outlined.

IBAC also identified risks to VOCAT, particularly fraudulent, corrupt or improper practices. These risks were brought to the attention of the Secretary of the Department of Justice (DOJ) in July 2013. Both DOJ and VOCAT were offered an opportunity to engage with IBAC in responding to the issues.

Report of operations

Operation Harp: allegations of unlawful assault, disgraceful conduct, racial discrimination and failure to comply with police manual

In February 2014, in line with the terms of a County Court settlement, IBAC commenced oversight of a Victoria Police review of an incident in April 2009, where eight Victoria Police officers were involved in apprehending, arresting and detaining suspected juvenile offenders in Williamstown.

The incident was brought to the attention of the former OPI by the Flemington and Kensington Community Legal Service in a complaint lodged in June 2009, which alleged physical assault, unlawful entry, racial discrimination, racial targeting and breaches of the *Charter of Human Rights and Responsibilities 2006*.

IBAC's oversight of the reviews and reports found that the police officers had failed to comply with procedures, but could not substantiate (or was unable to determine) allegations of assault, disgraceful conduct or discharging capsicum spray without justification. An allegation of failure to comply with an instruction was found not to be substantiated, and the police officers involved were exonerated of an allegation of failure to render appropriate care after exposure to capsicum spray.

IBAC concurred with Victoria Police criticism of aspects of the police handling of the incident, in particular failure to comply with police manual principles and responsibilities, lack of judgment and lack of proportionality.

In advising the Chief Commissioner of Police of the outcome of this matter, IBAC has noted racist remarks in subsequent emails between some police officers involved, which suggested deeper cultural issues within the peer group.

IBAC acknowledged the progress made by Victoria Police to improve police interaction with minority community groups.

The Victorian Equal Opportunity and Human Rights Commission has also recognised the efforts of Victoria Police to improve its engagement with the community.

Victoria Police Taskforce Keel

In 2013, Chief Commissioner of Victoria Police, Ken Lay APM, publicly announced Taskforce Keel, an investigation to explore links between some police personnel and criminal elements including members of outlaw motor cycle gangs.

Issues of particular concern included an apparent unlawful disclosure of a large number of sensitive police documents to criminal elements by one or more members of police personnel. Alarming, some leaked documents contained the names of police informants in other investigations into serious unlawful activities.

Taskforce Keel has involved over 30 experienced Victoria Police investigators, as well as having representation from members of Victoria Police's Professional Standards Command for internal police oversight purposes.

The documents in question were found in the course of a police search relating to other matters. Under the current legislative regime, Victoria Police was fully entitled to conduct its own investigation into the unlawful disclosures, something the Chief Commissioner publicly stated he was determined to do in a prioritised and comprehensive way. The Chief Commissioner noted that the matter involved significant risks to the safety of informants and integrity of pending prosecutions.

In light of the urgency of the situation, and Victoria Police's substantial relevant intelligence holdings and resources, it was essential for police to investigate these matters.

IBAC intends to review the outcome of Taskforce Keel.

Report of operations

Preventing corrupt conduct and police misconduct

IBAC's prevention and education functions are to:

- examine public sector systems and practices
- provide information to, consult with and make recommendations to the public sector
- provide advice, training and education services to the public sector
- provide information and education services to the community
- publish information on ways to prevent corrupt conduct.

IBAC is building its information and intelligence holdings through its operations, as well as by conducting focused research and a strategic intelligence assessment.

Researching corruption in Victoria

In 2012, IBAC engaged the Australian National University (ANU) to conduct foundation research on corruption in Victoria. The initial focus was to examine perceptions of corruption in Victoria.

For the second phase of the research project, the ANU surveyed more than 800 senior public sector employees on their perceptions of corruption in the Victorian public sector. The survey results, published in September 2013, suggested that many senior Victorian public sector employees would have trouble identifying corruption risks, and would not know where to report corruption.

The majority of the respondents either did not know or preferred not to identify any emerging corruption risks for their organisation. One fifth of respondents did not know where to report corruption and almost half said they would not feel protected if they reported corruption.

During the year, the ANU completed the last phase of the research, a review of the internal integrity frameworks – the systems, policies and procedures instituted to minimise corruption risks – across state government bodies in Victoria.

The research shows that corruption is generally not on the radar of those agencies surveyed. While there is considerable awareness of fraud and of misconduct, corruption itself is not a focus. This reinforces the findings from the survey of senior Victorian public sector employees.

The research has yielded valuable data and information on gaps, good practices and areas where IBAC can assist state government agencies to strengthen their resistance to corruption.

A public report on this research will be prepared in the second half of 2014.

Strategic projects

Strategic assessment

IBAC completed its first strategic assessment, which scans IBAC's operating environment to identify key public sector corruption and police misconduct risks. The assessment is based upon available data, intelligence, literature and stakeholder consultations.

The assessment will inform further prevention and education activities, targeted information and intelligence collection, possible investigative responses and further thematic assessments.

Review of council works depots

In 2013, IBAC investigated allegations about corrupt conduct by council works depot employees at Mitchell Shire Council. That investigation, Operation Continent, revealed a number of issues in the conduct and supervision of the depot that could allow corrupt practices to go unchecked including poor record keeping, a lack of registers for managing physical assets, inadequate controls such as regular audits, and conflicts of interest and inappropriate relationships with contractors.

Given the range of valuable equipment and bulk consumables accessible at council works depots, in May 2014, IBAC commenced a review of whether the risk issues identified in Operation Continent exist more broadly across the local government sector.

Focused on procurement, accountability for bulk consumables, and management of plant and equipment in a small selection of councils, the review aims to identify possible risk areas and identify practices to build knowledge and skills to prevent corruption.

A report on the review will be completed in late 2014.

Report of operations

Local government integrity framework project

With the Victorian local government sector having total operating expenditure of around \$7.12 billion⁸ and responsibility for services infrastructure and regulatory activities, IBAC recognises the importance of engaging local councils in corruption prevention initiatives.

The local government integrity framework project is exploring the integrity frameworks in a sample of six councils from a mix of metropolitan, regional and rural areas across Victoria. The objective of the project is to raise awareness of IBAC and improve the sector's capacity to prevent corrupt conduct.

The project is being conducted in three phases. Phase one involved an organisational survey which asked councils to comment on their risk assessment, current policies, procedures and prevention and education strategies.

Phase two involved a staff questionnaire which canvassed employee perceptions of corruption risks, awareness of policies and procedures and willingness to report.

Phase three involves consultations with councils to further explore their approach to preventing corrupt conduct and employee perceptions as provided in the responses to the staff questionnaire.

As at 30 June the first two phases were completed, with the research to be finalised in late 2014.

Education

Building awareness of IBAC

IBAC has sought to raise its profile across the public sector and the community to assist people to understand the integrity system, as well as provide guidance on how to recognise and report public sector corruption and police misconduct.

IBAC has built on work commenced by the Victorian Public Sector Commission to develop a guide to the Victorian integrity system, in partnership with the Victorian Ombudsman, the Victorian Auditor-General and the Local Government Inspectorate. The guide aims to help Victorian public sector employees to better understand the functions of integrity agencies, and to reinforce the role each employee plays in ensuring ethical conduct and preventing misconduct and corruption.

A series of information sheets have been published on IBAC's role and functions, making a complaint about suspected corruption, making a protected disclosure, and the impacts of corruption. Specific information has also been developed for heads of agencies and public bodies. A fraud prevention checklist was also published to coincide with international fraud awareness week in November 2013.

Further information and resources are being developed.

Senior IBAC personnel have spoken at a range of events, to audiences ranging from lawyers to public servants, councils, members of Parliament and Parliamentary staff, and community organisations.

IBAC has also commenced a regional outreach program. This program provides opportunities for regional Victorian agencies to access information and increase their understanding of Victoria's new integrity system and protected disclosure regime.

Over the past year, IBAC has conducted forums and presentations to public sector employees in Bairnsdale, Warnambool, Wangaratta and Bendigo.

⁸ Victorian Auditor-General's Office, *Local Government: Results of the 2012-13 Audits*, 11 December 2013, p.17.

Report of operations

Developing education programs

A general information session has been developed to assist public officers and the community to understand IBAC's role and functions.

Over the past year, tailored 'Introduction to IBAC' sessions were delivered to 23 different public sector agencies, community groups and university courses. A further 10 general information sessions were delivered to people from across the sector and community.

IBAC has also developed a series of forums for public sector staff to provide information, resources, best practice and practical advice about corruption risks. The first forum, conducted in February 2014, focused on fraud prevention and was attended by 35 people from the state and local government sectors.

The second forum in May 2014 highlighted strategies for preventing information misuse in the public sector and was attended by 79 public sector employees.

A third forum, held in June 2014, focused on good-practice protected disclosure management and on ensuring the welfare of disclosers. This forum was attended by 25 protected disclosure coordinators.

Ensuring public sector workers in regional Victoria have equal access to information and training is important. During the year, four protected disclosure seminars were held in regional Victoria, with 26 participants. A further four general information sessions about IBAC's role and function were also delivered to regional audiences, with 54 participants.

IBAC also participates in the probationary constables' training program at the Victoria Police Academy. During the year, IBAC delivered 26 sessions about its role in relation to police misconduct.

Discipline investigators (police who undertake internal investigations across Victoria) have also been provided with information about IBAC's role and functions at their monthly course.

Supporting protected disclosure coordinators

Targeted training has been provided for protected disclosure coordinators on their obligations under the PD Act.

During the year, six training sessions for coordinators were delivered. A further four sessions about the new protected disclosure regime were delivered to public sector agencies to increase employee awareness, and information about the protected disclosure regime was included in all general information sessions.

A checklist for receiving entities and an information sheet for non-receiving entities were also published.

In February 2014, protected disclosure coordinators who undertook IBAC training on the implementation of the new protected disclosure regime were surveyed about how they had applied the knowledge from the training in their workplace, and to identify further training needs. Over 76 per cent of respondents reported having good or high levels of knowledge about the essential elements of the protected disclosure regime six months after training.

Education programs are being run bi-annually for new protected disclosure coordinators, with further training being identified for existing coordinators to build knowledge and support practice sharing among existing coordinators. Further work will also be informed by an initial review of public bodies' implementation of the PD Act which will be completed later this year.

Encouraging people to report corruption and making them aware of the protections available to them under the PD Act will be an important ongoing focus of IBAC's work, especially given the 'Perceptions of corruption' research, which showed almost half of the senior public service employees who responded did not feel confident they would be protected from victimisation should they report corruption.

Report of operations

Developing a longer term strategy

IBAC is developing a three- to five-year prevention and education strategy which will outline how IBAC will work across the public sector to build capacity to prevent corruption and police misconduct.

Part of this work involves mapping existing corruption prevention and education strategies and initiatives across the public sector, identifying where there are gaps or emerging risk areas, and looking at the most efficient and effective way that IBAC can contribute. This work will be completed over the next 12 months.

As IBAC's complaints management and investigations mature, further information will be collected about the risks, behaviours and culture enabling corruption in the public sector. These activities will also inform the development of case studies and lessons learnt for practitioners.

Building strong partnerships

IBAC is working with other integrity agencies and public sector bodies to achieve the best anti-corruption outcomes and to ensure that agencies retain primary responsibility for preventing corruption and promoting integrity in their own organisations.

In October 2013, IBAC convened an inaugural meeting of the IBAC Commissioner, the Victorian Inspector, the Victorian Ombudsman, the Victorian Auditor-General, the Chief Municipal Inspector, the Public Sector Standards Commission and the Commissioner for Law Enforcement Data Security. These meetings aim to strengthen cooperation and coordination across Victorian integrity agencies, whilst also respecting each agency's distinct functions.

A Prevention and Education Advisory Group involving IBAC, the VO, VAGO, the Local Government Inspectorate and the Victorian Public Sector Commissioner, has also been established.

In September 2013, IBAC co-hosted a Corrupt Conduct and Investigations Symposium with the Institute of Public Administration Australia (IPAA) Victoria. The symposium, which was attended by more than 200 people, focused on the new integrity system in Victoria, including misconduct and corruption case studies. IBAC is working with IPAA Victoria and other integrity agencies to hold a second symposium in September 2014.

Building our organisation

Over the past year, IBAC has worked to establish a sound corporate governance framework supported by policy, systems, processes and procedures.

IBAC developed its people-related policies and corporate values, as well as its occupational health and safety and recruitment frameworks. An annual staff performance and development regime has been introduced. IBAC also introduced leadership and management development programs, tailored to IBAC's needs and support IBAC's values.

To support its operational functions and IBAC's case management system was upgraded and a mobile device platform introduced. Progress has also been made on upgrading the IBAC telephony system.

Information management and security has been a priority. During the year IBAC developed an information management framework to reduce the risk of data loss or inappropriate use of sensitive information.

A risk management framework has been established along with an enterprise risk register, to guide future business and corporate planning activities.

PricewaterhouseCoopers was appointed as the IBAC internal audit provider and the first full year of the internal audit program has been completed with a further three-year strategic program linked to the organisational risk profile developed.

IBAC financial and other delegations have been established and comprehensive training provided for all staff.

The refurbishment of IBAC's leased accommodation has continued with approximately 33 per cent of the relevant leasehold now being completed.

It is anticipated that the project will be completed by mid-2015, at which point IBAC's accommodation will be in line with the *Victorian Government Accommodation Guidelines 2007*.

Report of operations

Ensuring accountability

Summary of legislation

The Commissioner has been provided with powers and functions to undertake the roles given to IBAC by Parliament. These powers and functions are contained in the following legislation.

Act	<i>Independent Broad-based Anti-corruption Commission Act 2011</i>
Responsible Minister	Attorney-General
Purpose	Establishes IBAC functions and powers
Act	<i>Police Regulation Act 1958</i>
Responsible Minister	Police and Emergency Services
Purpose	Facilitates the making of complaints to the Commissioner
Act	<i>Confiscation Act 1997</i>
Responsible Minister	Attorney-General
Purpose	Allows IBAC to obtain certain financial information
Act	<i>Crimes (Assumed Identities) Act 2004</i>
Responsible Minister	Attorney-General
Purpose	Allows IBAC to obtain and use assumed identities
Act	<i>Crimes (Controlled Operations) Act 2004</i>
Responsible Minister	Attorney-General
Purpose	Enables IBAC to conduct controlled operations
Act	<i>Protected Disclosure Act 2012</i>
Responsible Minister	Attorney-General
Purpose	Allows IBAC to receive and investigate protected disclosure complaints
Act	<i>Surveillance Devices Act 1999</i>
Responsible Minister	Attorney-General
Purpose	Allows IBAC to use surveillance devices under warrant
Act	<i>Telecommunications (Interception and Access) Act 1979</i>
Responsible Minister	Attorney-General (Cth)
Purpose	Allows IBAC to intercept telecommunications and stored communications under warrant
Act	<i>Telecommunications (Interception) (State Provisions) Act 1988</i>
Responsible Minister	Attorney-General
Purpose	Enables IBAC to intercept telecommunications in accordance with the <i>Telecommunications (Interception and Access) Act 1979</i> of the Commonwealth.
Act	<i>Witness Protection Act 1991</i>
Responsible Minister	Police and Emergency Services
Purpose	Powers to determine appeals against decisions of the Chief Commissioner of Police to terminate witness protection arrangements

Report of operations

Oversight

An oversight framework ensures appropriate accountability for our work and the significant powers vested in IBAC.

The *Victorian Inspectorate Act 2011* creates the Victorian Inspectorate and vests it with functions which include monitoring IBAC's compliance with relevant laws and receiving complaints against IBAC and IBAC personnel. Information about the Victorian Inspectorate is available at www.vicinspectorate.vic.gov.au.

The *Parliamentary Committees Act 2003* established an IBAC Parliamentary Committee to monitor and review IBAC's performance of its functions and duties, examine any reports made by IBAC, and report to both houses of Parliament on any matters connected with the exercise of its functions that require the attention of Parliament. The IBAC Commissioner and CEO appeared before the committee on 9 December 2013. Additionally, the IBAC Committee visited IBAC and met with the Commissioner and CEO on 14 October 2013 and 26 May 2014.

