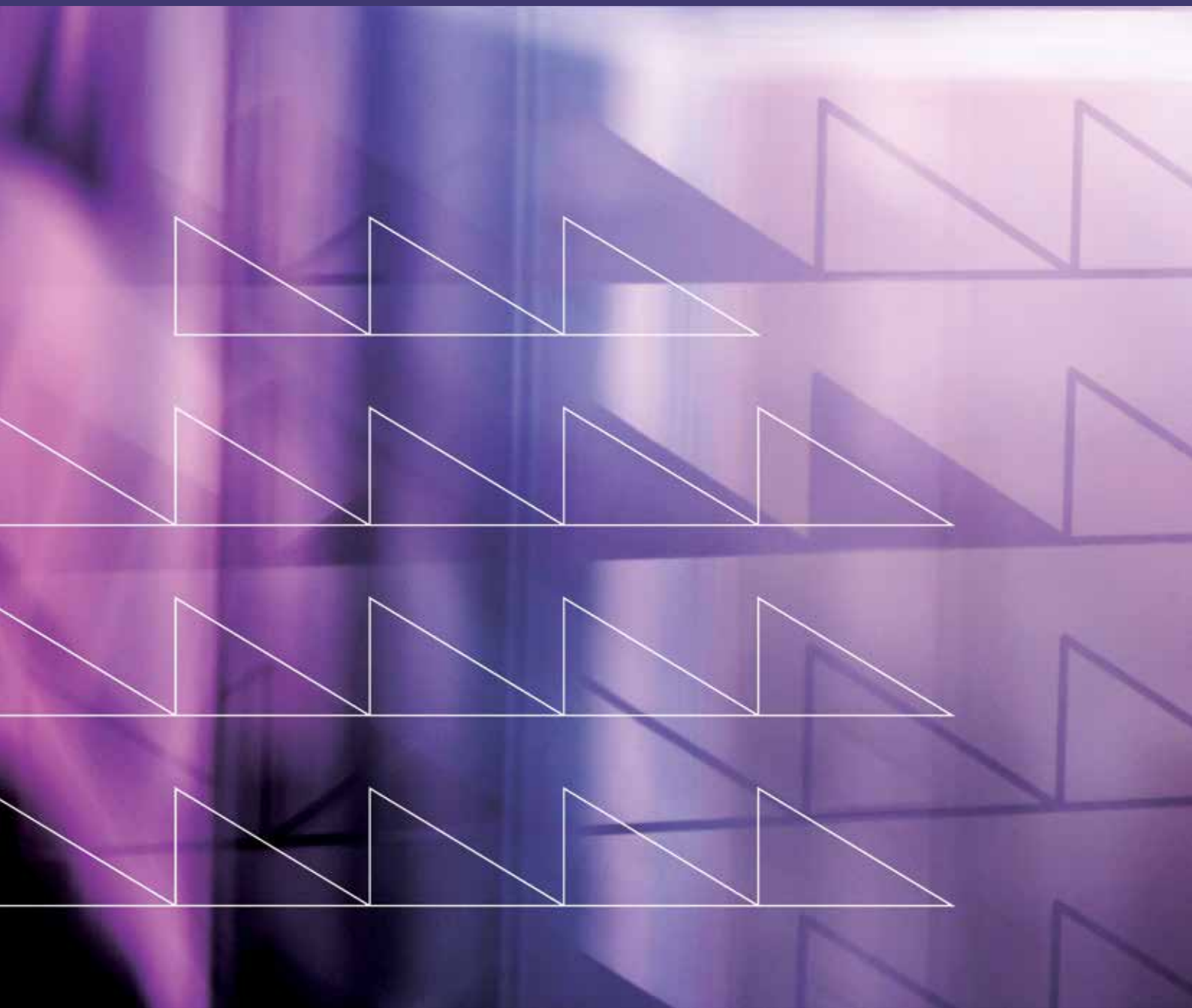
ibac independent broad-based anti-corruption commission
Victoria

annual report 2014/15

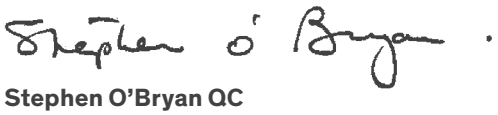
making connections



ibac independent broad-based anti-corruption commission
Victoria

Responsible Body's declaration

In accordance with the *Financial Management Act 1994* and the *Independent Broad-based Anti-corruption Commission Act 2011*, I am pleased to present the Independent Broad-based Anti-Corruption Commission's Annual Report for the year ending 30 June 2015.



Stephen O'Bryan QC
Commissioner
Independent Broad-based Anti-corruption Commission

28 August 2015

Accessing this report

This report is available on our website **www.ibac.vic.gov.au**

If you would like to receive this publication in an accessible format, such as large print or audio, please phone IBAC's Communications team on **1300 735 135**, using the National Relay Service **13 36 77** if required, or email **communications@ibac.vic.gov.au**

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Highlights

	Jul	Public examinations: Operation Fitzroy (p15)
Launched translated information sheets in 20 community languages (p28)	**Aug**	
	Sept	Partnered with the Institute of Public Administration Australia to host Integrity in the Public Sector forum (p26)
Launched e-newsletter, *IBAC Insights* (p29)	**Oct**	
	Nov	Joint resource: *Safeguarding integrity* (p26)
Report: *A review of integrity frameworks in public sector agencies* (p28)	**Dec**	
Report: *Review of protected disclosure procedures* (p21)	**Jan**	
	Feb	Finalised inquiry into management of police sources (p15)
Report: *A review of integrity frameworks in six Victorian councils* (p27)	**Mar**	Launched new website (p29)
Finalised Corruption Prevention Strategy (p30)	**Apr**	Public examinations: Operation Ord (p14)
Report: *Review of council works depots* (p24)	**May**	
	Jun	Charges laid from Operation Fitzroy (p15)

4443

allegations of corruption/misconduct

98% Assessed in 60 days

16

new investigations

105 Witnesses called to examinations

330 Summons

15

completed investigations

24 Recommendations for improvement

145 Charges laid

119

external investigations reviewed

22 Identified as deficient and returned

105

anti-corruption initiatives
(including training and education sessions, and speaking opportunities)

6

public reports and research papers

90 Additional resources (such as fact sheets, videos, podcasts)

About this report

This report records IBAC's achievements and financial position for the 2014/15 year. It is a key accountability document and the principal way in which we report on our activities to Parliament and the Victorian community.

Our **Making connections** theme reflects the progress IBAC has made as a young organisation – both internally and externally – to:

- expose corruption and police misconduct
- identify issues and corruption trends
- strengthen corruption resistance in the public sector
- build our organisation.

Each chapter describes and analyses our performance, the challenges we face, the improvements we've made and what we're planning in the year ahead.

Please note: We were fully established in February 2013, so 2012/13 figures are incomplete and generally not included in this report (except for financials).

Glossary

IBAC	Independent Broad-based Anti-corruption Commission
LGICI	Local Government Investigations and Compliance Inspectorate
PD	Protected disclosure
PSC	Professional Standards Command, Victoria Police
PTV	Public Transport Victoria
VAGO	Victorian Auditor-General's Office
VI	Victorian Inspectorate
VO	Victorian Ombudsman
VPSC	Victorian Public Sector Commission

Making connections

Exposing corruption

Uncovering complex networks and corrupt relationships through IBAC investigations and examinations.

11

Identifying issues and trends

Analysing complaints, notifications and protected disclosures, and directing our research efforts to reveal corruption risks.

17

Strengthening corruption resistance

Recommending ways to help prevent corruption and building strong partnerships to raise awareness and understanding.

23

Building our organisation

Growing a young organisation and supporting a healthy and engaged workforce.

31

Ensuring accountability

Ensuring IBAC remains accountable to the Victorian public by welcoming advice and scrutiny.

39

Managing our finances

Managing public funds in a way that best serves the people of Victoria.

47

Disclosure index

85

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87

The year in review



IBAC's second year of full operation exposed serious systemic corruption through major investigations, our first public examinations and increased community awareness of the detrimental impacts of corruption and police misconduct. Our reviews of investigations of complaints referred to other agencies ensured that they were conducted fairly and thoroughly. We undertook strategic research and a range of corruption prevention initiatives, and made dozens of recommendations to strengthen public sector systems and processes. Our constant focus has been to build a corruption-resistant Victoria.

Exposing corruption

During the year, we finalised 15 investigations, including allegations of serious corruption associated with procurement practices in state government, alleged serious corruption and theft by a local council worker with criminal connections, and alleged assault by police on a vulnerable person in custody.

One of our major investigations, Operation Fitzroy, focused on serious systemic corruption within Public Transport Victoria. Operation Fitzroy involved 25 examinations of witnesses, thousands of documents and a total of 2272 exhibits.

IBAC's first public examinations, as part of Operation Fitzroy, were held in July 2014. In June 2015, IBAC laid charges against nine individuals and one company. At the time of reporting, this matter is still before the courts.

IBAC also held public examinations in April 2015 as part of another major public sector investigation, Operation Ord, involving allegations of serious corruption within the Department of Education and Training. Operation Ord is ongoing.

Our ability to hold public examinations was tested in April 2015 after applications were made to prevent hearings for Operation Ross, an investigation into alleged serious misconduct by police in Ballarat. The Supreme Court has since upheld the decision to conduct public examinations, however at the time of reporting the matter is before the Court of Appeal. Operation Ross is ongoing.

Public examinations are vital to IBAC in fulfilling its primary function of exposing public sector corruption and police misconduct. I consider them an invaluable tool for informing the public sector and the community about the detrimental impacts of corruption and police misconduct, and highlighting ways in which it can be prevented. Public examinations also help deter further wrongdoing, not only for potentially corrupt individuals, but also for public sector agencies which are prompted to examine their own processes and activities.

Two other matters of significant public interest during the year were IBAC's review of the handling of Ms Corrina Horvath's complaint alleging police assault, and our inquiry into Victoria Police's management of human sources. These matters are detailed in IBAC's August 2015 *Special report concerning police oversight*.

Identifying issues and trends

IBAC assessed 2196 complaints and notifications, involving 4443 allegations of public sector corruption or police misconduct, during the year. Most of these were referred to other public sector bodies or integrity agencies for action, as they were either not within IBAC's serious public sector corrupt conduct or police misconduct jurisdiction, of a less serious nature, or related to employee conduct or performance issues best handled directly by the employing agency.

To help ensure that such referrals are handled appropriately, IBAC significantly increased the number of reviews we conducted of matters investigated by other agencies, completing 119 reviews and making recommendations to address deficiencies.

The complaints and notifications IBAC received this year, combined with strategic analysis of the broader public sector operating environment, helped us to identify emerging trends and patterns in public sector corruption and police misconduct risks. In the past year, this strategic analysis has informed IBAC's operational and prevention activities, including our:

- investigations
- reviews of investigations conducted by other agencies
- public reports and resources, and recommendations to help prevent corruption and police misconduct.

Our strategic analysis also informed IBAC's 2015/16 research agenda, which has a strong focus on misconduct and corruption risks in our police oversight jurisdiction.

Strengthening corruption resistance

IBAC's activities in the past year have undoubtedly helped raise awareness of corruption in Victoria – a state that until 2013 did not have an anti-corruption agency for the public sector. Our research suggests that until recently, only 23 per cent of Victorians had heard of IBAC. Shortly after this research was conducted, public sector corruption gained unprecedented exposure through IBAC's Operation Ord public examinations, driving increased contact with us through phone calls, emails and digital engagement.