During the year, the following reports were tabled in the Parliament:

- *IBAC Annual Report 2012–13* (September 2013)
- *Special report concerning certain operations in 2013* (November 2013)
- *Special report concerning allegations about the conduct of Sir Ken Jones QPM* (February 2014)
- *Special report following IBAC's first year of being fully operational* (April 2014).

IBAC's regulatory compliance

Surveillance devices

IBAC reports the exercise of its powers under the *Victorian Surveillance Devices Act 1999* to the Victorian Attorney-General and the Supreme Court of Victoria. The Attorney-General tables the Commissioner's reports in the Parliament. The Victorian Inspectorate inspects IBAC's records to determine compliance with the Act.

The Victorian Inspectorate conducted two inspections of IBAC's surveillance device records during this reporting period.

Telecommunications interceptions

IBAC reports the exercise of its powers under the *Telecommunications (Interception and Access) Act 1979* (Cth) to the Victorian and Commonwealth Attorneys-General. The Victorian Inspectorate inspects IBAC's records to determine compliance with the *Telecommunications (Interception) (State Provisions) Act 1988* and aspects of the Commonwealth Act.

The Victorian Inspectorate conducted two inspections in relation to IBAC's telecommunications interception records during this reporting period.

The Commonwealth Ombudsman inspects IBAC's compliance with sections 150, 150A and 151 of the Commonwealth Act in relation to stored communications records. An inspection by the Commonwealth Ombudsman did not occur during the reporting period.

Assumed identities

IBAC has powers to acquire and use assumed identities under the *Crimes (Assumed Identities) Act 2004*. The Act has stringent record-keeping and auditing provisions.

The Commissioner must review the assumed identity records annually and report certain matters to the Victorian Attorney-General, who then tables the Commissioner's report in the Parliament.

IBAC submitted a report to the Victorian Attorney-General in the second half of 2013.

Controlled operations

The *Crimes (Controlled Operations) Act 2004* allows IBAC to authorise, conduct and monitor controlled operations for the purpose of obtaining evidence that may lead to the prosecution of persons for offences. These operations may involve law enforcement officers participating in conduct for which they would otherwise be criminally liable. Consistent with similar legislation, the Act imposes stringent record-keeping requirements in relation to applications and authorisations for controlled operations. The Victorian Inspectorate inspects IBAC's records to determine compliance with the Act.

The Victorian Inspectorate conducted one inspection of IBAC's controlled operations records in the reporting period.

Report of operations

Overseeing Victoria Police regulatory compliance

Sex Offenders Registration Act 2004

Part 4 of the *Sex Offenders Registration Act 2004* requires the Chief Commissioner of Police to establish and maintain a register of sex offenders. The legislation specifies information which must be included about registered sex offenders, who can access it, and to whom such information may be disclosed. People registered under the Act are entitled to obtain a copy of information held about them and may have that information corrected if it is found to be incorrect.

IBAC's role is to monitor compliance by the Chief Commissioner with the provisions of Part 4. For the purpose of monitoring the Chief Commissioner's compliance with Part 4, in June and July 2013 IBAC conducted an inspection of the register of sex offenders. The results of that inspection, with a number of recommendations, were subsequently communicated to the Minister for Police and Emergency Services and the Chief Commissioner.

Terrorism (Community Protection Act) 2003

The *Terrorism (Community Protection) Act 2003* imposes a duty upon Victoria Police to notify IBAC and provide a copy of the making of a preventative detention or prohibited contact order by the Supreme Court of Victoria on application by Victoria Police. If a person is taken into custody under such an order, Victoria Police must notify IBAC in writing of this fact.

Any person who is subject to a preventative detention order or a prohibited contact order has the right to complain to IBAC in relation to the application of, and their treatment under, such orders.

IBAC is entitled to make representations to Victoria Police regarding the exercise of powers and compliance with provisions in relation to preventative detention and prohibited contact orders, and the treatment of any person detained under a preventative detention order.

IBAC did not receive any notifications from Victoria Police under this legislation during the reporting period.

Melbourne City Link Act 1995

Section 168 of the IBAC Act provides that IBAC must monitor compliance by Victoria Police in relation to their use and disclosure of restricted tolling information, at least twice during each financial year. The results of the inspections are reported to the Victorian Attorney-General.

IBAC conducted two inspections of Victoria Police's records in the reporting period.

Drugs, Poisons and Controlled Substances Act 1981

Section 95 of the *Drugs, Poisons and Controlled Substances Act 1981* provides that IBAC must inspect, at least once each financial year, the certificates of health and safety destruction or disposal and the related reports held by the Chief Commissioner of Police.

The results of inspections must be reported to the Minister for Police and Emergency Services. The circumstances in which the certificates and reports are required to be completed by Victoria Police are limited to certain drug seizures without a warrant. IBAC conducted an inspection of Victoria Police's certificates of health and safety destruction or disposal in the reporting period.

Witness Protection Act 1991

Effective from 1 July 2014 a decision made to terminate a witness' participation in the Victoria Police Witness Protection program, or take action to restore a person's former identity, could be appealed to IBAC. Appeals had to be lodged by the person concerned within three days of notification by the Chief Commissioner of Police.

The *Witness Protection Act 1991* also provides for IBAC to investigate complaints about matters relevant to the Act and gave protected witnesses the right to complain to IBAC about police conduct in relation to the matters covered by its memorandum of understanding with the Chief Commissioner of Police. An amendment to the *Witness Protection Act 1991* came into effect from 1 July 2014 and removed this right of appeal.

There were no appeals made to IBAC during the reporting period.

Report of operations

Ensuring regard to human rights

IBAC has an obligation under the IBAC Act to ensure Victoria Police officers have regard to human rights as set out in the *Charter of Human Rights and Responsibilities Act 2006 (Vic)* (Charter Act).

IBAC's approach to this statutory responsibility focuses on identification, assessment, analysis and reporting of relevant police personnel conduct complaints and notifications. By ensuring IBAC's systems, including our case management system, can collect reliable information on police personnel conduct complaints and notifications which may involve a breach of a Charter Act right, IBAC will be able to identify issues and analyse trends which will inform IBAC's investigations, reviews, and prevention and education work.

The IBAC CEO met with the Commissioner of the Victorian Equal Opportunity and Human Rights Commission in May 2014 to discuss this approach and ensure we work together in a complementary way to fulfil our respective statutory obligations.

Training is being arranged for IBAC officers who receive and assess complaints and notifications to assist them in identifying possible breaches of the rights under the Charter Act.

As with all other Victorian public authorities, IBAC also has a legal obligation to act compatibly with the rights set out in the Charter Act and to give proper consideration to those rights when making decisions. However, IBAC's human rights obligations are not absolute and may be limited when IBAC can justify such action.

Nassir Bare v IBAC & Ors

In February 2010 the former OPI received a complaint from Mr Nassir Bare, a young African-Australian man who alleged he was assaulted and racially abused by police in February 2009. At the time of the alleged incident, Mr Bare was 17 years old.

Mr Bare's representative requested that his matter be investigated by OPI rather than Victoria Police. After applying assessment criteria based on OPI's legislative responsibilities, it was determined that the matter should be referred to Victoria Police for investigation. On receipt of advice regarding OPI's determination, Mr Bare continued his objection to having Victoria Police investigate his complaint.

In 2010, Mr Bare filed proceedings in the Supreme Court of Victoria claiming that police had discriminated against him and treated him in a cruel, inhuman and degrading way in breach of sections 8 and 10(b) of the Charter Act. In a seven-day hearing in May 2012 before Justice Williams, Mr Bare's legal representatives contended that there exists an implied procedural right within the Charter Act to have any claim alleging a breach of section 10(b) of the Charter Act investigated 'effectively'. It was argued that to be 'effective', an investigation into such a claim must be conducted by a body that is hierarchically, institutionally and practically independent from Victoria Police. That is, in this case, OPI should have investigated the complaint.

In March 2013, Justice Williams ordered that Mr Bare's case be dismissed. Of particular note, was the Court's determination that there exists no implied procedural right under section 10(b) of the Charter Act to an 'effective' investigation of a claim of a breach of human rights.

Mr Bare subsequently filed an appeal against Justice Williams' decision with the Court of Appeal.

In anticipation of the appeal, Mr Bare applied to the Court of Appeal for a protective costs order. In August 2013, Justices of Appeal Hansen and Tate ordered that the costs of both Mr Bare's and IBAC's costs of the appeal be mutually protected to an agreed sum.

In May 2014, Mr Bare's appeal was heard in the Court of Appeal before Chief Justice Warren, and Justices of Appeal Tate and Santamaria. After two days of oral submissions, the Court of Appeal reserved its judgment.

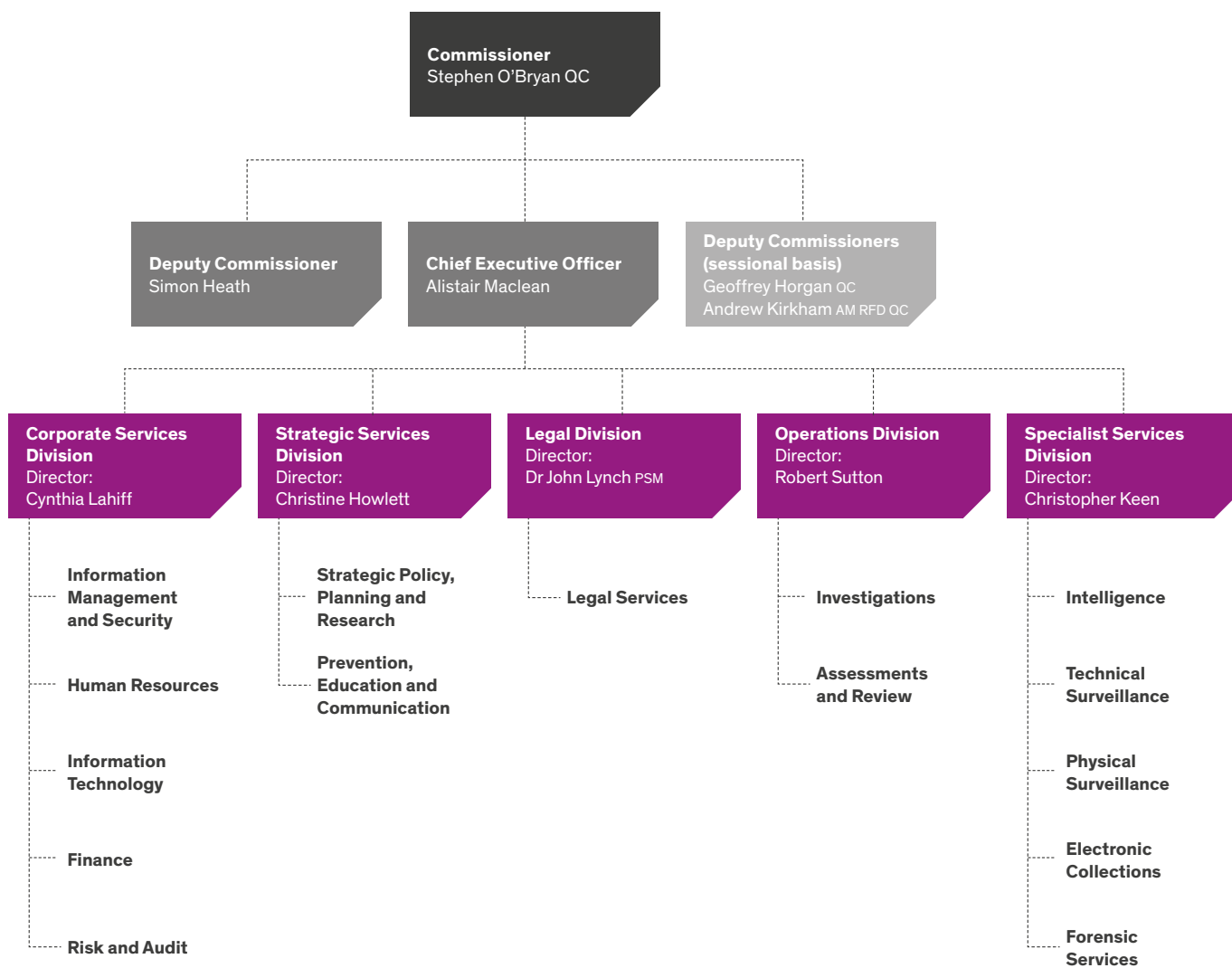
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Governance and organisation structure

Governance and organisation structure

Organisational structure as at 30 June 2014



Governance and organisation structure

Senior executive

IBAC is headed by a Commissioner, who reports to the Parliament of Victoria. The operation of IBAC is led by a Chief Executive Officer. IBAC is managed by a senior executive group comprising the head of each of IBAC's five divisions. The role of the senior executive group is to set, monitor and review the strategic direction of the organisation.

Commissioner

Stephen O'Bryan QC commenced in office as the first Commissioner of IBAC on 1 January 2013 for a statutory term of five years. He is an independent officer of the Parliament and responsible for the strategic leadership of IBAC.

Deputy Commissioners

Andrew Kirkham RFD AM QC was appointed Deputy Commissioner of IBAC on 16 April 2013 and performs duties as such on a sessional basis.

Simon Heath was appointed Deputy Commissioner of IBAC on 13 August 2013. He is IBAC's full-time Deputy Commissioner and can exercise certain fairly restricted operational powers on behalf of the Commissioner.

Geoffrey Horgan QC was appointed Deputy Commissioner of IBAC on 24 September 2013 and also performs duties as such on a sessional basis.

Chief Executive Officer

Alistair Maclean commenced his role as the first permanent Chief Executive Officer of IBAC on 8 April 2013. As CEO, he is the public service body head of IBAC for the purposes of the *Public Administration Act 2004*, and is responsible for the general conduct and the effective, efficient and economical management of the functions and activities of IBAC.

Director Operations

Robert Sutton commenced as Director Operations on 11 February 2013. He is responsible for leading IBAC's assessment and review function, which manages receipt of complaints and notifications, as well as investigative functions.

Director Strategic Services

Christine Howlett commenced in this role on 14 January 2013. She leads IBAC's prevention and education functions, which include communication, education, strategic policy, research, planning and governance.

Director Specialist Services

Christopher Keen commenced in this position on 21 January 2013. He is responsible for managing IBAC's specialist units which support investigative work including intelligence.

Director Legal

John Lynch PSM was appointed Director Legal on 8 April 2013. He heads IBAC's legal services which provide advice on a broad range of legal matters, with a particular focus on administrative law. The position provides high-level legal and strategic advice to the Commissioner, CEO and senior executive group.

Director Corporate Services

Cynthia Lahiff commenced on 27 May 2013. She is responsible for leading IBAC's corporate service functions which include finance, information technology, information management and security, risk and audit, and human resources.

Corporate governance

IBAC's internal governance committee structure consists of three key decision-making committees, and three advisory committees.

The decision-making committees include the Strategic Committee, which focuses on the strategic direction and performance of the organisation and has responsibility for developing and monitoring strategic priorities and business outcomes of the organisation. The Executive Committee focuses on organisational capacity and capability and is responsible for monitoring major projects and corporate performance. The Operations and Prevention Committee is responsible for managing operational, education and prevention matters and monitoring organisational outcomes.

Advisory committees providing assistance to the executive include the Audit and Risk Management, Occupational Health and Safety and Information Technology Steering Committees.

Governance and organisation structure

Audit and Risk Management Committee membership and roles

IBAC's Audit and Risk Management Committee held its inaugural meeting on 21 August 2013. The Committee consists of the following members:

- D Challen AM, Chair (independent member)
- P Moloney (independent member)
- J Byron (independent member)
- R Bonighton AM
- Manager, Technical Surveillance.

The main responsibilities of the Audit and Risk Management Committee are to:

- review and report independently to the Commissioner and CEO on the annual report and all other financial information published by IBAC
- assist the Commissioner and CEO in reviewing the effectiveness of IBAC's internal control environment covering:
 - effectiveness and efficiency of operations
 - reliability of financial reporting
 - compliance with applicable laws and regulations
- determine the scope of the internal audit function and ensure that its resources are adequate and used effectively, including coordination with the external auditors
- oversee the effective operation of the risk management framework.

Human resource management

Occupational health and safety

IBAC is working to provide and maintain a healthy and safe working environment for IBAC employees, contractors and visitors in accordance with the *Occupational Health and Safety Act 2004*.