IBAC's corruption prevention work over the next three years will focus on:

- engaging with the community and the public sector to improve understanding of corruption and its harms
- improving reporting of corruption and helping to build the public sector's capacity to address reports
- alerting organisations to the latest information and intelligence to stay ahead of corruption risks.

IBAC plays an important role in identifying corruption risks, or 'red flags', and informing public sector employees and agencies on ways to prevent corruption. It is critical, however, that public sector agencies retain primary responsibility for ensuring their own integrity, as their leaders are best placed to identify and mitigate risks specific to their own organisations, and to build corruption resistant cultures.

Building our organisation

This year has been one of consolidation for IBAC. We have gained efficiencies and responded to changing needs and demands – realigning organisational structures and boosting resources to improve our investigative capability, and support delivery of our corruption prevention strategy.

With the Victorian Government reviewing the state's integrity system, I am encouraged that this may lead to a broadening IBAC's powers in line with the legislative changes IBAC has previously raised for consideration.

IBAC continues to work with the Victorian Ombudsman, the Victorian Auditor-General's Office and the Victorian Public Sector Commission to ensure there is a coordinated approach to reinforcing integrity and ethical conduct across the public sector.

I thank IBAC's executive team and staff, as well as our sessional Deputy Commissioners Geoffrey Horgan QC and Andrew Kirkham AM RFD QC, for their enthusiasm and dedication to the task of exposing and preventing serious corruption and police misconduct.

We look forward to continuing to work with the public sector and the community to strengthen corruption resistance in Victoria.



Stephen O'Bryan QC
Commissioner
Independent Broad-based Anti-corruption Commission

Performance report card

As a young organisation and the first body tasked with exposing and preventing corruption in Victoria's public sector, we needed to establish ways to measure IBAC's reach and success. By regularly reviewing our progress and activities across four strategic priority areas, we have confirmed performance indicators that we can build on as we move beyond our formative phase.

IBAC's three-year Strategic Directions statement sets out our priorities and actions. We tracked our progress against both quantitative and qualitative performance indicators, while establishing baseline targets in other areas. Acknowledging we have matured as an organisation, we have now reviewed and refined our performance framework and corporate plan for 2015/16 and beyond.

Table 1: Strategic priority – exposing and investigating serious corrupt conduct and police misconduct

Action	Measure	2014/15 target	2014/15 actual	Page
Receive, assess and coordinate action for referrals, complaints and notifications	% notification letters sent within seven days	80%	✓ 90%	19
	% complaints/notifications assessed within 60 days	80%	✓ 98%	19
Investigate serious corrupt conduct and police misconduct	% investigations completed within 12 months	75%	✓ 85%	13
Receive information, conduct research and collect intelligence	Strategic assessment 2014/15	Completed	✓ Completed	18
	# thematic assessments	2	✓ 3	18

Table 2: Strategic priority – preventing corrupt conduct and police misconduct

Action	Measure	2014/15 target	2014/15 actual	Page
Examine systems, practices and legislation across the public sector	# reviews of police investigations	Establish baseline	115	25
	# reviews of public sector investigations (s78 reviews)	Establish baseline	5	25
	% reviews completed in 90 days	75%	85%	25
Provide advice, training and education services to the public sector and the community	% recommendations accepted by public bodies	90%	100%	23
	# education/training sessions	70	76	27
Publish information and reports	# reports published	Establish baseline	6	26
	Redevelop website	Completed	Completed	29
	Launch external e-newsletter *IBAC Insights*	Completed	Completed	29

Table 3: Strategic priority – building our organisation

Action	Measure	2014/15 target	2014/15 actual	Page
Foster a capable and professional workforce, recognising achievement and innovation	Staff attendance at 'Respect in the workplace' workshops	100%	100%	32
	% identified people managers completed management/ leadership program	100%	100%	35
Continuously improve governance frameworks and systems to improve organisational outcomes	# reviews of IBAC and divisional risk registers	4	4	41
	# internal audit reports accepted by Audit and Risk Management Committee	4	4	40
	# serious external audit issues identified	0	0	40
Continuously review performance to improve organisational efficiency and effectiveness	Organisational security review	Completed	Completed	41
	Review of external investigations review function	Completed	Completed	24

Performance report card (cont.)

Table 4: Strategic priority – ensuring accountability

Action	Measure	2014/15 target	2014/15 actual	Page
Deliver high-quality reports that build confidence in our work	% compliance with IBAC Act for special reports	100%	✓ 100%	n/a
	% compliance with *Financial Management Act 1994* requirements	100%	✓ 100%	n/a

The objectives, indicators and performance – as set out in 2014/15 State Budget Paper No. 3 Service Delivery – are detailed separately below. Brief notes on major variances are included, while page references are provided for more detailed analysis of our performance.

Table 5: Budget Paper No. 3 performance measures

	Unit of measure	2014/15 target	2014/15 actual	Notes	Page
(a) Quantity					
1. Corruption prevention initiatives delivered by IBAC	number	70	76	Due to interest in Operation Fitzroy and the corruption risks it identified with procurement, we delivered more education sessions to public sector agencies.	27
(b) Quality					
2. Recipients of corruption prevention initiatives satisfied	per cent	>90%	95%	We received feedback on all education and training sessions, using this to continually improve the quality of our service in our formative phase.	27
(c) Timeliness					
3. Proportion of complaints or notifications received and assessed within 60 days	per cent	>75%	98%	Upgrades and improvements to IBAC's case management system and the expertise developed by the staff have resulted in more streamlined and efficient processing of cases. This target has been increased for 2015/16.	19
4. Proportion of IBAC investigations completed within 12 months	per cent	>60%	85.2%	Completed investigations to date have been relatively straightforward. More complex matters (particularly fraud-related) are now being referred to IBAC, which take longer to investigate and complete.	13

Financial snapshot

Income and expenditure

Our operational spend for 2014/15 was $31.3 million. We received our funding as an administered grant through the State Government. Employee expenses accounted for more than 63 per cent of our spending.

Table 6: Break down of expenses 2012–2015

	2014/15 $m	2013/14 $m	2012/13* $m
Employee expenses	19.741	17.388	6.810
Rental expenses	3.117	2.870	1.686
Depreciation	1.520	1.494	0.780
Other	6.850	5.583	4.371

Other includes contractors, professional services, travel, training, printing, information technology, etc.

Financial position

Our financial position at 30 June 2015 consisted of total assets of $25.6 million, total liabilities of $5.8 million and net assets of $19.7 million. We finished the year with a surplus of $0.241 million.

Table 7: Financial summary 2012–2015

	2014/15 $m	2013/14 $m	2012/13* $m
Financial performance			
Grants from Victorian Government	31.547	27.353	13.335
Total income	31.547	27.682	27.141
Total expenditure	31.228	27.335	13.669
Net result from transactions	0.319	0.347	13.472
Comprehensive result	0.241	0.367	13.499
Financial position			
Total assets	25.558	21.727	21.586
Total liabilities	5.827	4.714	4.928
Total equity	19.731	17.013	16.658
Cash flow			
Net cash flow from operating activities	2.341	1.073	4.531

More detail is available from page 47.

*Note: IBAC was fully established in February 2013.

About us

Fully established in February 2013, IBAC is Victoria's anti-corruption agency responsible for identifying and preventing serious public sector corruption and police misconduct. Our jurisdiction includes state government departments and agencies, local councils, Victoria Police, the judiciary and Members of Parliament.

Our mission

To prevent and expose public sector corruption and police misconduct in Victoria.

Purpose and functions

With duties and powers prescribed in the IBAC Act, our purpose is to:

- identify, investigate and expose serious corrupt conduct, and police misconduct
- help prevent corrupt conduct, and police misconduct
- educate the public sector and the community about the effects of such conduct on public administration, and the ways in which it can be prevented.

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.

Respect

We work in the 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 the people we work with.

Exposing corruption

This year we saw a significant increase in the scale and complexity of our investigations, requiring IBAC to make connections and unravel complex networks to expose serious corruption and police misconduct. Recognising the need for greater capacity in our investigations unit, late in 2014/15 we increased human resources in this area by more than a third.

Performance

Figure 1: Investigations undertaken 2013–2015

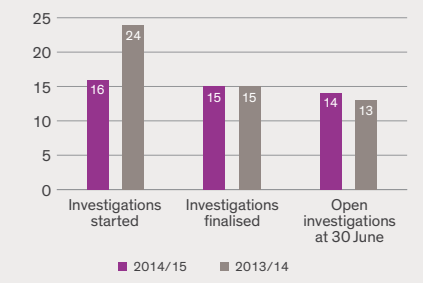
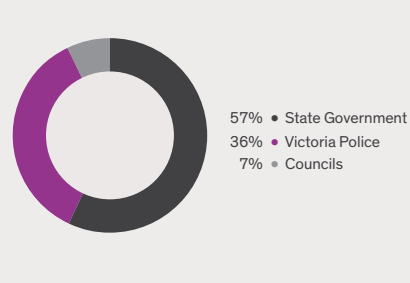


Figure 2: Investigation sectors



By law, IBAC investigates only serious public sector corruption or police misconduct. The number of investigations commenced this year decreased, due mostly to the complexity of investigations accepted in 2014/15.

The lower number is also due to:

- the high number of legacy (ex-Office of Police Integrity) cases investigated in 2013/14
- public examinations during 2014/15 requiring significant resourcing.

State government departments and agencies represent IBAC's largest jurisdictional stakeholder. This year we investigated a larger proportion of Victoria Police allegations than in 2013/14.

IBAC did not investigate any allegations relating to Members of Parliament or the judiciary.

16
new investigations

105
witnesses called

145
charges laid

Exposing corruption

Challenges

Unravelling complex corruption

The increasing complexity and scale of some investigations has been challenging, with convoluted webs of companies and fiscal transactions designed to mask corrupt conduct.

Completed investigations prior to this were comparatively straightforward. Current investigations (mostly fraud-related) involve greater resources, both technical and physical. The more in-depth investigations resulted in a large increase in recommendations (see page 23).

In response, we increased our investigative resources by 40 per cent towards the end of 2014/15.

Getting ahead of technological advances

Staying ahead of perpetrators who actively seek to keep their activities secret is an ongoing challenge for all investigative bodies.

IBAC continues to invest in advancing technology to enhance our capabilities. We've also invested in staff training which is necessary to respond to such advances.

IBAC co-hosted the 2014 National Surveillance Oversight Covert Group annual forum in November. In the same month, we co-hosted the Australasian Surveillance Group forum with Victoria Police.

Prosecution shows bribery will not be tolerated

In December 2014, following an IBAC investigation, a Point Cook man was convicted of attempting to bribe a public official.

Simon Khouri was charged with bribery and attempted bribery of a public official after our 2014 investigation, Operation Wyong, revealed he had attempted to bribe Greater Metropolitan Cemeteries Trust employees in order to secure additional gravesites, over and above what is allowed under cemetery rules.

Mr Khouri pleaded guilty and was convicted of attempting to bribe a public official and fined $10,000. The $5000 attempted bribe was forfeited to the Crown.

Case study

Operation Blyth

IBAC received a complaint detailing allegations that a vulnerable woman had been assaulted and mistreated while in the custody of Victoria Police members at an outer Melbourne station.

Given the seriousness of the allegations, the complaint proceeded to investigation. Operation Blyth looked into whether officers used excessive force against the woman during arrest and while in custody, and if they prevented her from going to the toilet.

After reviewing CCTV footage, interviewing key people and other investigative techniques, IBAC concluded the police members involved had acted appropriately. The complaint was closed with no further action.

Figure 3: Source of investigations

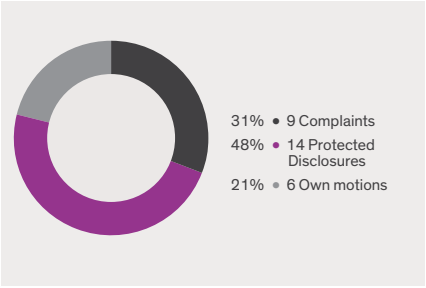
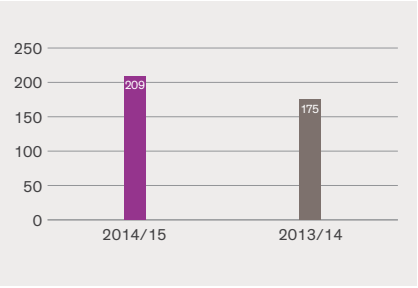


Figure 4: Average investigation duration (days) 2013–2015



IBAC can choose to investigate in response to a complaint or notification or commence an 'own motion' investigation. Most complaints and notifications are referred to other public sector bodies or integrity agencies for action, as they were either not within IBAC's serious corrupt conduct or police misconduct jurisdiction, of a less serious nature, or related to employee conduct or performance issues best handled directly by the employing agency.

In 2014/15, IBAC increased the number of own-motion investigations. As part of our 29 active investigations for the year, IBAC issued 330 summons and 34 search warrants were granted.

While remaining within our target of under 12 months, the average duration of IBAC investigations increased by 19 per cent. Eighty-five per cent of our investigations were completed within 12 months.

This reflects, among other issues, the complex nature of the allegations we investigated this year, which required far more in-depth investigative work.

Table 8: Investigation outcomes

Number of investigations that resulted in:

Criminal proceedings or referral to Office of Public Prosecutions	2
Referral to another entity for disciplinary or other action	3
Recommendations	3
No further action	7

Our investigations determine whether serious corrupt conduct or police misconduct has occurred. Laying criminal charges or recommending disciplinary or other action are just some possible investigation outcomes. We may also publish public reports, recommend system or practice improvements or produce informational resources to help prevent corruption and police misconduct.

Case study

Operation Fraser

Following a Victoria Police investigation, IBAC received a notification from the Victoria Police Professional Standards Command (PSC) alleging a metropolitan city council employee had stolen council animal management equipment and given it to members of an outlaw motorcycle gang.

As the allegation was that activity had occurred in the past, Operation Fraser focused on whether the officer had current criminal associations and if so, whether he was using his council employment for their benefit.

On all available evidence, IBAC found the employee did not have current associations with the outlaw motorcycle gang members or associates.

However, IBAC recommended the council conduct a review of the accountability of unsupervised staff, and consider improving:

- policies and procedures around the use and supervision of council vehicles
- how policy and procedures are communicated and implemented in the work place
- staff awareness of conflicts of interest and their obligations under council policies.

The council accepted IBAC's recommendations.

Exposing corruption



Holding examinations: Commissioner Stephen O'Bryan presided over 26 days of public examinations as part of Operation Ord.

Alleged serious corruption in education

IBAC held public examinations as part of our investigation Operation Ord from late-April 2015. With a public report expected in 2015/16, the investigation continues to examine alleged serious corruption in the education sector – notably, the network of department staff, principals, school staff and companies who allegedly benefited from the exploitation of the so-called banker school system.

The Department of Education and Training dismissed or stood down a number of staff in response to IBAC's exposure of the alleged serious corrupt conduct, and has committed to a reform program to strengthen its resistance to corruption.

Table 9: Examinations 2013–2015

	2014/15	2013/14
Total number of witnesses called	105	58
Number of witnesses called to public examinations	65	0

Examinations are part of IBAC's investigative process, and are generally required under our legislation to be held in private. Our Commissioner may hold public examinations if he considers there are exceptional circumstance, and it is in the public interest, and they can be held without causing unreasonable damage to person/s reputation, safety or wellbeing. This year IBAC held public examinations for Operation Ord and Operation Fitzroy.

Operation Ord hearings

26 hearing days

47 witnesses called

310 exhibits tabled, comprising:

>60 audio clips

>800 invoices, email and other documents

Charges laid in transport corruption case

In June 2015, charges were laid against nine individuals and one company as a result of Operation Fitzroy, an investigation into alleged serious corruption in the (former) Department of Transport and Public Transport Victoria (PTV). The matter will be before the courts in 2015/16. IBAC recommended that PTV provide a progress report by 30 June 2015 regarding its program of procurement reform and cultural change to address the issues identified during the investigation. This report is now available on our website. A final report is required from PTV by 30 December 2015.

Inquiry into Victoria Police human source management

Finalised in February 2015, IBAC's independent inquiry found negligence of a high order in the management of police informants. In examining certain police conduct, The Hon Murray Kellam AO QC concluded Victoria Police had failed to act in accordance with appropriate policies and guidelines.

Mr Kellam further found that Victoria Police failings had the potential to have adversely affected the administration of justice in Victoria. He did not find that any unlawful behaviour had occurred.

The confidential report contained 16 recommendations, all of which have been accepted by Victoria Police. The report was also provided to the Director of Public Prosecutions (among other key officials) to consider if there had been an adverse effect on any prosecutions.

Case study

Operation Clarence

On receiving a notification from the Local Government Investigations and Compliance Inspectorate (LGICI), we investigated allegations that a Councillor received bribes to support planning proposals.

Operation Clarence examined whether $60,000 had changed hands over one commercial development, and whether the Councillor was continuing to solicit and accept bribes for other development applications.

After a thorough investigation, the specific allegation of bribery was unsubstantiated. Nor did the investigation find the Councillor was receiving ongoing bribes. The investigation was closed with no further action.

Exposing corruption



Recruitment a key corruption risk

The importance of adequately checking new employee backgrounds and ensuring good supervision was raised at an IBAC forum for human resources practitioners in December 2014.

"(The forum) made me rethink my responsibilities in the area. I will go back and look at our recruitment processes, induction and messaging."

Forum participant

Looking ahead

Review of police complaint matter

In October 2014, IBAC initiated an own-motion review of the handling of Ms Corinna Horvath's complaints alleging police assault in March 1996 and the resulting Victoria Police disciplinary action. We did this – in part – to help assure the community the matter had been handled thoroughly and fairly.

The review, being led by retired Supreme Court Justice The Hon Bernard Teague AO, is ongoing. IBAC will report further on this matter in due course.

Alleged systemic police misconduct

Public examinations into alleged serious police misconduct were planned to commence in April 2015, as part of Operation Ross. IBAC is investigating allegations that members from the Ballarat station used excessive force towards vulnerable people, as well as systemic concerns around internal reporting and complaint trends.

Applications to the Supreme Court to prevent the public examinations meant they could not proceed as scheduled. In its judgment in August 2015, the Court dismissed the applications, however at the time of reporting the matter is before the Court of Appeal.

Operation Ross is ongoing.

Upping our storage capacity

A common problem faced by investigative bodies is retaining adequate storage for the vast amounts of digital evidence gathered during investigations.

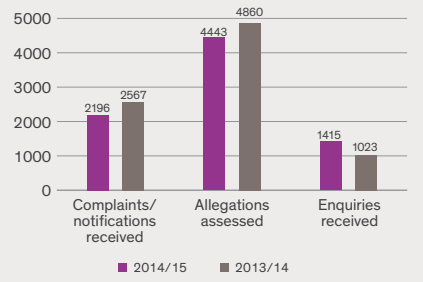
In May 2015, IBAC contracted a supplier to provide a replacement data storage system. The new high-speed system will allow for more efficient analysis of digital evidence, such as from computers, mobiles and other electronic devices. The upgrade will prove essential in investigations with large volumes of evidence, such as Operation Ord (see page 14).

Identifying issues and trends

The information IBAC receives – through complaints, notifications and protected disclosures – is vital not only in exposing corruption, but also identifying emerging trends. Having collected more complete information in our second year of full operation, we were able to make connections through analysing complaint trends and conducting targeted research.

Performance

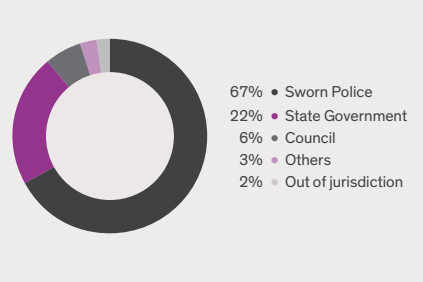
Figure 5: Complaint activity 2013-2015



IBAC experienced a 14 per cent decrease in community complaints and public sector body notifications. This reflects a greater understanding of what we do, as a larger proportion of complaints in 2013/14 were unrelated to IBAC's jurisdiction.

Note: Complaints and notifications may contain multiple allegations.

Figure 6: Allegations assessed (by sector)



The majority of allegations related to police personnel due in part to mandatory reporting under the *Victoria Police Act 2013*. Most of these allegations are investigated by Victoria Police. We may review police investigations (see page 25).

Less than two per cent of complaints (110) were outside IBAC's jurisdiction, an improvement on 2013/14.

4443
allegations

210
protected disclosures

4
research projects

Identifying issues and trends

Improvements

Ensuring human rights are protected

Under the IBAC Act, we ensure Victoria Police members have regard to human rights, as set out in the *Charter of Human Rights and Responsibilities Act 2006*. With staff training delivered in the past year, we collect reliable information on complaints which may involve a breach of Charter rights, and seek to ensure Victoria Police, including PSOs, comply with their obligations. The identification of potential human rights breaches is an important factor taken into account when determining whether a matter should be investigated by IBAC, or if IBAC should review a matter referred to Victoria Police for investigation.

Looking ahead

Auditing police complaints

IBAC is conducting an audit of Victoria Police complaint handling. This will potentially identify issues and areas of improvement, as well as good practice for the management of all police complaints. We are examining:

- timeliness
- the impartiality of the investigation
- the appropriateness of the investigative process
- record keeping.

A report on the audit will be completed in 2015/16.

Setting our operational and research agenda

This year we completed our second strategic assessment, which identified high-level corruption risks and informed where we should direct our efforts to detect and prevent public sector corruption and police misconduct. Key themes identified included illicit drug use by Victoria Police, and corruption risks related to protective services officers, and the health and corrections sectors.

Following our first strategic assessment, IBAC examined corruption of public sector employees by organised crime, and predatory behaviour by Victoria Police members. We will publicly report on these issues in 2015/16.

Analysing police drink driving trends

IBAC is analysing drink driving trends among Victoria Police employees, between 2000 and 2014. We are looking to determine if resulting disciplinary outcomes reflect senior Victoria Police messaging that drink driving is not tolerated. This project will seek to ensure public confidence in Victoria Police's response to employees found drink driving.

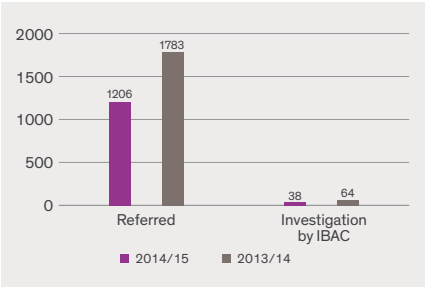
The results of the analysis will be published in 2015/16.



Navigating the integrity landscape

As part of Public Sector Week in June 2015, CEO Alistair Maclean joined the heads of other Victorian integrity agencies to run through a hypothetical case example of how allegations of favouritism during procurement could be investigated.