All employees have a role to play in achieving a safe and healthy work environment; therefore accountabilities and responsibilities for each person are outlined in IBAC's Occupational Health and Safety (OH&S) Policy and position descriptions for each role.

Proactive management of OH&S is an integral element of IBAC's commitment to OH&S and effective management of people. IBAC has developed and maintained effective, efficient and robust OH&S management systems and safety, health and wellbeing initiatives to promote a

healthy work environment. Staff are encouraged to raise health and safety concerns and report incidents, injuries and near misses so that OH&S risks are either mitigated or controlled.

IBAC is developing a proactive and positive culture focused on health, wellbeing, injury prevention and early intervention. All staff have attended training to ensure that they are aware of their OH&S responsibilities. All IBAC managers have completed training to ensure that they are aware of their specific OH&S responsibilities and accountabilities as managers.

IBAC's OH&S Strategy sets out key strategic objectives and key performance indicators essential for monitoring and improving our work environment and the health of staff. The OH&S Strategy also outlines IBAC's commitment to consulting with staff and ensures that practices are established to:

- develop and enhance a proactive and positive safety culture
- incorporate safety and consider OH&S implications in the way we do business
- provide a work environment that is desirable, well maintained, accessible and safe for all employees, contractors and visitors
- adopt and maintain an integrated and systematic approach to identify, assess and control risks and hazards in the workplace
- meet legislative obligations of the *Occupational Health and Safety Act 2004* and related regulations.

OH&S governance

IBAC's OH&S Committee has a 50 per cent management/employee ratio and is an advisory committee to IBAC's senior executive, chaired by the Director Corporate Services. Meeting quarterly, the committee discusses health, safety and wellbeing concerns of staff and other people in the workplace. Committee members work collaboratively to create a positive health and safety culture and represent their colleagues, ensuring their views and concerns about health and safety are heard.

Each of IBAC's six designated work groups has a health and safety representative (HSR) and a management representative that form the OH&S Committee. All HSRs have completed Victorian WorkCover Authority (VWA) approved training to effectively fulfil their duties. In addition, HSRs perform quarterly workplace inspections for the designated work group to ensure their colleagues' health, safety and wellbeing.

Governance and organisation structure

Health and wellbeing

The following programs and activities were provided to assist employees to maintain their health and wellbeing:

- Employee Assistance Program
- Flu vaccinations
- RUOK? Day
- Worker health checks
- Life Program provided by VWA
- Walking groups
- Useful links to a range of external services, publications and toolkits
- Development of health and wellbeing action plans for each work group
- Ergonomic assessments

OH&S management measures

Measure	Key performance indicator	2013–14	2012–13
Incidents	No. of incidents	9	6
Claims	No. of standard claims	1	2
	No. of lost time claims	–	–
	No. of claims exceeding 13 weeks	–	–
Fatalities	Fatality claims	–	–
Claim costs	Average cost per standard claim	\$4,595	\$738
Management commitment	Evidence of OH&S policy statement, OH&S KPI yearly targets, regular reporting to senior management of OH&S, and OH&S plans (signed by CEO or equivalent)	Completed	
Consultation and participation	Evidence of agreed structure of designated workgroups (DWGs), health and safety representatives (HSRs), OH&S Committee and issue resolution procedures (IRPs)	Completed	
	Compliance with agreed structure on DWGs, HSRs, and IRPs	Completed	
Risk management	Percentage of internal audits/inspections conducted as planned	100%	
	Percentage of issues identified actioned arising from:		
	• internal audits	100%	
	• Hazard and incident reports investigated and actioned within ten days	100%	
	• Employee Assistance Program provided and utilised as appropriate	Completed	
Training	Percentage of managers and staff that have received OHS training:		
	• management training	100%	
	• HSR training	100%	
	• employee and contractor induction training	100%	
	• respect in the workplace training	100%	

Governance and organisation structure

- Participation in three Melbourne fun runs
- Respect in the workplace staff training
- First aid officers (5)
- Floor wardens (15)

Incident management

IBAC provides safety measures to prevent work-related illness and injuries occurring. However, in the event of a work-related injury or illness employees are supported and assisted by trained staff and their managers.

Employees entitled to certain benefits and support are assisted by IBAC's Rehabilitation and Return to Work Coordinators.

IBAC managed one standard WorkCover claim that did not result in lost time.

IBAC did not record any prohibition notices in this period.

There were nine incidents recorded during the reporting period where there was a hazard, near miss or injury to a staff member. This is a natural increase reflecting an increase in staff numbers and IBAC not being fully operational across the full previous reporting period.

Employment and conduct principles

IBAC follows Victorian public sector legislation, policy and guidelines to uphold public sector conduct, manage and value diversity, manage performance, review grievances and select employees on merit.

IBAC has continued to implement a range of employment policies and guidelines. In 2013–14, a comprehensive recruitment and selection policy and manual were implemented, along with training in recruitment and selection techniques to ensure equity and fairness when recruiting to IBAC roles. Policies were also introduced in relation to grievance management, respect in the workplace and performance management.

Learning and development

IBAC is working to foster a capable, professional and highly skilled workforce that is highly engaged, flexible and functioning effectively.

IBAC provides learning and development opportunities and employees are encouraged to acquire appropriate and relevant skills and knowledge through a range of professional development activities as identified in their Performance Development Plan.

IBAC's learning and development program is focused on enhancement of corporate and job-specific skills, mandatory training, attendance at conferences and seminars and career development. As a young agency IBAC's learning and development had a strong focus on ensuring all staff understood their role, responsibilities and the legislation and policies governing our practices.

A structured leadership and management development program for people managers commenced which includes our values, frameworks, policies, procedures and culture to ensure a consistent approach to leadership at IBAC. The programs enable participants to be better prepared for the challenges of their emerging roles and IBAC leadership expectations.

In May 2014 IBAC implemented the learning management module within the Nexus platform which allows staff to research and register to attend available training courses, or complete e-learning modules.

IBAC also seeks to encourage appropriate and relevant acquisition of skills through formal study. During the reporting period, ten staff were supported with either paid study leave and/or financial assistance towards the cost of course fees.

Graduate Development and Recruitment Scheme

IBAC continued to participate in the Victorian public sector Graduate Recruitment and Development Scheme. The graduate program is a 12-month whole-of-government scheme in which graduates participate in a structured learning and development program, and undertake three rotations across different agencies in the Victorian public sector to gain broad experience. During the reporting period, IBAC supported two graduates, each on placements for a four-month period.



Workforce data

Workforce data

Public administration values and employment principles

Work was undertaken to develop IBAC's values of fairness, professionalism, courage, respect and trust. These were implemented in April 2014 and progressively adopted across the organisation together with a range of policies and training initiatives.

IBAC participated in the 2013-14 People Matter Survey conducted by the Victorian Public Sector Commission. The Survey identifies overall areas of strength and weaknesses in the culture of an organisation and the results inform a range of activities that will be undertaken to enhance our organisation.

Comparative workforce data

Summary of employment levels in June 2013 and 2014

	Permanent				Fixed term & Casual
	Employees Head count	Full time (Head count)	Part time (Head count)	Full time equivalent	Full time equivalent
As at 30 June 2014	130	119	11	126.03	16.2
As at 30 June 2013	98	89	9	95	10.4

Details of employment levels in June 2013 and 2014

	As at 30 June 2014			As at 30 June 2013		
	Permanent		Fixed term & casual	Permanent		Fixed term & casual
	Headcount	Full time equivalent	Full time equivalent	Headcount	Full time equivalent	Full time equivalent
Gender						
Male	65	64.4	7.6	52	51.8	2.4
Female	65	61.6	8.6	46	43.2	8
Total	130	126	16.2	98	95	10.4
Age						
Under 25	3	3	1	2	2	0
25-34	34	33	5.4	28	27.4	5
35-44	47	44.9	3.8	34	32.3	2
45-54	36	35.1	6	25	24.3	3
55-64	9	9	0	8	8	0
Over 64	1	1	0	1	1	0.4
Total	130	126	16.2	98	95	10.4

Workforce data

Details of employment by classification in June 2013 and 2014

Classification	As at 30 June 2014			As at 30 June 2013		
	Permanent		Fixed term & casual	Permanent		Fixed term & casual
	Employees (Head count)	Employees (FTE)	Employees (FTE)	Employees (Head count)	Employees (FTE)	Employees (FTE)
VPS 1	0	0	0	0	0	0
VPS 2	0	0	0.4	2	2	2
VPS 3	25	23.1	5	24	22.5	1
VPS 4	31	30.4	3	19	18.8	1
VPS 5	37	36	4.8	29	28.2	2
VPS 6	23	22.5	2	9	8.5	3
STS	8	8	1	9	9	1
Executives	6	6	0	6	6	0.4
Other	0	0	0	0	0	0
Total	130	126	16.2	98	95	10.4

Notes The figures exclude those persons on leave without pay or absent on secondment, external contractors/consultants, temporary staff employed by employment agencies.

'Ongoing employee' means people engaged on an open-ended contract of employment and executives engaged on a standard executive contract who were active in the last pay period of June.

Executive officer data

The following tables disclose the executive officers (EOs) of IBAC as at 30 June 2014.

Number of EOs classified into 'ongoing' and 'special projects'

	All		Ongoing		Special Projects	
	Number	Variance	Number	Variance	Number	Variance
EO 1	1	0	1	0	0	-0.4
EO 2	5	0	5	0	0	0
EO 3	0	0	0	0	0	0
Total	6	0	6	0	0	-0.4

Breakdown of EOs by gender for 'ongoing' and 'special projects'

Workforce data

	Ongoing					Special Projects				
	Male		Female		Vacancies	Male		Female		Vacancies
	Number	Variance	Number	Variance	Number	Number	Variance	Number	Variance	Number
EO 1	1	0	0	0	0	0	-0.4	0	0	0
EO 2	3	0	2	0	0	0	0	0	0	0
EO 3	0	0	0	0	0	0	0	0	0	0
Total	Total	4	0	2	0	0	-0.4	0	0	0

Notes The number of executives in the report of operations is based on the number of executive positions that are occupied at the end of the financial year. Note 19 in the Financial Report lists the actual number of and amount of remuneration paid to EOs over the course of the reporting period. The Financial Report note does not distinguish between executive levels, nor does it disclose separations, vacant positions, nor does it include the Accountable Officer. Separations are those executives who ceased employment with IBAC during this year. Note 19 also includes statutory appointments by the Governor-in-Council, which are not included as part of the above disclosure. To assist readers, these two disclosures are reconciled below.

Reconciliation of executive numbers

		2014	2013
	Remuneration of executives and payments to other personnel (Note 19 to Financial Report)	10	11
Add	Accountable Officer (Chief Executive Officer)	1	1
Less	Statutory appointments by Governor In Council	4	4
	Adjustment for fixed term/casual	0	0.6
	Separations	1	1
	Total executive numbers at 30 June	6	6.4



Other disclosures

Other disclosures

Disclosure index

IBAC's annual report is prepared in accordance with all relevant Victorian legislation. The table below helps to identify IBAC's compliance with statutory disclosure requirements.

Legislation	Requirement	Page
Ministerial Directions		
<i>Report of operations – FRD guidance</i>		
Charter and purpose		
FRD 22E	Manner of establishment and the relevant Ministers	10, 30
FRD 22E	Objectives, functions, powers and duties	10 – 11
FRD 22E	Nature and range of services provided	11–12
Management and structure		
FRD 22E	Organisational structure	36
Financial and other information		
FRD 8B	Budget portfolio outcomes	N/A
FRD 10	Disclosure index	46
FRD 12A	Disclosure of major contracts	48
FRD 15B	Executive officer disclosures	43
FRD 22E, SD 4.2(k)	Operational and budgetary objectives and performance against objectives	12
FRD 22E	Employment and conduct principles	40
FRD 22E	Occupational health and safety policy	38
FRD 22E	Summary of the financial results for the year	13
FRD 22E	Significant changes in financial position during the year	13
FRD 22E	Major changes or factors affecting performance	12
FRD 22E	<i>Subsequent events</i>	N/A
FRD 22E	<i>Application and operation of Freedom of Information Act 1982</i>	49
FRD 22E	Compliance with building and maintenance provisions of <i>Building Act 1993</i>	49
FRD 22E	<i>Statement on National Competition Policy</i>	50
FRD 22E	Application and operation of the <i>Protected Disclosure 2012</i>	50
FRD 22E	Application and operation of the <i>Carers Recognition Act 2012</i>	49
FRD 22E	Details of consultancies over \$10,000	48
FRD 22E	Details of consultancies under \$10,000	49
FRD 22E	Statement of availability of other information	53
FRD 24C	Reporting of office based environmental impacts	50
FRD 25B	Victorian Industry Participation Policy disclosures	48
FRD 29	Workforce data disclosures	42–43
SD 4.5.5	Risk management compliance attestation	51
SD 4.5.5.1	Ministerial Standing Direction 4.5.5.1 compliance attestation	52

Other disclosures

Legislation	Requirement	Page
Ministerial Directions		
SD 4.2(g)	Specific information requirements	6
SD 4.2(j)	Sign off requirements	6
Financial Report		
Financial statements required under Part 7 of the FMA		
SD4.2(a)	Statement of changes in equity	59
SD4.2(b)	Comprehensive operating statement	57
SD4.2(b)	Balance sheet	58
SD4.2(b)	Cash flow statement	60
Other requirements under Standing Directions 4.2		
SD4.2(c)	Compliance with Australian accounting standards and other authoritative pronouncements	62
SD4.2(c)	Compliance with Ministerial Directions	62
SD4.2(d)	Rounding of amounts	63
SD4.2(c)	Accountable officer's declaration	54
SD4.2(f)	Compliance with Model Financial Report	53–90
Other disclosures as required by FRDs in notes to the financial statements		
FRD 9A	Disclosure of administered assets and liabilities by activity	N/A
FRD 11A	Disclosure of ex gratia expenses	N/A
FRD 13	Disclosure of parliamentary appropriations	N/A
FRD 21B	Disclosures of responsible persons, executive officers and other personnel (contractors with significant management responsibilities) in the financial report	84–85
FRD 102	Inventories	N/A
FRD 103D	Non-current physical assets	72
FRD 104	Foreign currency	N/A
FRD 106	Impairment of assets	66
FRD 109	Intangible assets	N/A
FRD 107	Investment properties	N/A
FRD 110	Cash flow statements	60
FRD 112D	Defined benefit superannuation obligations	78
FRD 113	Investments in subsidiaries, jointly controlled entities and associates	N/A
FRD 114A	Financial Instruments – general government entities and public non-financial corporations	65
FRD 119A	Transfers through contributed capital	N/A
Legislation		
	<i>Freedom of Information Act 1982</i>	49
	<i>Building Act 1983</i>	49
	<i>Protected Disclosure Act 2011</i>	50
	<i>Carers Recognition Act 2012</i>	49
	<i>Victorian Industry Participation Policy Act 2003</i>	48
	<i>Financial Management Act 1994</i>	62

Other disclosures

Victorian Industry Participation Policy

The Victorian Industry Participation Policy (VIPP) applies to all government projects with a value of more than \$3 million in metropolitan Melbourne and more than \$1 million in regional Victoria.

All short-listed bidders who fall within the VIPP guidelines are required to complete a statement outlining the level of local content, and possible skills and technology transfers the project could create. If two or more bidders are found to offer equivalent value for money in the tender evaluation phase, the policy statements are used to identify the bidder with the best outcomes for Victorian industry.

There were no contracts in the reporting period to which the VIPP applied.