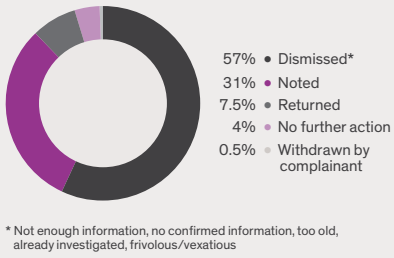
Figure 7: Allegation outcomes 2013-2015



We acknowledged receipt of complaints within seven days for 90 per cent of cases. Depending on the nature of the matter, we may refer, investigate, or take no further action. Our lower rate of referral this year indicates more complaints are within our jurisdiction. We assessed 98 per cent of complaints and notifications within 60 days.

In the past year, we increased the number of preliminary inquiries to ensure all relevant information and evidence is considered.

Figure 8: Reasons for closing allegations

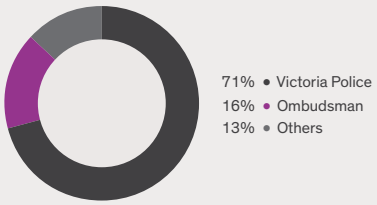


* Not enough information, no confirmed information, too old, already investigated, frivolous/vexatious

Regardless of the outcome, all information we receive is analysed to help us identify emerging trends and risks. We dismissed 41 per cent of allegations in 2014/15 – mostly because there was not enough information. The proportion of dismissals is similar to 2013/14.

Matters noted comprise of PSC notifications that may later be reviewed or investigated by IBAC. Returned matters are protected disclosure notifications which are not subsequently assessed as protected disclosures.

Figure 9: Allegations referred to agencies



We referred 27 per cent of all allegations to agencies better placed and empowered to act on them. The larger proportion of police referrals reflects the higher complaint numbers. Many allegations related to public sector maladministration and so were referred to the Victorian Ombudsman (VO). Other matters were referred to the relevant public sector agencies to investigate them in the first instance.

Identifying issues and trends



Equipping PD Coordinators

Deputy Commissioner Simon Heath opens the PD Coordinators forum, one of three events held for the 124 coordinators during the year. The majority of attendees believed their knowledge had increased and that they would also apply new ideas they learned.

"The PD forum helped to demystify the role of protected disclosure legislation and the case examples assisted us to better understand how we can help."

Forum participant

Improvements

PD liaison group

IBAC established and led quarterly meetings of the Protected Disclosure Liaison Group, which includes the VO, Victoria Police, the Victorian Inspectorate (VI) and the presiding officers of the Victorian Parliament. The group provides a forum for investigating entities under the Protected Disclosure (PD) Act to discuss issues of mutual interest and concern around the exercise of functions under the Act.

The group considers and discusses issues to help ensure that the system of facilitating, managing and investigating protected disclosures is efficient, effective and cohesive. This year, the group considered our PD Review prior to release (see opposite).

Online training for agency coordinators

In May 2015, IBAC launched an online learning module for PD coordinators. It provides introductory information about their responsibilities in encouraging and managing protected disclosures within their agency.

We also held our second PD Coordinators forum in 2015 to:

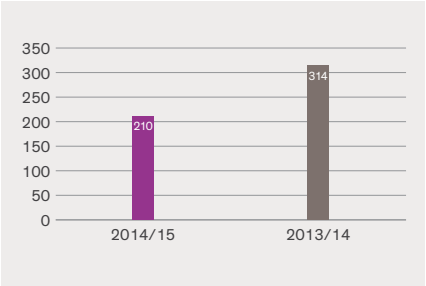
- support PD coordinators to receive and manage disclosures
- provide guidance to help ensure they're able to disseminate correct, clear and accessible information
- identify and share examples of good practice
- reinforce the importance of reporting improper conduct.

Reviewing legislative compliance

IBAC conducted a review (see opposite) and made 57 recommendations for improvement to PD processes and policies (under section 61 of the PD Act). All but four of our recommendations were accepted, with implementation ongoing.

No applications for an injunction were made by IBAC under the PD Act.

Figure 10: Allegations that become protected disclosures 2013–2015



We receive and assess all potential protected disclosures (formerly whistleblower complaints). Under the PD Act, only IBAC can make the decision to afford extra protections for a complainant. We received 1966 potential PD allegations directly to us, with 121 notified to IBAC by Victoria Police and other entities.

This year we assessed 210 allegations as protected disclosures – 89.5 per cent of those were made directly to us. The number of PDs reflects the evidence and information provided to us. The decrease in PDs is also reflective of the drop in complaints/notifications, as well as our refined evaluation processes.

Table 10: Protected disclosure outcomes 2013–2015

	2014/15	2013/14
PDs investigated by IBAC	14	43
PDs referred to another entity	171	230
PDs dismissed by IBAC	25	38

The only entities which can investigate protected disclosure complaints are IBAC, the VO, the VI and the Chief Commissioner of Police. Should their investigations identify evidence of serious corrupt conduct or police personnel misconduct, those agencies may refer the matter back to us for further consideration.

Fewer PDs were dismissed by IBAC in the past year, indicating improved application of the PD legislation. There were no disclosures IBAC has been unable to either investigate or refer to another investigating entity.

Public sector agencies fall short on information for whistleblowers

IBAC's December 2014 review found nearly a quarter of public sector organisations surveyed were not meeting their legal obligations around protected disclosures, almost two years after new laws were introduced to strengthen protections for whistleblowers.

We reviewed a sample of 114 state and local government bodies on their compliance with these requirements of the *Protected Disclosure Act 2012*. The review, which will be repeated in the future, found:

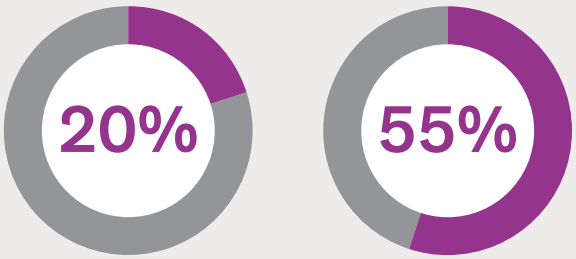
- seven organisations had not implemented any PD procedures
- 19 organisations had incorrect procedures or had essential information missing
- 88 organisations were compliant, but still needed to improve accessibility of the procedures and clarity of guidance.

"Public sector agencies have an obligation to make information available to encourage people to report wrongdoing, with confidence in the protections available when they do so."

IBAC CEO Alistair Maclean

Identifying issues and trends

Analysed 1313 police allegations for emerging trends and risk from 1 January – 30 June 2015



alleged police assault

alleged duty failure and inappropriate behaviour

Analysed police complaints data to reveal officers with problematic complaints histories



Special report concerning police oversight, August 2015

Challenges

Triaging complaints

IBAC is part of a broader integrity system, made up of agencies who accept a wide range of complaints. Ensuring the right complaints come to IBAC in the first instance helps prevent complaints being dismissed or referred to our fellow agencies – something which can be time consuming and frustrating for complainants.

In October 2014 we joined our fellow agencies in launching the *Safeguarding Integrity* guide (see page 26) to help Victorians navigate the state's integrity system. IBAC also improved the information available on our website.

Improvements

Improving our assessment processes

Through continued refinement and consistent application of sound complaint management processes, IBAC ensured complaints continued to be assessed within our target timeframes. Specific improvements include:

- upgrades and improvements to IBAC's case management system
- more streamlined internal reporting tools
- targeted recruitment strategies
- greater experience and knowledge of the legislation and processes.

The success of these improvements is evident in our handling of complaints which have a large number of allegations (exceeding 15) and involve multiple agencies.

Looking ahead

Increasing online reporting

It is important for Victorians to be confident they can report their suspicions to IBAC in a private and secure way. As such, we promote use of our secure online complaint form. To make sure this form is quick and accessible, we are reviewing its usability – with the view to increasing the number of people making complaints online in 2015/16. In doing this, we will also be improving the quality of our data to help us identify emerging risks and trends.

Suppliers' perceptions of corruption

There are significant corruption risks associated with procurement and contract management in the public sector. This has been demonstrated by two of our major investigations – Operation Fitzroy and Operation Ord. To increase awareness and understanding of the key risks and weaknesses in public sector procurement, IBAC will research Victorian suppliers' perceptions of corruption, using a survey developed by the NSW Independent Commission Against Corruption. The survey will be completed in 2015/16.

Strengthening corruption resistance

Making connections between complaints, research and investigations allows us to identify public sector corruption and misconduct risks. This helps us to build a better picture of corruption in Victoria. IBAC is sharing these insights with public sector agencies through our reviews, recommendations and public reports to help them prevent corruption.

Performance

Table 11: Investigation recommendations 2013 – 2015

	2014/15	2013/14
Recommendations made by IBAC	24	2
Recommendations accepted	24	2
Recommendations implemented	10	1
Recommendations implemented from previous year	1	-

IBAC investigations consider the wider systems and checks in place that failed to pick up on alleged corrupt activity. We recommend ways for public sector bodies to improve their systems and controls.

The increase in recommendations aligns with IBAC's focus on causal or contributing factors and the complexity of matters before us. One hundred per cent of our recommendations were actioned by public bodies, with 10 implemented within the financial year. Agencies are usually given six months to respond to recommendations.

An additional 57 recommendations were made under the PD Act (see page 20).

100%
recommendations accepted

120
reviews conducted

76
education and training sessions delivered

Strengthening corruption resistance

Improvements

Reappraising how we review external investigations

To ensure we follow best practice, we reappraised the way in which we review matters referred to external agencies for investigation.

We wanted to better define the criteria for selecting matters for review, as well as the process of conducting reviews.

A number of improvements to our review function were identified – including providing written guidance to external agencies to help them plan and conduct an investigation – which we are in the process of implementing.

Monitoring outstanding recommendations

On IBAC becoming fully operational, all outstanding recommendations made by the former Office of Police Integrity (OPI) were transferred to us.

We are monitoring the progress of Victoria Police in actioning these recommendations which arose from OPI reviews into systems and practices, and own-motion investigations.

As at 30 June 2014, 14 OPI recommendations had not been fully implemented and completed. At 30 June 2015, the figure had reduced to seven.

Building better depots

In 2013, IBAC investigated allegations of corrupt conduct by some works depot employees at Mitchell Shire Council (Operation Continent). While the allegations were not substantiated, we reviewed six other councils to determine if they faced similar risks to Mitchell Shire in the key areas of procurement, small plant and equipment, and bulk consumables.

The *Review of council works depots* (May 2015) found there were common vulnerabilities in the operation of council depots and that there were significant opportunities for strengthening corruption resistance which could be applied across the local government sector. The councils involved in this project were receptive to concerns raised during the review, with all six taking steps to address various issues raised.

"Knowing what happened here at Mitchell could happen at any council, we are keen to share our experience with others to strengthen corruption prevention capacity across the public sector."

Mitchell Shire Council CEO Rebecca McKenzie

Case study

Review reverses finding on police assault

IBAC reviewed a Victoria Police investigation into allegations police assaulted a drug-affected 13-year-old girl at a suburban Melbourne police station.

The concerns were that:

- the member's instinct to slap rather than subdue the young woman was inappropriate
- this action directly caused an avoidable escalation of violent conduct.

On review, IBAC took issue with the police finding of 'not substantiated' and requested that Victoria Police take further action. Victoria Police subsequently advised the allegation of excessive force against a leading senior constable had been altered to 'substantiated' and appropriate management intervention had been undertaken.