Consultancies with a value greater than \$10,000

Consultant	Purpose of consultancy	Start date	End date	Total approved project fee (\$ ex GST)	Expenditure 2013–14 (\$ ex GST)	Future expenditure (\$ ex GST)
The Australian National University	To perform research into the integrity of the Victorian Public Sector	31 October 2012	31 December 2013	244,734 ¹⁰	76,578	–
Symplicit Pty Ltd	To develop IBAC's intranet improvement strategy	23 May 2014	31 July 2014	16,091	8,045	8,045
Risk Advisory Services (Victoria) Pty Ltd	To provide an independent review of IBAC's insurance	1 March 2014	30 April 2014	15,000	15,000	–
D Challen	To provide services as Chairman of IBAC's Audit and Risk Management Committee	5 August 2013	4 August 2016	39,810	11,832	27,978
J Byron	To provide services as an independent member of IBAC's Audit and Risk Management Committee	5 August 2013	4 August 2016	22,500	6,000	16,500
P Moloney	To provide services as an independent member of IBAC's Audit and Risk Management Committee	5 August 2013	4 August 2016	22,500	7,500	15,000
R Bonighton	To provide services as an independent member of IBAC's Audit and Risk Management Committee	5 August 2013	4 August 2016	22,500	3,000	19,500

⁹ This disclosure cannot be compared to the previous year's disclosure due to the introduction of a revised definition for "consultancy" under Financial Reporting Direction 22D Standard Disclosures in the Report of Operations.

¹⁰ Part of the project fees of \$168,156 was paid in financial year 2012–13.

Major contracts

There were no major contracts issued by IBAC during the reporting period.

Summary of consultancies

Consultancies with a value greater than \$10,000⁹

In 2013–14, there were seven consultancies where the total fees payable to individual consultants were \$10,000 or greater. The total expenditure incurred during 2013–14 in relation to these consultancies was \$127,955 (excluding GST).

Other disclosures

Consultancies with a value of less than \$10,000

In 2013–14, there was one consultancy where the total fees payable to the consultant were less than \$10,000. The total expenditure incurred during 2013–14 in relation to this consultancy was \$6,500 (excluding GST).

Compliance with the *Carers Recognition Act 2012*

IBAC has taken practical measures to comply with its obligations under the *Carers Recognition Act 2012*.

Staff members who may have carer responsibilities are supported to balance work and their role as a carer through the provision of a range of leave options in accordance with the *Victorian Public Service Workplace Determination 2012*. In addition, IBAC staff are provided with a range of flexible working arrangements in accordance with IBAC's Working Hours Policy.

IBAC's Respect in the Workplace Policy supports the guiding principles of the *Carers Recognition Act 2012*.

Freedom of information

The *Freedom of Information Act 1982 (Vic)* (FOI Act) allows the public a right of access to certain documents held by IBAC. For the period 1 July 2013 to 30 June 2014, IBAC received two requests. Of these requests, both were determined as being excluded from the operation of the FOI Act. In addition, two appeals of IBAC FOI determinations before the Victoria Civil and Administrative Tribunal (VCAT) were carried forward from the previous year. In both of these appeals VCAT upheld IBAC's original determinations. VCAT's decision in one case is subject to ongoing challenge.

Making a request

A person may make a request to IBAC for documents, although section 194 of the IBAC Act excludes certain classes of documents in the possession of IBAC from provision under the FOI Act. Similarly, section 51 of the *Police Integrity Act 2008 (Vic)* excluded certain classes of documents in the possession of OPI from provision under the FOI Act.

Clause 25 of the Schedule to the IBAC Act provides that section 51 of the *Police Integrity Act* continues to apply to any document specified in that section. Accordingly, the exclusion formerly applicable to relevant documents in the possession of OPI continues to apply to relevant OPI documents in the possession of IBAC.

Access to documents not excluded from the operation of the FOI Act may be obtained through written request to IBAC, as detailed in section 17 of the FOI Act. The Freedom of Information Part II Information Statements available at www.ibac.vic.gov.au outline how IBAC is making information readily available to the public, reducing the need for members of the public to submit requests under the FOI Act. These statements include information about IBAC's organisation and functions, categories of documents created by IBAC, freedom of information arrangements, publications, rules, policies, procedures and report literature.

Details about how to make a freedom of information request to IBAC can be found at www.ibac.vic.gov.au or by contacting the Freedom of Information Officer by mail:

Independent Broad-based Anti-corruption
Commission Freedom of Information Officer
GPO Box 24234, Melbourne VIC 3001

Further general information regarding freedom of information can be found at www.foi.vic.gov.au. Telephone enquiries can be made on (03) 8684 0063.

Compliance with the *Building Act 1993*

The Minister for Finance's guidelines, pursuant to section 220 of the *Building Act 1993*, promote better standards for buildings owned by the Crown and public authorities, and require entities to report on achievements. IBAC does not own any buildings. IBAC commenced a major office refurbishment project during the year, with all new building works undertaken according to relevant standards.

Other disclosures

National Competition Policy

Under the National Competition Policy, the guiding legislative principle is that legislation, including future legislative proposals, should not restrict competition unless it can be demonstrated that:

- the benefits of the restriction to the community as a whole outweigh the costs
- the objectives of the legislation can only be achieved by restricting competition.

IBAC continues to comply with the requirements of the National Competition Policy.

Compliance with the *Protected Disclosure Act 2012*

Information on reporting disclosures of improper conduct or detrimental action to IBAC can be found on IBAC's website www.ibac.vic.gov.au

Disclosures of improper conduct or detrimental action by IBAC or its employees may be made to the Victorian Inspectorate.

Victorian Inspectorate
PO Box 617 Collins Street West
Melbourne VIC 8007
Tel: 03 8614 3225 Fax: 03 8614 3200
info@vicinspectorate.vic.gov.au
www.vicinspectorate.vic.gov.au

Disclosures under the PD Act

There were no assessable disclosures made to the Victorian Inspectorate in 2013–14.

Disability and cultural diversity

Disability action plan

IBAC is yet to develop a formal disability action plan. However, disability access has been incorporated into the current refurbishment of IBAC's leased accommodation to assist in reducing barriers to persons with a disability accessing IBAC's services and facilities. This also ensures that persons with a disability are not constrained from obtaining and maintaining employment due to physical barriers.

Cultural diversity plan

IBAC's establishment activities have delayed further development of its Cultural Diversity Plan for promoting inclusion in IBAC for Victorians from culturally and linguistically diverse (CALD) backgrounds.

IBAC provides a translating and interpreting service for people who do not speak English or prefer to communicate in their own language.

IBAC uses the Translating and Interpreting Service (TIS) which is a national organisation with interpreters in over 120 languages and dialects. TIS interpreters and translators maintain confidentiality and do not disclose information acquired in the course of their work.

Any callers to IBAC can request the TIS service when they call IBAC's contact centre. Alternatively, callers have the option of phoning TIS directly and requesting translating services when speaking with IBAC.

Users of this translation service can phone IBAC on 1300 735 135.

Information sheets on how to access TIS are also available for Arabic, Chinese, Croatian, Greek, Hindi, Italian, Macedonian, Punjabi, Serbian, Spanish, Sudanese and Vietnamese speaking communities on the IBAC website www.ibac.vic.gov.au.

Office-based environmental impacts

IBAC is currently establishing internal systems and processes to capture office-based environmental impacts. These systems will ultimately inform the development of an environmental impact strategy for the organisation in 2014–15.

Other disclosures

Risk management attestation

Attestation

I, Stephen O'Bryan, certify that IBAC has risk management processes in place consistent with the *Australian/New Zealand Risk Management Standard (AS/NZS ISO 31000:2009)* and an internal control system is in place that enables the executive to understand, manage and satisfactorily control risk exposures.

The Audit and Risk Management Committee verifies this assurance and that the risk profile of IBAC has been critically reviewed within the last 12 months.



Donald W. Challen AM

Chair
Audit and Risk Management Committee
Date: 22/7/2014



Stephen O'Bryan QC

Commissioner
IBAC
Date: 13/8/2014

Insurance attestation

Attestation for compliance with the Ministerial Standing Direction 4.5.5.1 – Insurance

I, Alistair Maclean, certify that the IBAC has complied with Ministerial Direction 4.5.5.1 – Insurance.



Alistair Maclean

Chief Executive Officer
IBAC

Date: 18/8/2014

Other disclosures

Statement of availability of other information

Under *Financial Reporting Direction 22C Standard Disclosures in the Report of Operations* IBAC is required to retain the following information for the 2013–14 financial year and make it available to the public upon request, subject to the provisions of the FOI Act:

- a. a statement that declarations of private interests have been duly completed by all relevant officers
- b. details of publications produced by the entity about the entity and the places where they can be obtained
- c. details of any major research and development activities undertaken by the entity
- d. details of major promotional, public relations and marketing activities undertaken by the entity to develop community awareness of the entity and the services it provides
- e. details of assessment and measures undertaken to improve the occupational health and safety of employees.
- f. a general statement on industrial relations within the entity and details of any time lost through industrial accidents and disputes
- g. a list of major committees sponsored by the entity, the purpose of each committee and the extent to which the purposes have been achieved
- h. details of all consultancies and contractors including consultants/contractors engaged, services provided, and expenditure committed to for each engagement.

Further enquiries should be directed to:

Director Strategic Services

Independent Broad-based Anti-corruption Commission
GPO Box 24234, Melbourne VIC 3001



Financial report

Officer's declaration

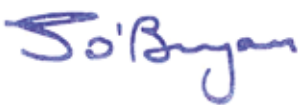
Commissioner's, accountable officer's and chief finance and accounting officer's declaration

The attached financial report for the Independent Broad-based Anti-corruption Commission (IBAC) has been prepared in accordance with Standing Directions 4.2 of the *Financial Management Act 1994*, applicable Financial Reporting Directions, Australian Accounting Standards including Interpretations, and other mandatory professional reporting requirements.

In our opinion, the information set out in the comprehensive operating statement, balance sheet, statement of changes in equity, cash flow statement and accompanying notes, presents fairly the financial transactions during the year ended 30 June 2014 and financial position of IBAC as at 30 June 2014.

At the time of signing, we are not aware of any circumstance which would render any particulars included in the financial report to be misleading or inaccurate.

We authorise the attached financial report for issue on 10 September 2014.



S O'Bryan QC
Commissioner
IBAC

Melbourne
10 September 2014



A Maclean
Accountable Officer
IBAC

Melbourne
10 September 2014



W Box
Chief Finance and Accounting Officer
IBAC

Melbourne
10 September 2014



Victorian Auditor-General's Office

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INDEPENDENT AUDITOR'S REPORT

To the Commissioner, Independent Broad-based Anti-corruption Commission

The Financial Report

The accompanying financial report for the year ended 30 June 2014 of the Independent Broad-based Anti-corruption Commission which comprises the comprehensive operating statement, balance sheet, statement of changes in equity, cash flow statement, notes comprising a summary of significant accounting policies and other explanatory information, and the commissioner's, accountable officer's and chief finance and accounting officer's declaration has been audited.

The Commissioner's Responsibility for the Financial Report

The Commissioner of the Independent Broad-based Anti-corruption Commission is responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards, and the financial reporting requirements of the *Financial Management Act 1994*, and for such internal control as the Commissioner determines is necessary to enable the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

As required by the *Audit Act 1994*, my responsibility is to express an opinion on the financial report based on the audit, which has been conducted in accordance with Australian Auditing Standards. Those standards require compliance with relevant ethical requirements relating to audit engagements and that the audit be planned and performed to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The audit procedures selected depend on judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, consideration is given to the internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by the Commissioner, as well as evaluating the overall presentation of the financial report.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Financial report

Independent Auditor's Report (continued)

Independence

The Auditor-General's independence is established by the *Constitution Act 1975*. The Auditor-General is not subject to direction by any person about the way in which his powers and responsibilities are to be exercised. In conducting the audit, the Auditor-General, his staff and delegates complied with all applicable independence requirements of the Australian accounting profession.

Opinion

In my opinion, the financial report presents fairly, in all material respects, the financial position of the Independent Broad-based Anti-corruption Commission as at 30 June 2014 and of its financial performance and its cash flows for the year then ended in accordance with applicable Australian Accounting Standards, and the financial reporting requirements of the *Financial Management Act 1994*.

Matters Relating to the Electronic Publication of the Audited Financial Report

This auditor's report relates to the financial report of the Independent Broad-based Anti-corruption Commission for the year ended 30 June 2014 included both in the Independent Broad-based Anti-corruption Commission's annual report and on the website. The Commissioner of the Independent Broad-based Anti-corruption Commission is responsible for the integrity of the Independent Broad-based Anti-corruption Commission's website. I have not been engaged to report on the integrity of the Independent Broad-based Anti-corruption Commission's website. The auditor's report refers only to the subject matter described above. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements. If users of the financial report are concerned with the inherent risks arising from publication on a website, they are advised to refer to the hard copy of the audited financial report to confirm the information contained in the website version of the financial report.

MELBOURNE
11 September 2014


for John Doyle
Auditor-General

Financial report

Comprehensive operating statement for the financial year ended 30 June 2014

	Note	2014	2013
		\$'000	\$'000
Continuing operations			
Income from transactions			
Grants	2(a)	27,353	13,335
Other income	2(b)	49	13,806
Total income from transactions		27,402	27,141
Expenses from transactions			
Employee expenses	3(a)	17,388	6,810
Depreciation and amortisation	3(b)	1,494	780
Interest expense	3(c)	54	22
Other operating expenses	3(d)	8,399	6,057
Total expenses from transactions		27,335	13,669
Net result from transactions (net operating balance)		67	13,472
Other economic flows included in net result			
Other gains from other economic flows	4	20	27
Total other economic flows included in net result		20	27
Net result		87	13,499
Comprehensive result		87	13,499

The comprehensive operating statement should be read in conjunction with the notes to the financial report.

Financial report

Balance sheet as at 30 June 2014

	Note	2014	2013
		\$'000	\$'000
Assets			
Financial assets			
Cash	17(a)	30	30
Receivables	5	14,995	14,406
Total financial assets		15,025	14,436
Non-financial assets			
Non-financial physical assets held for sale	6	48	-
Property, plant and equipment	7	5,616	4,714
Other non-financial assets	8	1,360	2,436
Total non-financial assets		7,024	7,150
Total assets		22,049	21,586
Liabilities			
Payables	9	847	995
Borrowings	10	864	823
Provisions	11	3,605	3,110
Total liabilities		5,316	4,928
Net assets		16,733	16,658
Equity			
Accumulated surplus		13,586	13,499
Contributed capital		3,147	3,159
Net worth		16,733	16,658
Commitments for expenditure	14		
Contingent assets and contingent liabilities	15		

The balance sheet should be read in conjunction with the notes to the financial report.

Financial report

Statement of changes in equity for the financial year ended 30 June 2014

	Note	Accumulated surplus	Contributed capital	Total
		\$'000	\$'000	\$'000
Balance at 1 July 2012		-	-	-
Net result for the year		13,499	-	13,499
Net assets disposed		-	(8)	(8)
Administrative restructure – net assets received	21	-	3,167	3,167
Balance at 30 June 2013		13,499	3,159	16,658
Net result for the year		87	-	87
Net assets disposed		-	(12)	(12)
Balance at 30 June 2014		13,586	3,147	16,733

The statement of changes in equity should be read in conjunction with the notes to the financial report.

Financial report

Cash flow statement for the financial year ended 30 June 2014

	Note	2014	2013
		\$'000	\$'000
Cash flows from operating activities			
Receipts and payments			
Receipts from government		27,028	16,151
Other receipts		82	-
Payments to suppliers and employees		(25,983)	(11,598)
Interest paid		(54)	(22)
Net cash flows from operating activities	17(b)	1,073	4,531
Cash flows from investing activities			
Purchases of non-financial assets		(1,217)	(4,539)
Net cash flows (used in) investing activities		(1,217)	(4,539)
Cash flows from financing activities			
Proceeds from finance leases		409	146
Repayment of borrowings and finance leases		(265)	(108)
Net cash flows from financing activities		144	38
Net increase in cash and cash equivalents		-	30
Cash and cash equivalents at beginning of financial year		30	-
Cash and cash equivalents at end of financial year	17(a)	30	30

The statement of changes in equity should be read in conjunction with the notes to the financial report.

Financial report

NOTES TO THE FINANCIAL REPORT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

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Financial report

NOTES TO THE FINANCIAL REPORT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

Note 1. Summary of significant accounting policies

This annual financial report represents the audited general purpose financial report for the Independent Broad-based Anti-corruption Commission (IBAC) for the year ended 30 June 2014. The purpose of this report is to provide users with information about IBAC's stewardship of resources entrusted to it.