Figure 11: Police investigation reviews 2013–2015

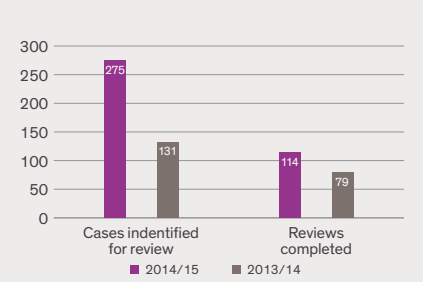
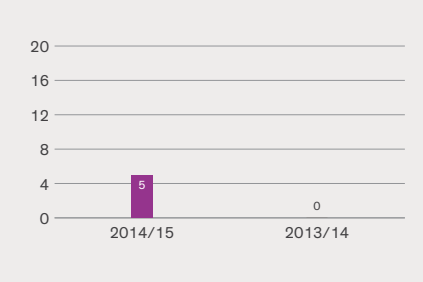


Figure 12: Public sector investigation reviews 2013–2015



IBAC often reviews misconduct investigations carried out by Victoria Police to ensure matters have been thoroughly investigated and appropriately dealt with. This year IBAC reappraised its review function and as a result, the number of police reviews we completed increased by 44 per cent. Of the 114 reviews, 19 cases were identified as deficient. We provided feedback on a further 44 cases.

The issue of referral to the local station is often a cause of concern to complainants. We cannot direct PSC on the investigation process, but where a clear conflict arises, we seek to ensure PSC directs the investigation to another officer or station.

This is the first year IBAC reviewed investigations undertaken by government departments or agencies (under section 78(2) of the IBAC Act). We do this to ensure they are appropriately investigating complaints that are referred to them. Of the five reviews, three were identified as deficient and returned.

In doing this, we aim to help other public sector bodies improve their complaints handling and anti-corruption practices.

In total, 85 per cent of all reviews were completed in 90 days.

Case study

Review leads to improved police training

IBAC reviewed a police investigation into concerns about how police dealt with a man with disabilities.

It was alleged police assaulted the man during arrest. A Victoria Police investigation of the complaint found the police conduct was lawful, but also found the matter should be conciliated between the parties. IBAC determined conciliation was not appropriate.

As a result, Victoria Police changed its finding. It also provided additional training to PSC officers who manage and coordinate responses to complainants and subject officers, and updated relevant processes.

Strengthening corruption resistance



Entering the halls of Parliament

We participated in our first Parliament Open House day, with IBAC officers talking members of the public through our complaint process. It was one of two community events we exhibited at in 2014/15.

Challenges

Reaching important stakeholders

Victoria's public sector has some 300,000 employees. Over the past year, we worked closely with the Victorian Public Sector Commission (VPSC), Local Government Victoria and many other bodies to help us share information with public sector employees.

We produced six reports and a further 90 resources, with targeted communications to the public sector.

Improvements

Building strong partnerships

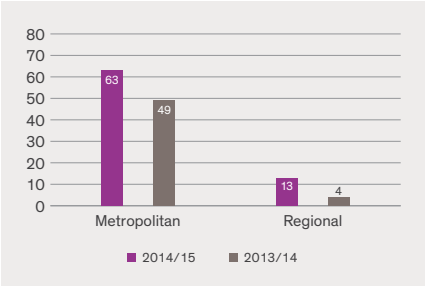
IBAC is working with integrity agencies and public sector bodies to achieve the best anti-corruption outcomes and to ensure that agencies retain primary responsibility for preventing corruption and promoting integrity in their own organisations.

To support information sharing and cooperation between Victorian integrity agencies, our Commissioner chairs the Integrity Consultative Committee. The committee met in February 2015, and includes the Auditor-General , VO, VI, Victorian Public Sector Commissioner, Chief Municipal Inspector and the Commissioner for Privacy and Data Security. IBAC also regularly convened a Prevention and Education Advisory Group involving senior officers from our fellow integrity agencies.

We partnered with the Institute of Public Administration Australia to host the Integrity in the Public Sector forum for the second time in September 2014, to an audience of more than 200 attendees. We will continue our support in 2015.

To help public sector employees and the broader community understand Victoria's integrity system, IBAC partnered with the VO and VAGO to develop *Safeguarding integrity: A guide to the integrity system in Victoria*. Released in November 2014, the guide provides information about the functions of each agency within the integrity system. It assists people to recognise misconduct and corrupt conduct, and know what to do about it.

Figure 13: Training and education sessions 2013–2015



Over the past year, we continued to raise awareness of corruption through 76 training and education sessions, with 95 per cent of participants satisfied with the quality of the session. Senior personnel spoke at a further 29 events, to audiences ranging from lawyers to public servants, Members of Parliament and Parliamentary staff, and community organisations.

One staff member attended the Conference for the Association of Law Enforcement Forensic Accountants at The Hague in October 2014, while our Commissioner attended the Independent Commission Against Corruption Hong Kong's 6th tri-annual symposium with two IBAC officers in May 2015.

Collaborating on police training

IBAC has partnered with Victoria Police to contribute to its established education and training programs, in particular the courses for new recruits and discipline investigators. During the year, we delivered 31 sessions for police officers and recruits.

Looking ahead

Reaching out to the regions

IBAC delivered an outreach program for local and state government officials to increase awareness of our role, responsibilities and complaints handling process. Sessions were delivered in regional areas including (to name a few) Benalla, Bairnsdale and Wangaratta.

We will continue to build on our regional outreach program in 2015/16 through a stakeholder engagement strategy.

Councils must focus on procurement risks

Released in March 2015, IBAC's review of Victorian councils found procurement was generally mistakenly rated as a low corruption risk. *A review of integrity frameworks in six Victorian councils* showed:

- councils were good at identifying and rating corruption risks overall, but many controls in place to manage risks had not been acted on
- 65 per cent of council staff said they would report corruption if they saw it. However, they were still afraid reporting could affect their career and that management would not take action.

The report encouraged councils to protect themselves from corruption during procurement. Other councils were invited to undertake the survey to help them identify the gaps in their own integrity frameworks. Councils are continuing to take up this opportunity.

"Corruption risks associated with procurement are not limited to large contracts or purchases. In fact, the risk of corruption can be higher for goods or services that are relatively low in value, as they may be subject to less scrutiny, while being purchased more frequently."

CEO Alistair Maclean

Strengthening corruption resistance

Being accessible for all Victorians

We are committed to creating and maintaining an accessible and inclusive environment for all people who come into contact with IBAC, whether as employees, stakeholders or members of our community. We ensure that our policies, programs and services are accessible and responsive to their needs.

We developed a series of translated information sheets to help Victorians understand what corruption is and where to report it. Available in 20 key community languages, the information sheets provide information about us, how to make a complaint and about protected disclosures. They can be accessed at **www.ibac.vic.gov.au**

We provide a translating and interpreting service for people who prefer to communicate in their own language. We also use the Translating and Interpreting Service through our contact centre allowing non-English speaking people to lodge complaints.

Corruption prevention not on the radar for public sector agencies

Released in December 2014, IBAC-commissioned research highlighted the need for public sector agencies to review their systems, processes and policies for preventing corruption. Australian National University researchers surveyed 36 randomly selected agencies on how they detected and prevented corruption.

The *Review of integrity frameworks in Victorian public sector agencies* found:

- the controls agencies had in place generally related to fraud, not broader corruption risks
- there was little evidence of senior managers managing or overseeing anti-corruption measures
- few agencies had specific education or training programs for staff about corruption risks
- there was a disconnect across agencies about who was responsible for corruption prevention, making it easier for individuals to exploit gaps.

"If exploited, these weaknesses could result in a waste of taxpayer funds through corruption and a loss of public credibility. Strong leadership and management is integral in helping to build a culture that ensures honest behaviour and fair decisions."

Researcher and co-author Kym Kelly

Case study

Review changes phone rules

IBAC reviewed a police investigation into how an overseas national was allegedly treated during arrest, transport and in custody.

This included allegations their phone calls were restricted and that police failed to recognise and address their mental health. IBAC raised a range of issues with PSC, including:

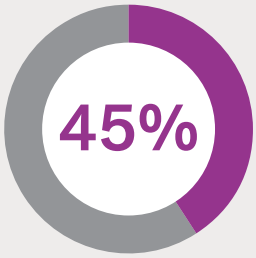
- why a specific officer investigated the person's complaint, despite a request they not be involved
- why the person was not contacted during the police investigation
- why station rules state only police will make a call for the prisoner. This was contrary to the *Crimes Act 1958* which permits prisoners to make one call.

Victoria Police provided satisfactory responses, including revising the station's procedures for prisoner's use of the telephone.



Almost a third of Victorians think corruption is completely widespread or there is a large amount of it in Victoria.

Taking and offering bribes was the most readily identifiable corrupt behaviour, with Victorians struggling to suggest other forms of corruption.



said corruption had a moderate/substantial impact on them **personally**



said it had a moderate/substantial impact on the **state**

Victoria was perceived to be the **5th** most corrupt state/territory behind:

1. New South Wales **42%**
2. Queensland **37%**
3. The Australian Capital Territory **35%**
4. Western Australia **32%**
5. Victoria **31%**

Corruption research, April 2015

Improvements

Increasing our digital engagement

In the past year we focused on increasing traffic to the IBAC website – boosting unique web visits from an average of 3000 a month to more than 7800. To do this, we:

- redeveloped the IBAC website to be more easy-to-use and understand, while also improving accessibility
- launched an external e-newsletter *IBAC Insights* in October 2014, growing our subscription base to 1730 subscribers
- built our Twitter following from 30 to 900.

Gauging community opinion

In April 2015, IBAC commissioned a survey of more than 1000 Victorians on how they think and feel about corruption. These results informed our corruption prevention strategy (see page 30).

The survey found 76 per cent of survey respondents agreed they had a moral obligation to report corruption or misconduct.

But with low awareness of Victorian protections available, most feared perceived consequences of reporting corruption, such as their details being leaked (60 per cent), or victimisation and harassment (59 per cent).

Looking ahead

Sharpening our prevention focus

Preventing serious corrupt conduct and police misconduct is a key priority for IBAC. Building on our early work and the findings of research and consultation, we sharpened the focus of our corruption prevention strategy.