(A) Statement of compliance

This general purpose financial report has been prepared in accordance with the *Financial Management Act 1994* (FMA) and applicable Australian Accounting Standards (AAS) which include Interpretations, issued by the Australian Accounting Standards Board (AASB). In particular, they are presented in a manner consistent with the requirements of the AASB 1049 *Whole of Government and General Government Sector Financial Reporting*.

Where appropriate, those AAS paragraphs applicable to not-for-profit entities have been applied.

Accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events is reported.

To gain a better understanding of the terminology used in this report, a glossary of terms and style conventions can be found in Note 23.

This annual financial report was authorised for issue by the Commissioner, Accountable Officer and the Chief Financial and Accounting Officer of IBAC on 10 September 2014.

(B) Basis of accounting preparation and measurement

The accrual basis of accounting has been applied in the preparation of this financial report whereby assets, liabilities, equity, income and expenses are recognised in the reporting period to which they relate, regardless of when cash is received or paid.

Judgements, estimates and assumptions are required to be made about the carrying values of assets and liabilities that are not readily apparent from other sources. These estimates and associated assumptions are based on professional judgements derived from various factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

Revisions to accounting estimates are recognised in the period in which the estimate is revised and also in future periods that are affected by the revision. Judgements and assumptions made by management in the application of AASs that have significant effects on the financial report and estimates relate to:

- the fair value of plant and equipment and other non-financial physical assets (refer to Note 1(K)); and
- assumptions for employee benefit provisions based on likely tenure of existing staff, patterns of leave claims, future salary movements and future discount rates (refer to Note 1(L)).

This financial report is presented in Australian dollars, and prepared in accordance with the historical cost convention.

Consistent with AASB 13 *Fair Value Measurement*, IBAC determines the policies and procedures for both recurring fair value measurements such as property, plant and equipment and financial instruments and for non-recurring fair value measurements such as non-financial physical assets held for sale, in accordance with the requirements of AASB 13 and the relevant Financial Reporting Directions.

All assets and liabilities for which fair value is measured or disclosed in the financial report are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities;
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable; and
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For the purpose of fair value disclosures, IBAC has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

In addition, IBAC determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

(C) Reporting entity

The financial report covers IBAC as an individual reporting entity.

IBAC is constituted by the *Independent Broad-based Anti-corruption Commission Act 2011*. The primary purpose of IBAC is to strengthen the integrity of the Victorian public sector, and to enhance community confidence in public sector accountability.

Its principal address is:

IBAC
Level 1, North Tower, 459 Collins Street
Melbourne VIC 3000

A description of the nature of IBAC's operations and its principal activities is included in the report of operations, which does not form part of this financial report.

Financial report

NOTES TO THE FINANCIAL REPORT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

Objectives and funding

IBAC's principal objectives and functions are set out in the *Independent Broad-based Anti-corruption Commission Act 2011*. In summary, they are to:

- provide for the identification, investigation and exposure of serious corrupt conduct, and police personnel misconduct;
- assist in the prevention of corrupt conduct, and police personnel misconduct;
- facilitate the education of the public sector and the community about the detrimental effects of corrupt conduct and police personnel misconduct on public administration and the community, and the ways in which corrupt conduct and police personnel misconduct can be prevented; and
- assist in improving the capacity of the public sector to prevent corrupt conduct and police personnel misconduct.

IBAC is funded by accrual based parliamentary appropriations for the provision of outputs. These appropriations are received by the Department of Justice and forwarded to IBAC in the form of grants.

(D) Scope and presentation of financial report

Comprehensive operating statement

The comprehensive operating statement comprises two components (definitions of which can be found in Note 23), being 'net result from transactions' (or termed as 'net operating balance') and 'other economic flows included in net result'. The sum of these two represents the net result.

The net result is equivalent to profit or loss derived in accordance with AASs.

This classification is consistent with the whole of government reporting format and is allowed under AASB 101 *Presentation of Financial Statements*.

Balance sheet

Assets and liabilities are presented in liquidity order with assets aggregated into financial assets and non-financial assets.

Current and non-current assets and liabilities (non-current being those assets or liabilities expected to be recovered or settled more than 12 months after the reporting period) are disclosed in the notes, where relevant.

Cash flow statement

Cash flows are classified according to whether or not they arise from operating, investing, or financing activities. This classification is consistent with requirements under AASB 107 *Statement of Cash Flows*.

Statement of changes in equity

The statement of changes in equity presents reconciliations of non-owner and owner changes in equity from opening balances at the beginning of the reporting period to the closing balances at the end of the reporting period. It also shows separately changes due to amounts recognised in the 'Comprehensive result' and amounts related to 'Transactions with owner in its capacity as owner'.

Rounding

Amounts in the financial report have been rounded to the nearest thousand, unless otherwise stated.

Figures in the financial report may not equate due to rounding. Please refer to the end of Note 23 for a style convention for explanations of minor discrepancies resulting from rounding.

(E) Changes in accounting policies

Subsequent to the 2012-13 reporting period, the following new and revised standards have been adopted in the current period. The financial impact of these new and revised standards is detailed below.

AASB 13 Fair Value Measurement

AASB 13 establishes a single source of guidance for all fair value measurements. AASB 13 does not change when IBAC is required to use fair value, but rather provides guidance on how to measure fair value under Australian Accounting Standards when fair value is required or permitted. IBAC has considered the specific requirements relating to highest and best use, valuation premise, and principal (or most advantageous) market. The methods, assumptions, processes and procedures for determining fair value were revisited and adjusted where applicable. In light of AASB 13, IBAC has reviewed the fair value principles as well as its current valuation methodologies in assessing the fair value, and the assessment has not materially changed the fair values recognised.

However, AASB 13 has predominantly impacted the disclosures of IBAC. It requires specific disclosures about fair value measurements and disclosures of fair values, some of which replace existing disclosure requirements in other standards, including AASB 7 *Financial Instruments: Disclosures*.

The disclosure requirements of AASB 13 apply prospectively and need not be applied in comparative information before first application. Consequently, the 2012-13 comparatives of these disclosures have not been provided, except for financial instruments, of which the fair value disclosures are required under AASB 7 *Financial Instruments: Disclosures*.

Financial report

NOTES TO THE FINANCIAL REPORT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

AASB 119 Employee Benefits

In 2013-14, IBAC has applied AASB 119 *Employee Benefits* (September 2011, as amended) and the related consequential amendments for the first time.

The revised AASB 119 changes the accounting for defined benefit plans and termination benefits. The most significant change relates to the accounting for changes in defined benefit obligation and plan assets. As the current accounting policy is for the Department of Treasury and Finance to recognise and disclose the State's defined benefit liabilities in its financial report, changes in defined benefit obligations and plan assets will have minimal impact on IBAC.

The revised standard also changes the definition of short term employee benefits. These were previously benefits that were expected to be settled within twelve months after the end of the reporting period in which the employees render the related service. However, short term employee benefits are now defined as benefits expected to be settled wholly within twelve months after the end of the reporting period in which the employees render the related service. As a result, accrued annual leave balances which were previously classified by IBAC as short term employee benefits no longer meet this definition and are now classified as long term employee benefits. This has resulted in a change of measurement for the annual leave provision from an undiscounted to discounted basis.

The comparative amount for 2012-13 has been restated in accordance with the relevant transitional provisions set out in AASB 119. The impact is as follows:

	2013 \$'000
Decrease in employee expense	6

Impacts on liabilities and equity

	As at 30 June 2013 as previously reported	AASB 119 adjustments	As at 30 June 2013 (restated)
Current employee benefit provision – annual leave	921	(6)	915
Accumulated surplus	13,493	6	13,499

Note:

No comparative figures available as at 1 July 2012 as IBAC became operational on 10 February 2013.

(F) Income from transactions

Income is recognised to the extent that it is probable that the economic benefits will flow to the entity and the income can be reliably measured at fair value.

Grants

Income from grants (other than contribution by owners) is recognised when IBAC obtains control over the contribution.

Trust income

Trust income received from Department of Justice and the Department of Premier and Cabinet for the establishment of IBAC is recognised when IBAC obtains control over it.

Services provided by the Department of Justice

IBAC receives a number of resources and services from the Department of Justice (DOJ), which includes the use of DOJ's financial and payroll systems. These services are not recognised in the financial report of IBAC as DOJ is centrally funded to provide these services and fair value of such services cannot be reliably determined.

(G) Expenses from transactions

Expenses from transactions are recognised as they are incurred, and reported in the financial year to which they relate.

Employee expenses

Refer to the section in Note 1(L) regarding employee benefits.

These expenses include all costs related to employment (other than superannuation which is accounted for separately) including wages and salaries, fringe benefits and payroll tax, leave entitlements, redundancy payments and WorkCover premiums.

Superannuation

The amount recognised in the comprehensive operating statement is the employer contributions for members of both defined benefit and defined contribution superannuation plans that are paid or payable during the reporting period.

The Department of Treasury and Finance (DTF) in their Annual Financial Report disclose on behalf of the State as the sponsoring employer, the net defined benefit cost related to the members of these plans as an administered liability. Refer to DTF's Annual Financial Report for more detailed disclosures in relation to these plans.

Financial report

NOTES TO THE FINANCIAL REPORT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

Depreciation

All plant and equipment and other non-financial physical assets (excluding items under operating leases and investment properties) that have finite useful lives are depreciated. Depreciation is generally calculated on a straight-line basis, at rates that allocate the asset's value, less any estimated residual value, over its estimated useful life. Refer to Note 1(K) for the depreciation policy for leasehold improvements.

The estimated useful lives, residual values and depreciation method are reviewed at the end of each annual reporting period, and adjustments made where appropriate.

The following are estimated useful lives for the different asset classes for current and prior years.

Asset	Useful life 2013-14	Useful life 2012-13
Leasehold improvements	7 years	5 years
Computer and communication equipment	3-5 years	4 years
Plant and equipment	4-10 years	10 years
Motor vehicles (including those under finance leases)	2-5 years	2-5 years

Depreciation begins when the asset is available for use, that is, when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. During the financial year ended 30 June 2014, the useful life of all assets was reassessed. This resulted in a number of changes to estimates of useful lives for each class of assets as noted above.

Interest expense

Interest expense is recognised in the period in which it is incurred. Refer to Note 23 for an explanation of interest expense items.

Other operating expenses

Other operating expenses, which generally represent the day-to-day running costs incurred in normal operations are recognised as an expense in the reporting period in which they are incurred.

(H) Other economic flows included in the net result

Other economic flows measure the change in volume or value of assets or liabilities that do not result from transactions.

Net gain/(loss) on non-financial assets

Net gain/(loss) on disposal of non-financial assets

Any gain or loss on disposal of non-financial assets is recognised at the date of disposal and is the difference between the proceeds and the carrying value of the assets at the time.

Net gain/(loss) on financial instruments

Net gain/(loss) on financial instruments consists of:

Other gains/(losses) from other economic flows

Other gains/(losses) from other economic flows consist of gains or losses from the revaluation of the present value of long service leave liability due to changes in bond interest rates.

(I) Financial instruments

Financial instruments arise out of contractual agreements that give rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Due to the nature of IBAC's activities, certain financial assets and financial liabilities arise under statute rather than a contract. Such financial assets and financial liabilities do not meet the definition of financial instruments in AASB 132 *Financial Instruments: Presentation*.

Where relevant, for note disclosure purposes, a distinction is made between those financial assets and financial liabilities that meet the definition of financial instruments in accordance with AASB 132 and those that do not.

The following refers to financial instruments unless otherwise stated.

Categories of non-derivative financial instruments

Loans and receivables

Loans and receivables are financial instrument assets with fixed and determinable payments that are not quoted on an active market. These assets are initially recognised at fair value plus any directly attributable transaction costs. Subsequent to initial measurement, loans and receivables are measured at amortised cost using the effective interest method, less any impairment.

Loans and receivables includes cash on hand (refer to Note 1(J)), trade receivables and other receivables, but not statutory receivables.

Financial liabilities at amortised cost

Financial instrument liabilities are initially recognised on the date they originated. They are initially measured at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial instruments are measured at amortised cost with any difference between the initial recognised amount and the redemption value being recognised in the comprehensive operating statement over the period of the interest-bearing liability, using the effective interest method (refer to Note 23).

Financial instrument liabilities measured at amortised cost include all of IBAC's contractual payables, deposits held and advances received, and interest-bearing arrangements other than those designated at fair value through the comprehensive operating statement.

Financial report

NOTES TO THE FINANCIAL REPORT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

(J) Financial assets

Cash

Cash comprises cash on hand.

Receivables

Receivables consist of:

- contractual receivables; and
- statutory receivables, such as amounts owing from the Victorian Government.

Contractual receivables are classified as financial instruments and categorised as loans and receivables (refer to Note 1(I) for recognition and measurement). Statutory receivables, are recognised and measured similarly to contractual receivables (except for impairment), but are not classified as financial instruments because they do not arise from a contract.

Receivables are subject to impairment testing as described below. A provision for doubtful receivables is recognised when there is objective evidence that the debts may not be collected, and bad debts are written off when identified.

For the measurement principle of receivables, refer to Note 1(I).

Impairment of financial assets

At the end of each reporting period, IBAC assesses whether there is objective evidence that a financial asset or group of financial assets is impaired. All financial instrument assets, except those measured at fair value through the comprehensive operating statement, are subject to annual review for impairment.

Receivables are assessed for bad and doubtful debts on a regular basis. Those bad debts considered as written off by mutual consent are classified as a transaction expense. Bad debts not written off by mutual consent and the allowance for doubtful receivables are classified as other economic flows in the net result.

The amount of the allowance is the difference between the financial asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate.

In assessing impairment of statutory (non-contractual) financial assets, which are not financial instruments, professional judgement is applied in assessing materiality using estimates, averages and other computational methods in accordance with AASB 136 *Impairment of Assets*.

(K) Non-financial assets

Property, plant and equipment

All non-financial physical assets are measured initially at cost and subsequently revalued at fair value less accumulated depreciation and impairment. Where an asset is acquired for no or nominal cost, the cost is its fair value at the date of acquisition. Assets transferred as part of a machinery of government change are transferred at their carrying amount. More details about the valuation techniques and inputs used in determining the fair value of non-financial physical assets are discussed in Note 7.

The initial cost of non-financial physical assets under a finance lease (refer to Note 1(M)) is measured at amounts equal to the fair value of the leased asset or, if lower, the present value of the minimum lease payments, each determined at the inception of the lease.

The fair value of plant, equipment and vehicles, is normally determined by reference to the asset's depreciated replacement cost. Existing depreciated historical cost is generally a reasonable proxy for depreciated replacement cost because of the short lives of the assets concerned.

The cost of constructed non-financial physical assets includes the cost of all materials used in construction, direct labour on the project, and an appropriate proportion of variable and fixed overheads.

Leasehold improvements

The cost of a leasehold improvement is capitalised as an asset and depreciated over the shorter of the remaining term of the lease or the estimated useful life of the improvements.

Other non-financial assets

Prepayments

Other non-financial assets include prepayments which represent payments in advance of receipt of goods or services or that part of expenditure made in one accounting period covering a term extending beyond that period.

Rental security deposits

Other non-financial assets also include rental security deposits or bond relating to office premises. The deposits are refundable when the related lease expires.

Financial report

NOTES TO THE FINANCIAL REPORT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

(L) Liabilities

Payables

Payables consist of:

- contractual payables, such as accounts payable, and unearned income. Accounts payable represent liabilities for goods and services provided to IBAC prior to the end of the financial year that are unpaid, and arise when IBAC becomes obliged to make future payments in respect of the purchase of those goods and services; and
- statutory payables, such as fringe benefits tax payable.

Contractual payables are classified as financial instruments and categorised as financial liabilities at amortised cost (refer to Note 1(I)). Statutory payables are recognised and measured similarly to contractual payables, but are not classified as financial instruments and not included in the category of financial liabilities at amortised cost, because they do not arise from a contract.

Borrowings

All interest-bearing liabilities are initially recognised at the fair value of the consideration received, less directly attributable transaction costs (refer also to Note 1(M)). The measurement basis subsequent to initial recognition depends on whether IBAC has categorised its interest-bearing liabilities as either financial liabilities designated at fair value through the comprehensive operating statement, or financial liabilities at amortised cost. Any difference between the initial recognised amount and the redemption value is recognised in net result over the period of the borrowing using the effective interest method.

The classification depends on the nature and purpose of the interest-bearing liabilities. IBAC determines the classification of its interest-bearing liabilities at initial recognition.

Provisions

Provisions are recognised when IBAC has a present obligation, the future sacrifice of economic benefits is probable, and the amount of the provision can be measured reliably.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows, using discount rates that reflect the time value of money and risks specific to the provision.

When some or all of the economic benefits required to settle a provision are expected to be received from a third party, the receivable is recognised as an asset if it is virtually certain that recovery will be received and the amount of the receivable can be measured reliably.

Employee benefits

Provision is made for benefits accruing to employees in respect of wages and salaries, annual leave and long service leave for services rendered to the reporting date.

(i) Wages and salaries and annual leave

Liabilities for wages and salaries, including non-monetary benefits and annual leave, are all recognised in the provision for employee benefits as 'current liabilities', because IBAC does not have an unconditional right to defer settlements of these liabilities.

Depending on the expectation of the timing of settlement, liabilities for wages and salaries and annual leave are measured at:

- undiscounted value - if IBAC expects to wholly settle within 12 months; or
- present value - if IBAC does not expect to wholly settle within 12 months.

(ii) Long service leave

Liability for long service leave (LSL) is recognised in the provision for employee benefits.

Unconditional LSL is disclosed in the notes to the financial report as a current liability, even where IBAC does not expect to settle the liability within 12 months because it will not have the unconditional right to defer the settlement of the entitlement should an employee take leave within 12 months.

The components of this current LSL liability are measured at:

- undiscounted value - if IBAC expects to wholly settle within 12 months; and
- present value - if IBAC does not expect to wholly settle within 12 months.

Conditional LSL is disclosed as a non-current liability. There is an unconditional right to defer the settlement of the entitlement until the employee has completed the requisite years of service. This non-current LSL liability is measured at present value.

Any gain or loss following revaluation of the present value of non-current LSL liability is recognised as a transaction, except to the extent that a gain or loss arises due to changes in bond interest rates for which it is then recognised as an other economic flow (refer to Note 1(H)).

On costs

Provisions for on-costs such as payroll tax, workers compensation and superannuation are recognised separately from the provision for employee benefits.

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NOTES TO THE FINANCIAL REPORT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

(M) Leases

A lease is a right to use an asset for an agreed period of time in exchange for payment.

Leases are classified at their inception as either operating or finance leases based on the economic substance of the agreement so as to reflect the risks and rewards incidental to ownership. Leases of infrastructure, property, plant and equipment are classified as finance infrastructure leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership from the lessor to the lessee. All other leases are classified as operating leases.

Finance leases

IBAC as lessee

At the commencement of the lease term, finance leases are initially recognised as assets and liabilities at amounts equal to the fair value of the lease property or, if lower, the present value of the minimum lease payment, each determined at the inception of the lease. The lease asset is accounted for as a non-financial physical asset. If there is certainty that IBAC will obtain the ownership of the lease asset by the end of the lease term, the asset shall be depreciated over the useful life of the asset. If there is no reasonable certainty that the lessee will obtain ownership by the end of the lease term, the asset shall be fully depreciated over the shorter of the lease term and its useful life.

Minimum finance lease payments are apportioned between reduction of the outstanding lease liability and periodic finance expense which is calculated using the interest rate implicit in the lease and charged directly to the comprehensive operating statement. Contingent rentals associated with finance leases are recognised as an expense in the period in which they are incurred.

Operating leases

IBAC as lessee

Operating lease payments, including any contingent rentals, are recognised as an expense in the comprehensive operating statement on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern of the benefits derived from the use of the leased asset. The leased asset is not recognised in the balance sheet.

All incentives for the agreement of a new or renewed operating lease are recognised as an integral part of the net consideration agreed for the use of the leased asset, irrespective of the nature of the incentive or form or the timing of payments.

In the event that lease incentives are received to enter into operating leases, the aggregate cost of incentives are recognised as a reduction of rental expense over the lease term on a straight-line basis, unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

(N) Equity

Contributions by owners

Additions to net assets which have been designated as contributions by owners are recognised as contributed capital. Other transfers that are in the nature of contributions or distributions have also been designated as contributions by owners.

Transfers of net assets arising from administrative restructurings are treated as distributions to or contributions by owners. Transfers of net liabilities arising from administrative restructurings are treated as distributions to owners.

(O) Commitments

Commitments for future expenditure include operating and capital commitments arising from contracts. These commitments are disclosed by way of a note (refer to Note 14) at their nominal value and inclusive of the GST payable. In addition, where it is considered appropriate and provides additional relevant information to users, the net present value of significant individual projects are stated. These future expenditures cease to be disclosed as commitments once the related liabilities are recognised in the balance sheet.

(P) Contingent assets and contingent liabilities

Contingent assets and contingent liabilities are not recognised in the balance sheet, but are disclosed by way of a note (refer to Note 15) and, if quantifiable, are measured at nominal value. Contingent assets and liabilities are presented inclusive of GST receivable or payable respectively.

(Q) Accounting for the goods and services tax (GST)

Income, expense, assets and liabilities are recognised net of the amount of associated GST, except where GST incurred is not recoverable from the taxation authority. In this case, the GST payable is recognised as part of the cost of acquisition of the asset or as part of the expenses.

As the Department of Justice manages GST transactions on behalf of IBAC, the GST components of IBAC's receipts and/or payments are recognised in the Department of Justice's financial report.

Commitments and contingent assets and liabilities are stated inclusive of GST (refer to Note 1(O) and 1(P)).

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NOTES TO THE FINANCIAL REPORT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

(R) Events after the reporting period

Assets, liabilities, income or expenses arise from past transactions or other past events. Where the transactions result from an agreement between IBAC and other parties, the transactions are only recognised when the agreement is irrevocable at or before the end of the reporting period. Adjustments are made to amounts recognised in the financial report for events which occur after the reporting period and before the date the financial report is authorised for issue, where those events provide information about conditions which existed in the reporting period. Note disclosure is made about events between the end of the reporting period and the date the financial report is authorised for issue where the events relate to conditions which arose after the end of the reporting period and which may have a material impact on the results of subsequent years.

(S) Australian Accounting Standards issued that are not yet effective

Certain new AASs have been published that are not mandatory for the 30 June 2014 reporting period. The Department of Treasury and Finance assesses the impact of all these new standards and advises IBAC of their applicability and early adoption where applicable.

As at 30 June 2014, the following AAS had been issued by the AASB but is not yet effective. It becomes effective for the first financial report for reporting periods commencing after the stated operative dates as follows:

Standard/Interpretation	Summary	Applicable for annual reporting periods beginning on or after	Impact on public sector entity financial report
AASB 9 <i>Financial Instruments</i>	This standard simplifies requirements for the classification and measurement of financial assets resulting from Phase 1 of the IASB's project to replace IAS 39 <i>Financial Instruments: Recognition and Measurement</i> (AASB 139 <i>Financial Instruments: Recognition and Measurement</i>).	1 Jan 2017	The preliminary assessment has identified that the financial impact of available for sale assets will now be reported through other comprehensive income and no longer recycled to the profit and loss. While the preliminary assessment has not identified any material impact arising from AASB 9, it will continue to be monitored and assessed.

In addition to the new standard above, the AASB has issued a list of amending standards that are not effective for the 2013-14 reporting period (as listed below). In general, these amending standards include editorial and references changes that are expected to have insignificant impacts on public sector reporting. The AASB Interpretation in the list below is also not effective for the 2013-14 reporting period and is considered to have insignificant impacts on public sector reporting.

- AASB 2010-7 *Amendments to Australian Accounting Standards arising from AASB 9* (December 2010)
- 2013-3 *Amendments to AASB 136 – Recoverable Amount Disclosures for Non-Financial Assets*
- 2013-6 *Amendments to AASB 136 arising from Reduced Disclosure Requirements*
- 2013-9 *Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments*.

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NOTES TO THE FINANCIAL REPORT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

Note 2. Income from transactions

	Note	2014	2013
		\$'000	\$'000
(a) Grants			
General purpose: Department of Justice		27,353	13,335
Total grants		27,353	13,335
(b) Other income			
Trust income	22	-	13,773
Other		49	33
Total other income		49	13,806
Total income from transactions		27,402	27,141

Note 3. Expenses from transactions

(a) Employee expenses			
Salaries, wages and long service leave		16,150	6,331
Defined contribution superannuation expense		1,178	420
Defined benefit superannuation expense		40	18
Termination benefits		20	41
Total employee expenses		17,388	6,810
(b) Depreciation and amortisation			
Leasehold improvements		672	359
Computer and communication equipment		439	269
Plant and equipment		114	38
Motor vehicles		7	5
Motor vehicles under finance lease		262	109
Total depreciation and amortisation		1,494	780
(c) Interest expense			
Interest on finance leases		54	22
Total interest expense		54	22
(d) Other operating expenses			
Contractors and professional services		1,917	2,654
Technology service costs		1,163	945
Printing, communications and office expenses		969	395
Travel and transport		473	164
Training		173	72
Auditors' remuneration		25	17
Other		809	124
Total other operating expenses		5,529	4,371
Operating lease rental expenses			
Lease payments		2,870	1,686
Total operating lease rental expenses		2,870	1,686
Total other operating expenses		8,399	6,057

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NOTES TO THE FINANCIAL REPORT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

Note 4. Other economic flows included in net result

	2014	2013
	\$'000	\$'000
Other gains from other economic flows		
Net gain arising from revaluation of long service liability	20	27
Total other gains from other economic flows	20	27

Note 5. Receivables

Current receivables		
Contractual		
Other receivables	243	38
Statutory		
Amount owing from Department of Justice	13,532	13,136
Total current receivables	13,775	13,174
Non-current receivables		
Statutory		
Amount owing from Department of Justice	1,220	1,232
Total non-current receivables	1,220	1,232
Total receivables	14,995	14,406

Note 6. Non-financial physical assets classified as held for sale

Non-current assets		
Motor vehicles under finance leases held for sale	48	-
Total non-financial physical assets held for sale	48	-

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NOTES TO THE FINANCIAL REPORT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

Note 7. Property, plant and equipment

All property, plant and equipment are classified by purpose group as 'Public safety and environment'.

The table shows the gross carrying amount, accumulated depreciation and net carrying amount for each class of assets:

Table 7.1: Gross carrying amount and accumulated depreciation

	Gross carrying amount		Accumulated depreciation		Net carrying amount	
	2014	2013	2014	2013	2014	2013
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Leasehold improvements at fair value	5,516	5,267	3,600	2,927	1,916	2,340
Assets under construction at cost	1,103	-	-	-	1,103	-
Computer and communication equipment at fair value	4,926	5,099	4,261	4,245	665	854
Plant and equipment at fair value	2,235	1,598	1,172	963	1,063	635
Motor vehicles at fair value	143	163	84	91	59	72
Motor vehicles under finance lease at fair value	1,185	1,107	375	294	810	813
	15,108	13,234	9,492	8,520	5,616	4,714

Table 7.2: Movements in carrying amounts

	Leasehold improvements at fair value		Assets under construction		Computer and communication equipment at fair value		Plant and equipment at fair value		Motor vehicles at fair value		Motor vehicles under finance lease at fair value		Total	
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Opening balance	2,340	-	-	-	854	-	635	-	72	-	813	-	4,714	-
Additions	248	2,652	1,103	-	430	268	374	171	-	-	409	161	2,564	3,252
Disposals	-	-	-	-	(2)	-	(3)	(8)	(6)	-	(102)	(92)	(113)	(100)
Transfers from OPI	-	47	-	-	-	855	-	510	-	77	-	853	-	2,342
Transfers to Held for Sale	-	-	-	-	-	-	-	-	-	-	(48)	-	(48)	-
Adjustments	-	-	-	-	(178)	-	171	-	-	-	-	-	(7)	-
Depreciation and amortisation	(672)	(359)	-	-	(439)	(269)	(114)	(38)	(7)	(5)	(262)	(109)	(1,494)	(780)
Closing balance	1,916	2,340	1,103	-	665	854	1,063	635	59	72	810	813	5,616	4,714

Table 7.3: Aggregate depreciation and amortisation recognised as an expense during the year

	2014	2013
	\$'000	\$'000
Leasehold improvements at fair value	672	359
Computer and communication equipment at fair value	439	269
Plant and equipment at fair value	114	38
Motor vehicles at fair value	7	5
Motor vehicles under finance lease at fair value	262	109
	1,494	780

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NOTES TO THE FINANCIAL REPORT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

Leasehold improvements

Leasehold improvements are valued using the depreciated cost method, which is a reasonable approximation of fair value as the asset is depreciated over the term of the lease, reflecting the consumption of economic resources over the period of the agreement.

Computer, communication equipment and plant and equipment

Computer, communication equipment, plant and equipment are held at fair value. As these assets are specialised in use, such that it is rarely sold other than as part of a going concern, fair value is determined using the depreciated replacement cost method.

Motor vehicles

Motor vehicles are valued using the depreciated cost method. IBAC acquires new vehicles and at times dispose of them before the end of their economic life. The process of acquisition, use and disposal in the market is managed by experienced staff in IBAC who set the relevant depreciation rates to reflect the utilisation of the vehicles.

There were no changes in valuation techniques throughout the period to 30 June 2014.

For all assets measured at fair value, the current use is considered the highest and best use.

Table 7.4: Fair value measurement hierarchy for assets as at 30 June 2014

	Carrying amount as at 30 June 2014	Fair value measurement at end of reporting period using:		
		Level 1 ⁽ⁱ⁾	Level 2 ⁽ⁱ⁾	Level 3 ⁽ⁱ⁾
	\$'000	\$'000	\$'000	\$'000
Leasehold improvements at fair value				
Leasehold improvements at fair value	1,916	-	-	1,916
Total leasehold improvements at fair value	1,916	-	-	1,916
Computer and communications equipment at fair value				
Computer and communications equipment at fair value	665	-	-	665
Total computer and communications equipment at fair value	665	-	-	665
Plant and equipment				
Plant and equipment	1,063	-	-	1,063
Total plant and equipment	1,063	-	-	1,063
Motor vehicles				
Motor vehicles	59	-	-	59
Total motor vehicles	59	-	-	59

Note:

(i) Classified in accordance with the fair value hierarchy, see Note 1(B).

Table 7.5: Reconciliation of Level 3 fair value

	Leasehold improvements	Computer and communications equipment	Plant and equipment	Motor vehicles
	\$'000	\$'000	\$'000	\$'000
2014				
Opening balance	2,340	854	635	72
Purchases/(sales)	248	428	371	(6)
Transfers in (out) of Level 3	-	-	-	-
Depreciation	(672)	(439)	(114)	(7)
Impairment loss	-	-	-	-
Adjustments	-	(178)	171	-
Closing balance	1,916	665	1,063	59

Note 7. Property, plant and equipment (continued)

Table 7.6: Description of significant unobservable inputs to Level 3 valuations

	Valuation technique	Significant Unobservable Inputs	Range (weighted average)	Sensitivity of fair value measurement to changes in significant unobservable inputs
Leasehold improvements	Depreciated replacement cost	Cost per sqm Lease period	\$1,200/sqm 7 years	A significant increase or decrease in cost per square metre would result in a significantly higher or lower fair value. A significant increase or decrease in the lease period would result in a significantly higher or lower valuation.
Computer and communications equipment	Depreciated replacement cost	Cost per unit Useful life of computer and communications equipment	\$5,100 - \$632,000 (\$23,000 per unit) 3-5 years (4 years)	A significant increase or decrease in cost per unit would result in a significantly higher or lower fair value. A significant increase or decrease in the estimated useful life of the asset would result in a significantly higher or lower valuation.
Plant and equipment	Depreciated replacement cost	Cost per unit Useful life of plant and equipment	\$5,000 - \$70,000 (\$10,000 per unit) 4-10 years (7 years)	A significant increase or decrease in cost per unit would result in a significantly higher or lower fair value. A significant increase or decrease in the estimated useful life of the asset would result in a significantly higher or lower valuation.
Motor vehicles	Depreciated replacement cost	Cost per vehicle Useful life of motor vehicles	\$17,000 - \$51,000 (\$36,000 per vehicle) 5 years	A significant increase or decrease in cost per vehicle would result in a significantly higher or lower fair value. A significant increase or decrease in the estimated useful life of the asset would result in a significantly higher or lower valuation.