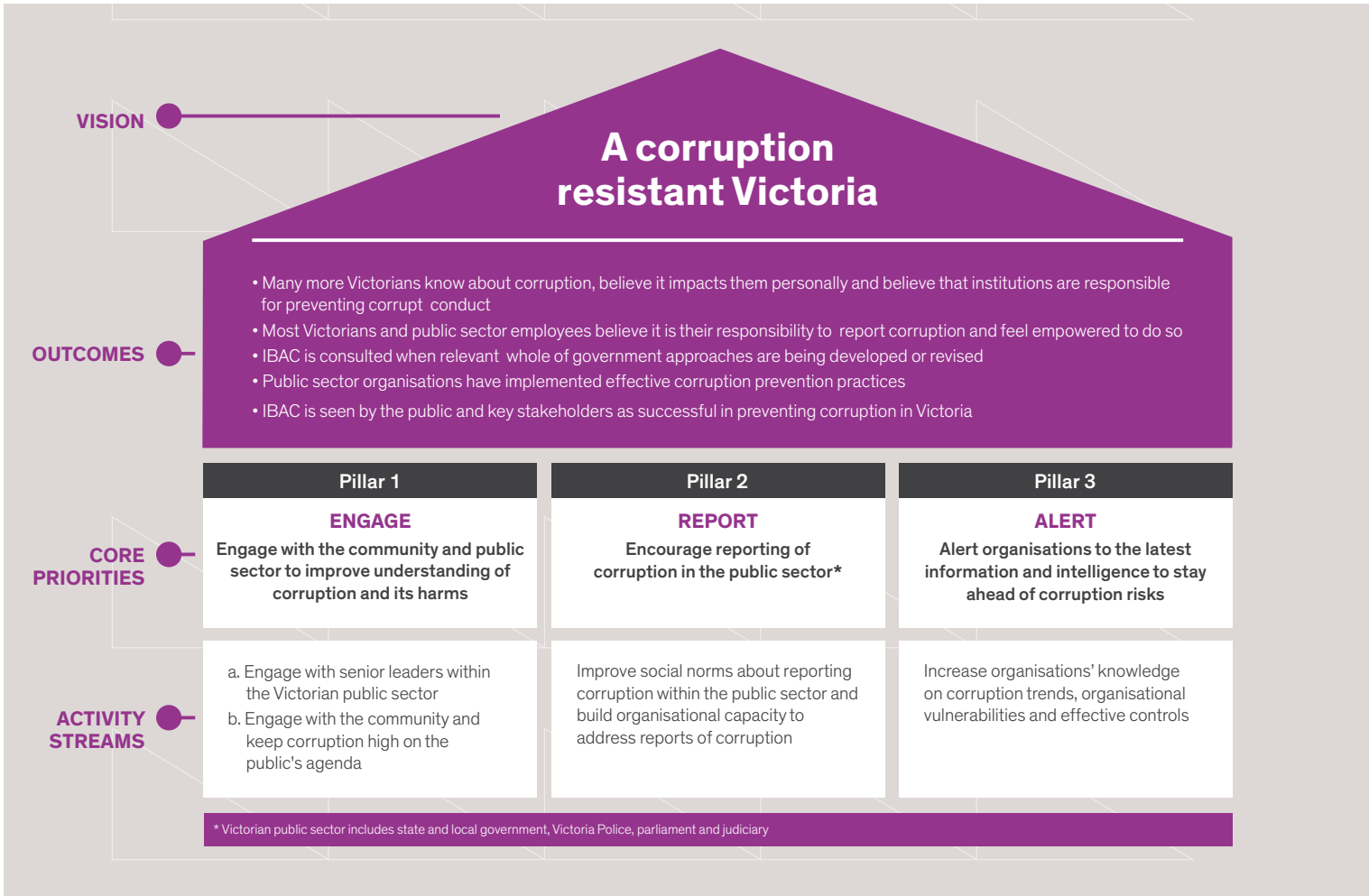
By focusing on three key areas, IBAC aims to make a measurable improvement in preventing public sector corruption and police misconduct over the next three years.

Our research and consultation across the Victorian public sector shows that we will make the greatest impact by:

- engaging with the community and the public sector to improve understanding of corruption and its harms
- improving reporting of corruption and helping to build the public sector's capacity to address reports
- alerting organisations to the latest information and intelligence to stay ahead of corruption risks.

Through these key activities, IBAC aims to empower public sector workers and community members to speak up when they see wrongdoing, and to inform and support public sector leaders in fulfilling their responsibility for preventing corruption within their organisations.

Figure 14: Corruption Prevention Strategy



Building our organisation

Our people are our greatest asset. To support them, IBAC places great emphasis on fostering a positive culture, ensuring effective communication and providing flexible working conditions. We track our success in planning, attracting, developing and retaining a productive and healthy workforce to help us achieve organisational objectives.

Comparative workforce data [(i)(ii)]

Table 12: Summary of employment levels in June

	Ongoing [(iii)]				Fixed term/ casual
	Employees (headcount)	Full time (headcount)	Part time (headcount)	FTE	FTE
June 2015	110	100	10	106.43	34.17
June 2014	124	113	11	120	16.2

(i) All figures reflect employment levels during the last full pay period in June of each year.

(ii) Excluded are those on leave without pay or absent on secondment, external contractors/consultants, and temporary staff employed by employment agencies, and a small number of people who are not employees but appointees to a statutory office, as defined in the *Public Administration Act 2004*.

(iii) Ongoing employees includes people engaged on an open-ended contract of employment and executives engaged on a standard executive contract who were active in the last full pay period of June.

At 30 June 2015 we had 110 ongoing staff with approximately nine per cent of those people employed on a part-time basis.

100%
staff committed to confidentiality

$405,170
invested in staff training

92%
staff retention rate

Building our organisation

Promoting professional conduct

IBAC's values are in addition to the Victorian Public Sector code of conduct for special bodies, which is a framework of guiding behavioural principles for all staff. Both are public statements about how we conduct our day-to-day business activities and the standards by which we treat our stakeholders and colleagues. 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.

The IBAC values have also been incorporated into our policies and guidelines that are reviewed on at least an annual basis. In addition, specific training programs continue to be provided to people managers and those involved in recruitment processes.

All staff attended mandatory 'Respect in the workplace' training to be aware of and understand the behaviour expected of them as IBAC officers.

"Applying IBAC's values in the workplace held the greatest significance for me."

'Respect in the workplace' participant

Valuing diversity

We aim to encourage a culture of diversity and inclusion by:

- promoting equal opportunity of access to employment, programs and facilities
- achieving an organisation-wide awareness of practices that may discriminate against people with a disability and seeing a tangible change in behaviours and attitudes
- fostering an inclusive culture based on IBAC's values of fairness, professionalism, courage, respect and trust.

IBAC is further developing and identifying opportunities to create a supportive and inclusive environment, through our Disability Action Plan.

Supporting staff at work and at home

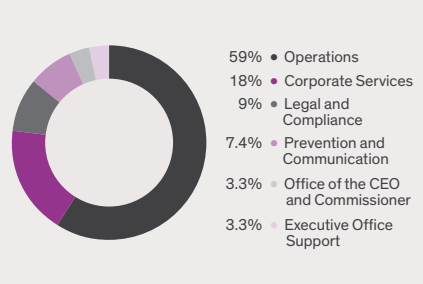
We want our employees to enjoy being part of our organisation, so we offer a range of work/life balance options:

- flexible work hours, in accordance with our Working Hours Policy
- job-share arrangements
- study leave and study assistance
- home-based telecommuting.

IBAC offers a range of supportive options for staff members who may have carer responsibilities to help comply with our obligations under the *Carers Recognition Act 2012*, including a range of leave options in accordance with the Victorian Public Service Workplace Determination 2012.

We offer staff and their families an Employee Assistance Program, a confidential and free counselling service to help staff with personal or work-related issues. In appointing a new provider in late-2014, we were also able to host lunchtime seminars on self-management skills and work-related topics such as team building and dynamics, tackling difficult conversations and keys to building resilience.

Figure 15: Divisional staffing as at 30 June



The highest proportion of staff is within our Operations division, which is responsible for assessing all complaints and notifications, reviewing external investigations, investigating alleged serious corruption and misconduct and conducting examinations. See our organisational structure on page 45.

Table 13: Details of employment levels in June

	2015			2014		
	Ongoing		Fixed term/ casual	Ongoing		Fixed term/ casual
	Headcount	FTE	FTE	Headcount	FTE	FTE
Gender						
Male	52	51.6	17.57	65	64.4	7.6
Female	58	54.8	16.60	65	61.6	8.6
Age						
Under 25	0	0	1.00	3	3	1
25-34	33	32.4	14.57	34	33	5.4
35-44	35	32.9	10.60	47	44.9	3.8
45-54	37	36.1	6.00	36	35.1	6
55-64	4	4	2.00	9	9	0
Over 64	1	1	0.00	1	1	0
Classification						
VPS2	0	0	1.57	0	0	0.4
VPS3	27	25.5	2.00	25	23.1	5
VPS4	25	24.6	9.80	31	30.4	3
VPS5	37	35.8	11.8	37	36	4.8
VPS6	17	16.5	9.00	23	22.5	2
STS	4	4	0.00	8	8	1
Other	0	0	0.00	0	0	0
Total	**110**	**106.4**	**34.17**	**124**	**120**	**16.2**

Some 53 per cent of our workforce is female, with the largest proportion of our people falling within the 45-54 age bracket. Employees have been correctly classified in the above workforce data collection.

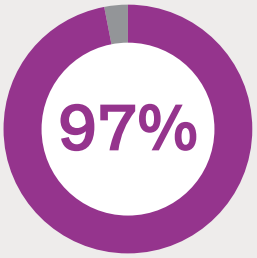
Building our organisation



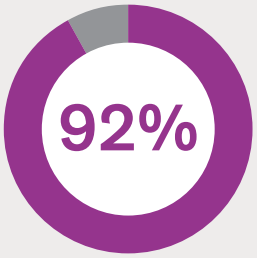
staff committed to confidentiality



foster the support they get and give in their workgroup



are aware of and demonstrate our values



committed to personal and professional integrity

People Matter Survey 2014

Fostering a positive workplace

Getting feedback from our people helps us to continually grow and improve. Following the results of our first VPSC People Matter survey, we started the 'Making IBAC a great place to work' program, consulting with staff and encouraging them to generate ideas so we can continuously improve across all areas of our organisation. IBAC's focus this year was around improving our communication, engagement, development and business processes.

IBAC aims to survey staff every two years to track our improvement.

Keeping staff in the loop

In the past 12 months, IBAC made a concerted effort to keep staff informed and engaged. Our fortnightly staff e-newsletter supplements our monthly all-staff meetings, and continues to be well received.

Our 2014 annual internal communications survey confirmed there had been significant improvement in staff communication. Results showed an increase in staff satisfaction with the level of information they are provided (83 per cent up from 77 per cent), and a sharp rise in corporate knowledge (eg 75 per cent of staff were knowledgeable of IBAC's achievements, up from 35 per cent).

Getting social

Our reputation is enhanced through responsible staff behaviours, and appropriate use of public funds. To that end, we do not spend public funds on staff social activities. Staff events are entirely funded and organised by our active Social Committee, through the proceeds of social events and initiatives.

The Social Committee also enhances internal interaction between divisions. This year, it organised a greater number of events than ever before to help staff from across the organisation get to know each other.

Nurturing our people

IBAC recognises that to create a high performing collaborative environment we require effective managers, a highly skilled and dedicated workforce and innovative and efficient business systems to support our processes. Our learning and development plan supports staff in building personal capability as well as developing skills across the organisation.

This year, we spent $405,170 on training and professional development which focused on developing employee technical skills, supporting the role out of new corporate systems and processes, or in developing our management capabilities.

We supported 52 staff to attend industry seminars, professional development forums and conferences. Twelve employees received Study Assistance support.

Developing new leaders

IBAC identified a talent pool of emerging managers and leaders and supported them through an intensive and customised management development program that focuses on developing their leadership capabilities.

This program aims to develop not just our leadership and management capabilities but also an organisational culture that is agile and reflects our values.

Building our capability

More than 40 employees were recruited through competitive merit-based selection. IBAC continued to attract a competitive field of applicants for advertised positions. Our people come from a wide range of government agencies and private sector businesses which provides us with a diverse workforce.

All employees developed a Performance Development Plan in consultation with their manager. The plans provide staff with clarity on their specific accountabilities and how their work contributes to IBAC's strategic goals. They are used to set work expectations for the year and coordinate the provision of learning and development opportunities to enhance performance and career development.

Building our organisation

Supporting staff through new technology

To support staff, particularly within the Operations division, IBAC accelerated the delivery of key information technology programs. We implemented a new unified telecommunications system which supports:

- an interactive voice recognition and call centre system for directing and prioritising calls about complaints and investigations
- a telephony network that provides internal and remote access through the use of the mobile devices, apps and headsets
- replacement of fax machines with an electronic fax (desktop) application.

Also currently underway, we are implementing Wi-Fi capacity at our office, which will help with more efficient transfer of information internally.

Keeping track of our records

As volumes and varieties of electronic information increase, the administration processes to capture, secure, access and evaluate are vital. IBAC's Information Management Strategy included the following key projects (among others):

- Document (Evidence) Capture – we formed a new arrangement over the large-volume storage of image, data and index services.
- Automated Financial Data Capture – we implemented a new system to allow our forensic accountants to complete their work on time and with the highest accuracy.

Contributing to a healthier environment

The *Building Act 1993* promotes better standards for buildings owned by the Crown and public authorities. Although IBAC does not own any buildings, all office improvement works aim to achieve 4.5–5-star NABER Energy rating. We will be reassessing our rating when the refurbishment is complete.

Energy and water efficiency

We minimised use of electricity and water through:

- installing energy efficient office equipment, such as printers and photocopiers
- introducing pool printing and activating power saving measures on all computers
- switching to highly energy efficient lighting which turns off in unstaffed areas
- replacing old white goods with those with superior energy ratings
- installing dual-flush toilets.

Waste management and recycling

We provide paper recycling bins in every business area and also recycle ink cartridges and computer equipment. We reduced our paper use through uptake of our electronic document and records management system. Double-sided printing is encouraged to help minimise paper use. We also use recycled paper.

Supporting a safe and healthy workforce

IBAC supports staff to be safe and healthy. In the past year, we installed bicycle facilities and new change rooms to encourage our staff to cycle to work. We also provided the following programs:

- flu vaccinations
- walking groups
- participation in events, like Movember, Febfast, Healthy Weight Week and RUOK? Day
- quit smoking assistance
- ergonomic assessments.

Occupational health and safety (OH&S)

IBAC is working to provide and maintain a healthy and safe working environment for all staff and visitors (under the *Occupational Health and Safety Act 2004*). Proactive management of OH&S is integral to this, accompanied by a positive culture focused on health, wellbeing, injury prevention and early intervention.

We have developed, implemented and promoted a two-year OH&S Strategy to focus our health and safety efforts. The strategy includes key strategic objectives and key performance indicators essential for monitoring and improving our work environment and the health and wellbeing of staff.

Managing incidents and near misses

Our OH&S Committee is chaired by the Director Corporate Services and comprises both management and health and safety representatives from each business area. This committee meets quarterly after carrying out workplace inspections for all of our work groups. All Health and Safety Representatives have completed WorkSafe-approved training and represent their colleagues, ensuring their views and concerns about health and safety are heard.

IBAC works to prevent work-related illness and injuries occurring. The number of reported incidents has decreased since we implemented our proactive OH&S Strategy. In the event of an illness or injury, employees are supported by their managers and other qualified staff including our Rehabilitation and Return to Work Coordinator.

Table 14: OH&S information 2012-2015

		2014/15	2013/14
Incidents	No. of incidents	3	9
Claims	No. of standard claims (i)	0	1
	No. of lost time claims (i)	0	0
	No. of claims exceeding 13 weeks (i)	1	0
Fatalities	Fatality claims	0	0
Claim costs	Average costs per standard claim	$68,545	$4595
Training	% staff who have received OH&S training	100%	100%

(i) Data sourced from our WorkSafe Agent. Data for standard claims, time lost claims and fatality claims is at 30 June for the year shown. Standard claims are those that have exceeded the employer excess (for medical and like expenses) threshold and/or liability of 10 working days of time lost. The average cost per claim is reported based on actual costs and excludes estimated future costs that contribute to our premium.

Building our organisation



Engaging with DPC

Director of Specialist Services Christopher Keen outlines examination processes to a delegation of senior Department of Premier and Cabinet staff.

The year ahead

Implementing our People and Culture Strategy

IBAC's People and Culture Strategy aims to identify key strategic priorities to influence employee engagement and provide a truly great place to work. The strategy will provide a way to drive and develop our culture and capabilities to meet our current and future requirements and build on our reputation as an employer of choice. Some key supporting activities will be:

- developing our leadership capabilities
- a staff recognition framework
- a staff retention program
- appropriate culture initiatives aligned to IBAC's values.

Launching 'the Source'

In the past year, we ran workshops to discover how staff share information and how it could be done better. This resulted in a pilot of a document sharing platform to demonstrate how it can be used beyond a traditional intranet to provide ways for IBAC teams to collaborate and interact with each other.

This year we will be upgrading the document sharing platform to a full information management platform as well as a refreshed intranet, 'the Source'. This will better meet current and future staff and business requirements, and improve how we share news and information.

Virtualising our network

Responding to the need for increased access to systems and information away from our office, IBAC will be rolling out a client virtualised environment that:

- frees up every user, releasing them from being desk-bound
- provides a single platform to deliver and maintain access to desktops
- provides a triple-factor authentication process (higher than best practice) to ensure optimum safety of people and information
- provides user choice on which device to use – workstations, laptops, tablets or phones.

Ensuring accountability

IBAC is independent of government and reports to the Victorian community through the Parliament of Victoria. Our governance framework ensures we are accountable to the public and our stakeholders, and our decisions and actions are appropriately scrutinised. It also ensures we act independently, meet our legislative obligations and report fully on our performance.

Figure 16: Who we report to

Victoria

Attorney-General	Special Minister of State	IBAC Parliamentary Committee	Victorian Inspectorate
Receives reports on: • telecommunications interception warrants • surveillance device warrants • assumed identities • controlled operations.	Receives reports on telecommunications interception warrants.	Monitors and reviews our performance and functions. Examines reports published by IBAC.	Monitors our compliance with the IBAC Act and other laws. Oversees our performance under the Protected Disclosure Act. Receives and investigates complaints about IBAC.

6
internal audits

9
external audits

6
independent reviews

Ensuring accountability

Advice and scrutiny

IBAC's performance and decisions are scrutinised in various ways, including:

- reporting and testimony to our Parliamentary Committee
- reporting on the use of investigative powers to various Commonwealth and state Ministers and bodies, including the VI
- our annual report and other special reports to Parliament
- public reports on outcomes of investigations, system reviews and corruption prevention initiatives
- our Audit and Risk Management Committee.

IBAC Parliamentary Committee

Following the 2014 state election and subsequent transition of government, we met with the new Chair and Deputy Chair of the IBAC Parliamentary Committee in June 2015.

Our Commissioner and CEO hosted a visit by The Honorable Kim Wells MP, The Honorable Marsha Thomson MP and other Committee members.

Victorian Inspectorate

The VI undertakes inspections of our surveillance device, telecommunications interception and controlled operations records biannually. Their most recent inspection (report dated 27 January 2015) found we were compliant with the *Surveillance Devices Act 1999* and have a well organised regime in place to manage the use of surveillance devices and to maintain the records and documents required.

Auditing our performance

The IBAC corporate governance framework demands we:

- effectively mitigate risk and regularly scrutinise our performance, decisions and processes
- seek independent assurance and advice regarding the efficiency and effectiveness of our core systems and processes
- comply with legal requirements.

IBAC's Audit and Risk Management Committee seeks to ensure we:

- meet our legislative obligations under the *Financial Management Act 1994*
- appropriately identify and manage organisational risks
- test, evaluate and recommend improvements to internal control systems
- are financially responsible.

Meeting quarterly, the committee works to a charter that meets all requirements of the *Financial Management Act 1994,* in particular the Standing Directions of the Minister for Finance. The committee comprises four external independent members, with remuneration totalling $33,269 for 2014/15.

IBAC's three-year Strategic and Annual Internal Audit plan and Internal Audit Charter set out how we check the effectiveness and efficiency of our internal control systems and risk registers, and our compliance with legislation, policies and procedures.

In the past year, four internal audits have been undertaken by our external provider, PricewaterhouseCoopers. Eighty per cent of audit recommendations were completed within timeframes. In addition to this, we conducted two statutory internal audits.

Additionally, nine external audits were done of IBAC's systems and processes (including by VI and VAGO). No serious external audit issues were identified.

Risk attestation

Managing risk

Risk management is an integral part of IBAC's decision-making, planning and service delivery, and we review and report our progress quarterly. In response, 90 per cent of the agreed treatment plans were on schedule. We report every six months to the Audit and Risk Management Committee on our risk management framework. The committee has expressed confidence that we:

- place sufficient resources into assessing and mitigating risk
- provide for proactive management of risk and that registers are reviewed within appropriate timeframes (at least every quarter).

The committee also reviews our gifts and benefits register annually.

Becoming more resilient

An independent review of our organisational security arrangements was conducted between August and November 2014. A Security Management Plan has now been developed to guide IBAC's management of potential exposure regarding information, physical and personnel security. Following on from the security review, IBAC is finalising a comprehensive business resilience framework comprising Business Continuity Management and Critical Incident Response. All areas of our organisation contributed to ensure that we are appropriately equipped to minimise both the impact and duration of disruption-related risk.

I, Stephen O'Bryan QC certify that the Independent Broad-based Anti-corruption Commission has complied with the *Ministerial Standing Direction 4.5.5 – Risk Management Framework and Processes*. The IBAC Audit and Risk Management Committee verifies this.



Stephen O'Bryan QC
IBAC Commissioner

28 August 2015

Ensuring adequate cover

One of six independent reviews, we undertook a review of the adequacy of IBAC insurance levels by an independent consulting group in April 2014 which confirmed that appropriate insurance types/levels were held. The Audit and Risk Management Committee will continue to review IBAC's insurance cover on an annual basis.

I, Alistair Maclean certify that the Independent Broad-based Anti-corruption Commission has complied with Ministerial Direction 4.5.5.1 – Insurance.



Alistair Maclean
CEO

28 August 2015

Ensuring accountability

Our organisation

Our Commissioner

Our Commissioner is an independent officer of Parliament, and is responsible for strategic leadership of IBAC. Stephen O'Bryan QC was appointed as the first IBAC Commissioner on 1 January 2013 for five years.

Commissioner Stephen O'Bryan QC

Stephen O'Bryan brings 30 years of legal experience to IBAC, holding LL.B and LL.M degrees from Melbourne University. He joined the Victorian Bar in 1983 and became Senior Counsel in 2003. His career at the Bar included membership of both the Victorian Bar pro bono and the duty barrister schemes. Before that he was associate to former High Court Justices Sir Keith Aickin KBE followed by Sir Daryl Dawson KBE CB.

Mr O'Bryan has extensive past experience in the fields of administrative, commercial and regulatory law. He appeared in Royal Commissions, boards of inquiry and coronial inquests as well as various investigations and proceedings commenced by the ACCC and ASIC. His experience as a lawyer includes matters involving the Victorian and Federal Police, the Office of Public Prosecutions and many Victorian government agencies, including local government.

Simon Heath was appointed Deputy Commissioner on 13 August 2013. Simon has been practising law for more than 30 years and is a member of the Law Institute of Victoria. He has a Bachelor of Arts and a Bachelor of Laws from the University of Melbourne and a Master of Laws from the University of London. He is a qualified mediator and has previously been a partner in private practice specialising in litigation, administrative law, insurance and insolvency.

Simon is IBAC's full-time Deputy Commissioner, assisting and advising the Commissioner by exercising delegated operational powers. This includes issuing summonses and confidentiality notices and presiding at examinations.

Geoffrey Horgan QC was appointed Deputy Commissioner on 24 September 2013 for a three-year term. During his time at IBAC he has worked on a sessional basis on a number of investigations and reviews and has presided over IBAC hearings.