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NOTES TO THE FINANCIAL REPORT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

Note 8. Other non-financial assets

	2014	2013
	\$'000	\$'000
Current other assets		
Prepayments	1,329	2,405
Rental security deposit	31	31
Total current other assets	1,360	2,436
Total other non-financial assets	1,360	2,436

Note:

The Department of Treasury of Finance (DTF) manages the refurbishment of IBAC's leased office premises on behalf of IBAC.

Prepayments include \$0.76m (2012-13: \$2.1m) made to DTF in relation to the project (refer to Note 14(a)).

Note 9. Payables

Current payables		
Contractual		
Supplies and services	821	987
Statutory		
FBT payable	26	8
Total current payables	847	995
Total payables	847	995

Maturity analysis of contractual payables

Refer to Note 16 for the maturity analysis of contractual payables.

Nature and extent of risk arising from contractual payables

Refer to Note 16 for the nature and extent of risks arising from contractual payables.

Note 10. Borrowings

Current borrowings		
⁽ⁱ⁾ Lease liabilities	537	381
Total current borrowings	537	381
Non-current borrowings		
⁽ⁱ⁾ Lease liabilities	327	442
Total non-current borrowings	327	442
Total borrowings	864	823

Note:

(i) Secured by assets leased. Finance leases are effectively secured as the rights to the leased assets revert to the lessor in the event of default.

Maturity analysis of borrowings

Refer to Note 16 for the maturity analysis of borrowings.

Nature and extent of risk arising from borrowings

Refer to Note 16 for the nature and extent of risks arising from borrowings.

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NOTES TO THE FINANCIAL REPORT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

Note 11. Provisions

	Note	2014	2013
Current provisions			
<i>(i)</i> Employee benefits – annual leave:	11(a)		
Unconditional and expected to settle within 12 months		685	601
<i>(ii)</i> Unconditional and expected to settle after 12 months		96	106
<i>(i)</i> Employee benefits – long service leave:	11(a)		
Unconditional and expected to settle within 12 months		574	542
<i>(ii)</i> Unconditional and expected to settle after 12 months		591	309
Total employee benefits		1,946	1,558
Provisions for on-costs:			
	11(a), (b)		
Unconditional and expected to settle within 12 months		305	245
<i>(ii)</i> Unconditional and expected to settle after 12 months		134	75
Total on-costs		439	320
Total current provisions		2,385	1,878
Non-current provisions			
<i>(i), (ii)</i> Employee benefits	11(a)	398	419
<i>(ii)</i> On-costs	11(a), (b)	70	61
<i>(iii)</i> Make-good provision	11(b)	752	752
Total non-current provisions		1,220	1,232
Total provisions		3,605	3,110

Notes:

- (i)* Provisions for employee benefits consist of amounts for annual leave and long service leave accrued by employee. On-costs such as payroll tax and workers' compensation insurance are not employee benefits and are reflected as a separate provision.
- (ii)* The amounts are measured at present values.
- (iii)* In accordance with the lease agreement over the office accommodation at 459 Collins Street, IBAC must remove any leasehold improvements and restore the premises to its original condition at the end of the lease term.

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NOTES TO THE FINANCIAL REPORT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

(a) Employee benefits and on-costs

	2014	2013
	\$'000	\$'000
Current employee benefits		
Annual leave entitlements	781	707
Long service leave entitlements	1,164	851
Non-current employee benefits	1,945	1,558
Long service leave entitlements	398	419
Total employee benefits	2,343	1,977
Current on-costs	440	320
Non-current on-costs	70	61
Total on-costs	510	381
Total employee benefits and on-costs	2,853	2,358

(b) Movement in provisions

	Make-good	On-costs	Total
	2014	2014	2014
	\$'000	\$'000	\$'000
Opening balance	752	381	1,133
Additional provisions recognised	-	399	399
Reductions arising from payments/other sacrifices of future economic benefits	-	(270)	(270)
Closing balance	752	510	1,262
Current	-	440	440
Non-current	752	70	822
Total	752	510	1,262

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NOTES TO THE FINANCIAL REPORT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

Note 12. Superannuation

Employees of IBAC are entitled to receive superannuation benefits and IBAC contributes to both defined benefit and defined contribution plans. The defined benefit plan provides benefits based on years of service and final average salary.

IBAC does not recognise any defined benefit liability in respect of the plan because the entity has no legal or constructive obligation to pay future benefits relating to its employees; its only obligation is to pay superannuation contributions as they fall due. The Department of Treasury and Finance discloses the State's defined benefit liabilities in its disclosure for administered items.

Superannuation contributions paid or payable for the reporting period are included as part of employee benefits in the comprehensive operating statement of IBAC.

The name, details and amounts expensed in relation to the major employee superannuation funds and contributions made by IBAC are as follows:

Fund	Paid Contribution for the year		Contribution outstanding as at year end	
	2014	2013	2014	2013
	\$'000	\$'000	\$'000	\$'000
Defined benefit plan:				
State Superannuation Fund – revised and new	40	18	-	-
Defined contribution plans:				
VicSuper	955	361	6	2
Other	223	59	1	-
Total	1,218	438	7	2

Note 13. Leases

Finance leases relate to motor vehicles with lease terms of two to five years. IBAC has options to purchase the motor vehicles at the conclusion of the lease agreements.

	Note	Minimum future lease payments		Present value of minimum future lease payments	
		2014	2013	2014	2013
		\$'000	\$'000	\$'000	\$'000
Finance lease liabilities payable					
Not longer than one year		564	422	537	381
Longer than one year but not longer than five years		336	456	327	442
Minimum future lease payments		900	878	864	823
Less future finance charges		(36)	(55)	-	-
Present value of minimum lease payments		864	823	864	823
Included in the financial report as:					
Current borrowings lease liabilities	10	537	381	537	381
Non-current borrowings lease liabilities	10	327	442	327	442
Total		864	823	864	823

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NOTES TO THE FINANCIAL REPORT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

Note 14. Commitments for expenditure

(a) Capital commitments

As at 30 June 2014, the project of refurbishing IBAC's leased accommodation was in progress and with a target completion date of 31 October 2015. As the project and contract are managed separately by the Department of Treasury and Finance (DTF), DTF discloses the capital commitments in its financial report.

(b) Operating lease commitments

Operating leases relate to:

- (a) Office accommodation leased by IBAC with lease term of seven years, with options to extend. The operating lease contract contains market review clauses in the event that IBAC exercises its option to renew. IBAC does not have an option to purchase the property at the expiry of the lease period.

During the year, the existing office accommodation lease was renegotiated and its term was extended to 31 January 2021.

- (b) Multi-functional devices leased by IBAC with a lease term of four years. IBAC do not have the option to purchase the devices at the expiry of the lease period.

	2014	2013
	\$'000	\$'000
Non-cancellable operating lease payable		
Not longer than one year	3,265	2,809
Longer than one year but not longer than five years	17,536	5,893
Total	20,801	8,702

Note 15. Contingent assets and contingent liabilities

There were no contingent assets or liabilities as at 30 June 2014 (2012-13: \$Nil).

Note 16. Financial instruments

(a) Financial risk management objectives and policies

IBAC's principal financial instruments comprise:

- cash assets;
- receivables (excluding statutory receivables);
- payables (excluding statutory payables); and
- finance lease liabilities payable.

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement, and the basis on which income and expenses are recognised, with respect to each class of financial asset, financial liability and equity instrument above are disclosed in Note 1 to the financial report.

The main purpose in holding financial instruments is to prudentially manage IBAC's financial risks within the government policy parameters.

IBAC's main financial risks include credit risk, liquidity risk and interest rate risk. IBAC manages these financial risks in accordance with its financial risk management policy.

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NOTES TO THE FINANCIAL REPORT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

Note 16. Financial instruments (continued)

The carrying amounts of IBAC's contractual financial assets and financial liabilities by category are disclosed below.

Table 16.1: Categorisation of financial instruments

	Note	Contractual financial assets-loans and receivables	Contractual financial liabilities at amortised costs	Total
		\$'000	\$'000	\$'000
2014				
Contractual financial assets				
Cash		30	-	30
Receivables	5	243	-	243
Total contractual financial assets		273	-	273
Contractual financial liabilities				
Payables:				
Supplies and services	9	-	821	821
Borrowings:				
Finance lease liabilities	10	-	864	864
Total contractual financial liabilities		-	1,685	1,685
2013				
Contractual financial assets				
Cash		30	-	30
Receivables	5	38	-	38
Total contractual financial assets		68	-	68
Contractual financial liabilities				
Payables:				
Supplies and services	9	-	987	987
Borrowings:				
Finance lease liabilities	10	-	823	823
Total contractual financial liabilities		-	1,810	1,810

Table 16.2: Net holding gain/(loss) on financial instruments by category

	Total interest income/(expense)	
	2014	2013
	\$'000	\$'000
Contractual financial assets		
Financial assets – loans and receivables	-	-
Total contractual financial assets	-	-
Contractual financial liabilities		
Financial liabilities at amortised cost	(54)	(22)
Total contractual financial liabilities	(54)	(22)

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NOTES TO THE FINANCIAL REPORT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

The net holding gains or losses disclosed above are determined as follows:

- for cash, loans or receivables and available-for-sale financial assets, the net gain or loss is calculated by taking the movement in the fair value of the asset, the interest income, plus or minus foreign exchange gains or losses arising from revaluation of the financial assets, minus any impairment recognised in the net result; and
- for financial liabilities measured at amortised cost, the net gain or loss is calculated by taking the interest expense, plus or minus foreign exchange gains or losses arising from the revaluation of financial liabilities measured at amortised cost.

(b) Credit risk

Credit risk arises from the contractual financial assets of IBAC, which comprise cash and non-statutory receivables. IBAC's exposure to credit risk arises from the potential default of a counter party on their contractual obligations resulting in financial loss to IBAC. Credit risk is measured at fair value and is monitored on a regular basis.

Credit risk associated with IBAC's financial assets is minimal because the main debtor is the Department of Justice. Credit risks associated with government organisations are considered insignificant as the State of Victoria has maintained a high credit rating.

Provision for impairment of contractual financial assets is recognised when there is objective evidence that IBAC will not be able to collect a receivable. Objective evidence includes debts which are more than 60 days overdue and changes in debtor credit ratings.

The carrying amount of contractual financial assets recorded in the financial report, net of any allowances for losses, represents IBAC's maximum exposure to credit risk without taking account of the value of any collateral obtained.

Contractual financial assets that are either past due or impaired

There are no material financial assets which are individually determined to be impaired. Currently IBAC does not hold any collateral as security nor credit enhancements relating to any of its financial assets.

There are no financial assets that have had their terms renegotiated so as to prevent them from being past due or impaired, and they are stated at the carrying amounts as indicated. As at 30 June 2014, IBAC does not have any contractual financial assets that are past due or impaired.

(c) Liquidity risk

Liquidity risk is the risk that IBAC would be unable to meet its financial obligations as and when they fall due. IBAC operates under the Government fair payments policy of settling financial obligations within 30 days and in the event of a dispute, making payments within 30 days from the date of resolution.

IBAC's maximum exposure to liquidity risk is the carrying amounts of financial liabilities as disclosed in the face of the balance sheet. The Department of Justice manages IBAC's liquidity risk.

IBAC's exposure to liquidity risk is deemed insignificant based on current assessment of risk.

The carrying amount detailed in the following table of contractual financial liabilities recorded in the financial report represents IBAC's maximum exposure to liquidity risk.

The following table discloses the contractual maturity analysis for IBAC's contractual financial liabilities.

Table 16.3: Maturity analysis of contractual financial liabilities⁽ⁱ⁾

	Carrying amount	Less than 1 month	1–3 months	3 months – 1 year	1–5 years	Nominal Amount
2014	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<i>(ii)</i> Payables:						
Supplies and services	821	821	-	-	-	821
Borrowings:						
Finance lease liabilities	864	134	73	357	336	900
Total	1,685	955	73	357	336	1,721
2013						
<i>(ii)</i> Payables:						
Supplies and services	987	987	-	-	-	987
Borrowings:						
Finance lease liabilities	823	61	47	314	456	878
Total	1,810	1,048	47	314	456	1,865

Notes:

(i) Maturity analysis is presented using the contractual undiscounted cash flows.

(ii) The carrying amounts disclosed exclude statutory amounts (e.g. GST payables).

Financial report

NOTES TO THE FINANCIAL REPORT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

Note 16. Financial instruments (continued)

(d) Market risk

IBAC's exposures to market risk are primarily through foreign currency risk and interest rate risk. Objectives, policies and processes used to manage each of these risks are disclosed below.

Foreign currency risk

IBAC is exposed to minimal foreign currency risk mainly through its payables relating to purchases of supplies and consumables from overseas. This is because of a limited amount of transactions denominated in foreign currencies and a relatively short timeframe between commitment and settlement.

Interest rate risk

Fair value interest rate risk is the risk that the fair value of a financial instrument will fluctuate because of changes in market interest rates. IBAC does not hold any interest bearing financial instruments that are measured at fair value, and therefore has no exposure to fair value interest rate risk.

The carrying amounts of financial assets and financial liabilities that are exposed to interest rates are set out below.

Table 16.4: Interest rate exposure of financial instruments

	Weighted average interest rate	Carrying amount	Interest rate exposure		
			Fixed interest rate	Variable interest rate	Non-interest bearing
2014	%	\$'000	\$'000	\$'000	\$'000
Financial assets					
Cash	-	30	-	-	30
⁽ⁱ⁾ Receivables	-	243	-	-	243
Total financial assets		273	-	-	273
Financial liabilities					
⁽ⁱ⁾ Payables:					
Supplies and services	-	821	-	-	821
Borrowings:					
Lease liabilities	5.87	864	864	-	-
Total financial liabilities		1,685	864	-	821
2013					
Financial assets					
Cash	-	30	-	-	30
⁽ⁱ⁾ Receivables	-	38	-	-	38
Total financial assets		68	-	-	68
Financial liabilities					
⁽ⁱ⁾ Payables:					
Supplies and services	-	987	-	-	987
Borrowings:					
Lease liabilities	6.49	823	823	-	-
Total financial liabilities		1,810	823	-	987

Note:

(i) The carrying amounts disclosed here exclude statutory amounts (e.g. amounts owing from Victorian government, GST input tax credit recoverable, and GST payables).

(e) Fair value

IBAC considers that the carrying amount of financial instrument assets and liabilities recorded in the financial report to be a fair approximation of their fair values, because of the short-term nature of the financial instruments and the expectation that they will be paid in full.

Financial report

NOTES TO THE FINANCIAL REPORT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

Note 17. Cashflow information

(a) Reconciliation of cash and cash equivalents

	2014	2013
	\$'000	\$'000
Total cash disclosed in the balance sheet	30	30
Balance as per cash flow statement	30	30

(b) Reconciliation of net result for the period

Net result for the period	87	13,499
Non-cash movements:		
Depreciation and amortisation of non-current assets	1,494	780
Other non-cash movements	(55)	(31)
Movements in assets and liabilities (adjusted for transfer of assets and liabilities from OPI):		
Increase in receivables	(534)	(10,992)
(Increase)/Decrease in other non-financial assets	(260)	105
(Decrease)/Increase in payables	(153)	245
Increase in provisions	494	925
Net cash flows from operating activities	1,073	4,531

Financial report

NOTES TO THE FINANCIAL REPORT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

Note 18. Responsible persons

In accordance with the Ministerial Directions issued by the Minister for Finance under the *Financial Management Act 1994*, the following disclosures are made regarding responsible persons for the reporting period.

Names

The persons who held the positions of minister, responsible person and accountable officer in IBAC are as follows:

Attorney-General	The Hon. Robert Clark MP	1 July 2013 to 30 June 2014
Acting Attorney-General	The Hon. Gordon Rich-Phillips MLC	1 July 2013 to 19 July 2013
	The Hon. Louise Asher, MP	20 July 2013 to 21 July 2013
Commissioner	Stephen O'Bryan QC	1 July 2013 to 30 June 2014
Acting Commissioner	The Hon. Murray Bryon Kellam AO QC	7 September 2013 to 19 September 2013
Chief Executive Officer	Alistair Maclean	1 July 2013 to 30 June 2014
Acting Chief Executive Officer	Christine Howlett	1 July 2013 to 4 July 2013
	Christopher Keen	30 December 2013 to 10 January 2014

Remuneration

Remuneration received or receivable by the responsible persons and accountable officers in connection with the management of IBAC during the reporting period was in the following range.

Income band	Total remuneration	
	2014	2013
	No.	No.
\$80,000 – 89,999	-	1
\$100,000 – 109,999	-	1
\$170,000 – 179,999	-	1
\$360,000 – 369,999	1	-
\$400,000 – 409,999	1	-
Total number of responsible persons⁽ⁱ⁾	2	3

Note:

(i) In 2012-13, the remuneration of IBAC's interim CEO was reported in the financial report of the Department of Premier and Cabinet.

Other related party transactions and loans requiring disclosure under the Directions of the Minister for Finance have been considered and there were no matters to report.

Amounts relating to ministers are reported in the financial report of the Department of Premier and Cabinet.

Financial report

NOTES TO THE FINANCIAL REPORT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

Note 19. Remuneration of executives and payments to other personnel

(a) Remuneration of executives

The number of executive officers, other than ministers, responsible persons and accountable officers, and their total and base remuneration during the reporting period are shown in the table below. Base remuneration is exclusive of bonus payments, long service leave payments, redundancy payments and retirement benefits. The total annualised employee equivalent provides a measure of full time equivalent executive officers over the reporting period.

Income band	Total remuneration		Base remuneration	
	2014	2013	2014	2013
	No.	No.	No.	No.
Below \$100,000	3	10	3	10
\$120,000 – 129,999	1	1	1	1
\$230,000 – 239,999	2	-	2	-
\$240,000 – 249,999	1	-	1	-
\$260,000 – 269,999	1	-	1	-
\$270,000 – 279,999	1	-	1	-
\$280,000 - 289,999	1	-	1	-
Total number of executives	10	11	10	11
Total annualised employee equivalents (AEE) ⁽ⁱ⁾	6.69	2.36	6.69	2.36
Total amount	\$1,768,467	\$621,486	\$1,768,467	\$621,486

Note:

(i) AEE is based on paid working hours of 38 ordinary hours per week over 52 weeks for a reporting period.

The number of executives whose remuneration exceeds \$100,000 is significantly higher in the 2013-14 reporting period as the total remuneration of six executives, all of whom did not hold office for the full 2012-13 reporting period, individually fell below the reporting threshold of \$100,000. There was one departure in 2013 and there were four executives with part time working arrangements, resulting in a lower annualised employee equivalent compared to headcount.

For completeness of disclosure, the 2012-13 comparatives have been restated to include remuneration paid to all executives, including those whose remuneration fell below the reporting threshold.

(b) Payments to other personnel

The following disclosures are made in relation to other personnel of IBAC, i.e. contractors charged with significant management responsibilities.

During the year, no payment has been made to any contractor with significant management responsibilities (2012-13: \$259,850).

Expense band	Total expenses (exclusive of GST)	
	2014	2013
	No.	No.
\$250,000 – 259,999	-	1
Total expenses (exclusive of GST)	-	\$259,850

Note 20. Remuneration of auditors

	2014	2013
	\$'000	\$'000
Victorian Auditor-General's Office		
Audit of the financial report	25	17
	25	17

Financial report

NOTES TO THE FINANCIAL REPORT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

Note 21. Establishment of Independent Broad-based Anti-corruption Commission (IBAC)

During 2011, the State Government announced its intention to establish IBAC, replacing and expanding the functions of the former Office of Police Integrity (OPI).

IBAC commenced operations on the 1 July 2012 in a limited capacity, pursuant to the *Independent Broad-based Anti-corruption Commission Act 2011* which received Royal Assent on 29 November 2011.

Full investigative powers did not commence until 10 February 2013 when the *Protected Disclosure Act 2012* came into operation replacing the *Whistleblowers Protection Act 2001*. In accordance with Schedule 9 of the *Independent Broad-based Anti-corruption Commission Act 2011*, all assets and liabilities of the former OPI become assets and liabilities of IBAC as outlined below. These assets and liabilities have been included in IBAC's balance sheet as at 30 June 2014.

The net assets transfer to IBAC was treated as a contribution of capital by the Crown. No income or consideration was recognised by the former OPI in respect of the net assets transferred to IBAC.

	Transferred from OPI	
	2014	2013
	\$'000	\$'000
Assets		
Financial assets		
Other financial assets	-	3,271
Total financial assets	-	3,271
Non-financial assets		
Non-financial assets held for resale	-	16
Property, plant and equipment	-	2,342
Other non-financial assets	-	441
Total non-financial assets	-	2,799
Total assets	-	6,070
Liabilities		
Payables	-	394
Borrowings	-	877
Provisions	-	1,632
Total liabilities	-	2,903
Net assets	-	3,167
Equity		
Contributed capital	-	3,167
Net worth	-	3,167

Financial report

NOTES TO THE FINANCIAL REPORT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

Note 22. Trust account balances

The trust account was created with a purpose being the establishment of IBAC. It is made up of two sources of funds which were received during 2012-13:

- (a) \$12.70m from the Department of Justice (DOJ). This amount was initially received in 2011-12 and was managed by DOJ during that year.
- (b) \$1.07m from the Department of Premier and Cabinet (DPC). In 2012-13, DPC received funding of \$1.77m for the Anti-corruption and Integrity Taskforce and Communications and Change Management Strategy. Of this amount, \$0.70m was used during 2012-13 to meet expenditure incurred for the establishment of IBAC. The balance of \$1.07m was subsequently transferred to IBAC.

These funds have been earmarked primarily for the refurbishment of IBAC's leased office premises. There were no payments from the trust fund during 2013-14 [2012-13: \$4m (excluding GST) to Department of Treasury and Finance who manage IBAC's refurbishment project].

As at 30 June 2014, the trust funds were held by DOJ on IBAC's behalf.

	Opening balance as at 1 July 2012	Total receipts	Total payments	Closing balance as at 30 June 2013	Opening balance as at 1 July 2013	Total receipts	Total payments	Closing balance as at 30 June 2014
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Controlled Trust								
IBAC Trust fund								
- For the establishment of IBAC	-	13,773	(4,000)	9,773	9,773	-	-	9,773
Total controlled trust	-	13,773	(4,000)	9,773	9,773	-	-	9,773

Financial report

NOTES TO THE FINANCIAL REPORT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

Note 23. Glossary of terms and style conventions

Glossary

Actuarial gains or losses on superannuation defined benefit plans

Actuarial gains or losses are changes in the present value of the superannuation defined benefit liability resulting from:

- (a) Experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred); and
- b) The effects of changes in actuarial assumptions.

Amortisation

Amortisation is the expense which results from the consumption, extraction or use over time of a non-produced physical or intangible asset.

Borrowings

Borrowings refer to interest-bearing liabilities mainly raised from public borrowings raised through the Treasury Corporation of Victoria, finance leases and other interest-bearing arrangements. Borrowings also include non-interest-bearing advances from government that are acquired for policy purposes.

Comprehensive result

The net result of all items of income and expense recognised for the period. It is the aggregate of operating result and other comprehensive income.

Commitments

Commitments include those operating, capital and other outsourcing commitments arising from non-cancellable contractual or statutory sources.

Current grants

Current grants refer to amounts payable or receivable for current purposes for which no economic benefits of equal value are receivable or payable in return.

Depreciation

Depreciation is an expense that arises from the consumption through wear or time of a produced physical or intangible asset. This expense is classified as a 'transaction' and so reduces the 'net result from transaction'.

Effective interest method

The effective interest method is used to calculate the amortised cost of a financial asset or liability and allocate interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument, or, where appropriate, a shorter period.

Employee benefits expenses

Employee benefits expenses include all costs related to employment including wages and salaries, fringe benefits and payroll tax, leave entitlements, redundancy payments, defined benefits superannuation plans, and defined contribution superannuation plans.

Financial asset

A financial asset is any asset that is:

- (a) Cash
- (b) A contractual or statutory right:
 - (i) To receive cash or another financial asset from another entity; or
 - (ii) To exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity.

Financial instrument

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Financial assets or liabilities that are not contractual (such as statutory receivables or payables that arise as a result of statutory requirements imposed by governments) are not financial instruments.

Financial liability

A financial liability is any liability that is:

- (a) A contractual obligation:
 - (i) To deliver cash or another financial asset to another entity; or
 - (ii) To exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the entity.
- (b) A contract that will or may be settled in the entity's own equity instruments and is:
 - (i) A non-derivative for which the entity is or may be obliged to deliver a variable number of the entity's own equity instruments; or
 - (ii) A derivative that will or may be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the entity's own equity instruments. For this purpose, the entity's own equity instruments do not include instruments that are themselves contracts for the future receipt or delivery of the entity's own equity instruments.

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NOTES TO THE FINANCIAL REPORT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

Financial report

A complete set of financial report comprises:

- (a) A balance sheet as at the end of the period;
- (b) A comprehensive operating statement for the period;
- (c) A statement of changes in equity for the period;
- (d) A cash flow statement for the period;
- (e) Notes, comprising a summary of significant accounting policies and other explanatory information;
- (f) Comparative information in respect of the preceding period as specified in paragraphs 38 of AASB 101 *Presentation of Financial Statements*; and
- (g) A balance sheet as at the beginning of the preceding period when an entity applies an accounting policy retrospectively or makes a retrospective restatement of items in its financial report, or when it reclassifies items in its financial report in accordance with paragraphs 41 of AASB 101.

Grants and other transfers

Transactions in which one unit provides goods, services, assets (or extinguishes a liability) or labour to another unit without receiving approximately equal value in return. Grants can either be operating or capital in nature.

While grants to governments may result in the provision of some goods or services to the transferor, they do not give the transferor a claim to receive directly benefits of approximately equal value. For this reason, grants are referred to by the AASB as involuntary transfers and are termed non-reciprocal transfers. Receipt and sacrifice of approximately equal value may occur, but only by coincidence. For example, governments are not obliged to provide commensurate benefits, in the form of goods or services, to particular taxpayers in return for their taxes.

Grants can be paid as general purpose grants which refer to grants that are not subject to conditions regarding their use. Alternatively, they may be paid as specific purpose grants which are paid for a particular purpose and/or have conditions attached regarding their use.

General government sector

The general government sector comprises all government Departments, offices and other bodies engaged in providing services free of charge or at prices significantly below their cost of production. General government services include those which are mainly non-market in nature, those which are largely for collective consumption by the community and those which involve the transfer or redistribution of income. These services are financed mainly through taxes, or other compulsory levies and user charges.

Interest expense

Costs incurred in connection with the borrowing of funds includes interest on bank overdrafts and short-term and long-term borrowings, amortisation of discounts or premiums relating to borrowings, interest component of finance leases repayments, and the increase in financial liabilities and non-employee provisions due to the unwinding of discounts to reflect the passage of time.

Net result

Net result is a measure of financial performance of the operations for the period. It is the net result of items of income, gains and expenses (including losses) recognised for the period, excluding those that are classified as 'other economic flows – comprehensive income'.

Net result from transactions/ net operating balance

Net result from transactions or net operating balance is income from transactions minus expenses from transactions. It is a summary measure of the ongoing sustainability of operations. It excludes gains and losses resulting from changes in price levels and other changes in the volume of assets. It is the component of the change in net worth that is due to transactions and can be attributed directly to government policies.

Net worth

Net worth is assets less liabilities, which is an economic measure of wealth.

Non-financial assets

Non-financial assets are all assets that are not 'financial assets'. It includes inventories, land, buildings, infrastructure, road networks, land under roads, plant and equipment, investment properties, cultural and heritage assets, intangible and biological assets.

Non-profit institution

A legal or social entity that is created for the purpose of producing or distributing goods and services but is not permitted to be a source of income, profit or other financial gain for the units that establish, control or finance it.

Financial report

NOTES TO THE FINANCIAL REPORT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

Note 23. Glossary of terms and style conventions (continued)

Other economic flows included in net result

Other economic flows included in net result are changes in the volume or value of an asset or liability that do not result from transactions. It includes:

- (a) Gains and losses from disposals, revaluations and impairments of non-financial physical and intangible assets;
- (b) Fair value changes of financial instruments and agricultural assets; and
- (c) Depletion of natural assets (non-produced) from their use or removal.

Other economic flows – other comprehensive income

Other economic flows – other comprehensive income comprises items (including reclassification adjustments) that are not recognised in net result as required or permitted by other Australian Accounting Standards.

The components of other economic flows – other comprehensive income include:

- (a) Changes in physical asset revaluation surplus;
- (b) Share of net movement in revaluation surplus of associates and joint ventures; and
- (c) Gains and losses on remeasuring available-for-sale financial assets.

Payables

Payables include short and long term trade debt and accounts payable, grants, taxes and interest payable.

Receivables

Receivables include amounts owing from government through appropriation receivable, short and long term trade credit and accounts receivable, accrued investment income, grants, taxes and interest receivable.

Supplies and services

Supplies and services generally represent cost of goods sold and the day-to-day running costs, including maintenance costs, incurred in the normal operations of IBAC.

Transaction

Transactions are those economic flows that are considered to arise as a result of policy decisions, usually an interaction between two entities by mutual agreement. They also include flows in an entity such as depreciation where the owner is simultaneously acting as the owner of the depreciating asset and as the consumer of the service provided by the asset. Taxation is regarded as mutually agreed interactions between the government and taxpayers. Transactions can be in kind (e.g. assets provided/ given free of charge or for nominal consideration) or where the final consideration is cash. In simple terms, transactions arise from the policy decisions of the government.

Style conventions

Figures in the tables and in the text have been rounded. Discrepancies in tables between totals and sums of components reflect rounding. Percentage variations in all tables are based on the underlying unrounded amounts.

-	zero, or rounded to zero
(xxx.x)	negative numbers
200×	year/period
200×-0×	year/period

Acronyms

Acronym	Full name
AAS	Australian Accounting Standards
AASB	Australian Accounting Standards Board
AEE	Annualised employee equivalents
AM	Member of the Order of Australia
ANU	Australian National University
ARMC	Audit and Risk Management Committee
CALD	Culturally and linguistically diverse
CEO	Chief Executive Officer
Charter Act	<i>Human Rights Responsibilities Act 2006 (Vic)</i>
DOJ	Department of Justice
DOT	Department of Transport
DPC	Department of Premier and Cabinet
DTF	Department of Treasury and Finance
DWG	Designated work group
EO	Executive officer
FMA	Financial Management Act
FOI	Freedom of Information
FOI Act	<i>Freedom of Information Act 1982</i>
FRD	Financial Reporting Directions
FTE	Full-time equivalent
GMCT	Greater Metropolitan Cemeteries Trust
GST	Goods and Services Tax
HSRs	Health and safety representatives
IBAC	Independent Broad-based Anti-corruption Commission
IBAC Act	<i>Independent Broad-based Anti-corruption Commission Act 2011</i>
IPPA	Institute of Public Administration Australia

Acronym	Full name
IRPs	Issue resolution procedure
ISO	International Organization for Standardization
KPI	Key performance indicator
LSL	Long service leave
NRS	National Relay Service
OH&S	Occupational health and safety
OPI	Office of Police Integrity
PD	Protected Disclosure
PD Act	<i>Protected Disclosure Act 2012</i>
PR Act	<i>Police Regulations Act 1958</i>
PSM	Public Service Medal
PTV	Public Transport Victoria
RFD	Reserve Force Decoration
QC	Queens Council
SD	Standing Directions (of the Financial Management Act)
STS	Senior Technical Specialist
TIS	Translating and Interpreting Service
TRIC	Transnational Research Institute on Corruption
TTY	Teletypewriter
VAGO	Victorian Auditor General's Office
VCAT	Victorian Civil & Administrative Tribunal
VIPP	Victorian Industry Participation Policy
VOCAT	Victims of Crime Assistance Tribunal
VPS	Victorian Public Service
VPSC	Victorian Public Service Commission
VWA	Victorian WorkCover Authority



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