Mr Horgan practised as a barrister for 38 years, as well as two years as a magistrate. For the past 17 years of his professional life, he was a Victorian Crown Prosecutor and then Senior Crown Prosecutor. Until he retired from that role in 2012, he was involved in many major homicide trials in Victoria.

Andrew Kirkham AM RFD QC was appointed Deputy Commissioner on 16 April 2013 for a three-year term and performs like duties to Mr Horgan on a sessional basis.

Mr Kirkham has practised as a barrister for nearly 50 years in the areas of criminal law, family law, personal injuries and general negligence. During his career he has held many high-profile positions including Victorian Legal Aid Commissioner, Deputy Judge Advocate General (Air Force), and Chairman of the Victorian Bar Council. Mr Kirkham has been involved in numerous military inquiries, as well as the Longford Royal Commission.

Our Executive

Led by the CEO, our Executive team provides leadership and direction, and ensures we meet our strategic priorities and legislative responsibilities in a way that is open, accountable, ethical and responsible.

CEO Alistair Maclean
(April 2013 – present)

Alistair joined IBAC in April 2013. He came to IBAC from PanAust Ltd, where he helped build the company into a significant ASX100 gold and copper producer. He was previously an Australian diplomat, serving as Ambassador to Laos from 2004 to 2007, with prior postings to Washington DC and Bangkok. In between he fulfilled various roles in Canberra, including as a senior advisor to the Prime Minister. Alistair's qualifications include a Bachelor of Arts (Hons) degree from the University of Melbourne and a Master of International Law degree from the Australian National University.

As CEO, he is responsible for the general conduct and the effective, efficient and economical management of the functions and activities of IBAC.

General Counsel Dr John Lynch PSM
(April 2013 – present)

John brings more than 30 years' experience in legal practice and policy development to IBAC. Between 2005 and 2012, he held the prerogative office of Crown Counsel providing high-level legal and policy advice to the Attorney-General. He was also part of the team which developed the legislation establishing IBAC and the Victorian Inspectorate.

John leads our in-house legal practice, providing legal services on a broad range of matters, such as Counsel Assisting for examinations, litigation support, compliance services and investigations support.

Director Prevention and Communication Christine Howlett
(January 2013 – present)

Christine has substantial executive experience across state and federal government agencies, primarily in the justice and human services sectors.

Christine holds a Master of Arts (Criminology by Research) and Bachelor of Arts (Combined Honours) from the University of Melbourne, as well as a Graduate Certificate of Management from the Australian Graduate School of Management. She has also been awarded a Churchill Fellowship and is an alumni of the Victorian Leadership Development Centre.

Christine leads delivery of IBAC's corruption prevention mandate, including our strategic intelligence, research, engagement and communication functions. During the year, Christine completed a short-term secondment with the Department of Premier and Cabinet, in an interim executive capacity.

Ensuring accountability

Director Operations Robert Sutton
(February 2013 – present)

Robert has an extensive background in law enforcement and anti-corruption. He spent 20 years with Tasmania Police, the majority of those as a Detective. He also worked in NSW at the Wood Royal Commission and the Police Integrity Commission as an investigator and senior investigator respectively. Robert then moved to WA and worked in middle management and executive positions at the Kennedy Royal Commission into corrupt police and the Corruption and Crime Commission. Robert has completed a number of national and international leadership and management courses focused on the conduct and oversight of serious and complex investigations.

Robert oversees our Operations Division, including complaint assessment and review, and investigations.

Director Specialist Services Christopher Keen
(January 2013 – present)

Chris has more than 30 years of law enforcement and security intelligence experience. He holds a Bachelor of Arts from Adelaide University and completed the Public Sector Management Course (PSMC). He is a former Chair of the Queensland Management Group of the PSMC and for some years was an active member of the Commonwealth Heads of Agencies Regional Forum. Chris was Director Intelligence at the Crime and Misconduct Commission (now the Crime and Corruption Commission) in Queensland, and prior to that was the Australian Security Intelligence Organisation (ASIO) State Manager, Queensland. He is an experienced manager, intelligence analyst and security intelligence operational officer.

Chris manages our specialist teams, including intelligence, in support of our investigative work.

Director Corporate Services Cynthia Lahiff
(May 2013 – May 2015)

Cynthia is an experienced executive with an extensive background in finance and general management across a range of medium-sized and larger public sector organisations in the transport, local government and water sectors. She is a Certified Practicing Accountant, a graduate of the Australian Institute of Company Directors and is a Fellow of Leadership Victoria.

Cynthia led our finance, information technology, information management, risk audit and governance (including corporate planning) and human resources teams. During the year, she also temporarily oversaw IBAC's corruption prevention strategy.

Table 15: Executive officer data at 30 June 2015

	Male		Female		Vacancies
	No.	Variance	No.	Variance	No.
EO1	1	-	0	-	0
EO2	3	-	1	-1	1
EO3	4	+4	1	+1	0
Other	2	-	0	-	0
Total	**10**	**+4**	**2**	**-**	**1**

Governance committees

We have three key decision-making committees, all comprising senior staff.

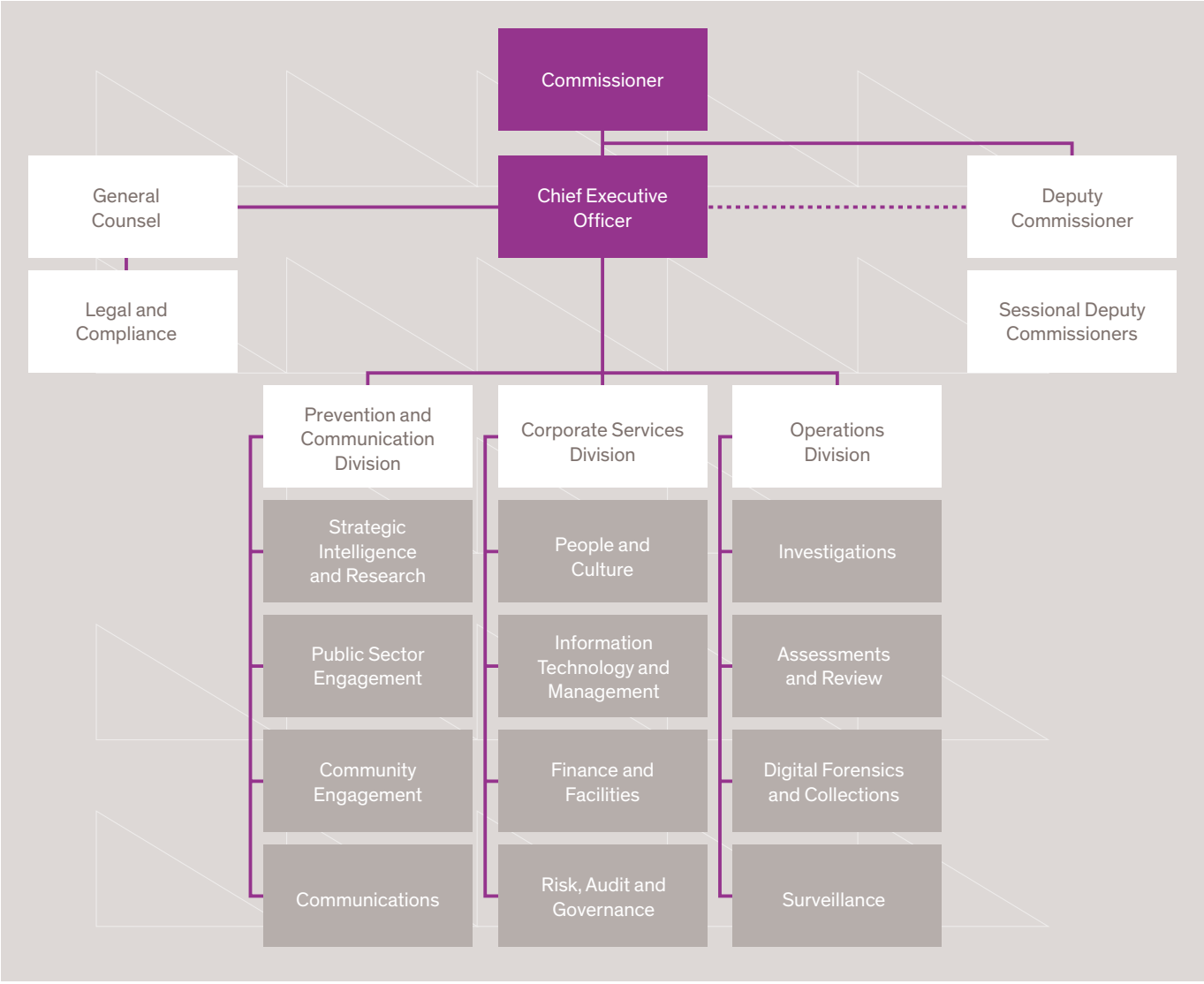
The Strategic Committee met three times to set our strategic direction, and review our strategic priorities and business outcomes.

The Executive Committee met fortnightly to monitor organisational capacity and capability, as well as major projects.

The Operations and Prevention Committee met weekly to manage operational matters, including complaint outcomes, and education and prevention matters.

We also have an internal Risk Management Committee, an OH&S Committee and an Information Technology Steering Committee. We are currently reviewing our internal governance framework.

Figure 17: Our organisational structure



Structural changes

After two full years of operations, and having now had the opportunity to exercise many of our legislated powers, IBAC consolidated its role and functions. This was reflected by an organisational restructure in June 2015, in which the Specialist Services division merged with Operations. The Strategic Services division was renamed Prevention and Communication, to better reflect our legislated function and our emphasis on strategic communication – in line with our corruption prevention strategy (see page 30).

From 1 January 2015, our administrative arrangements were transferred from the Department of Justice and Regulation to the Department of Premier and Cabinet. This presented us with the opportunity to source new systems and service providers for some of our corporate administrative services.

Ensuring accountability

Requesting our information

The *Freedom of Information Act 1982* allows the public a right of access to documents held by IBAC. Access to a large number of our documents and other information is limited under the IBAC Act. Documents and information including complaints and our investigations conducted are covered by exemptions and will not be released under freedom of information.

In 2014/15, we received six applications, all from members of the community. Of the total requests, none were acceded to. However, IBAC volunteered documents to applicants in four cases, outside of the legislation.

Access may be requested in writing to IBAC's Freedom of Information officer. In summary, the requirements for making a request are:

- It should be in writing.
- It should identify as clearly as possible which documents are being requested.
- It should be accompanied by the appropriate application fee (which can be waived in certain circumstances).

Requests for document should be addressed to:

Freedom of Information Officer

Independent Broad-based Anti-corruption Commission

GPO Box 24234
Melbourne VIC 3001

Further information on freedom of information can be at **www.foi.vic.gov.au**

Making protected disclosures

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

Under the PD Act, disclosures of improper conduct or detrimental action by us or our employees may be made to the VI.

Victorian Inspectorate

PO Box 617 Collins Street West
Melbourne Vic 8007

Tel: 8614 3225
Fax: 8614 3200

info@vicinspectorate.vic.gov.au

www.vicinspectorate.vic.gov.au

Table 16: Disclosures under the PD Act

	2014/15	2013/14
Number of assessable disclosures made to the VI	0	0

Managing our finances

Our financial position at 30 June 2015 consisted of total assets of $25.6 million, total liabilities of $5.8 million and net assets of $19.7 million. We finished the year with a surplus of $0.241 million.

Victorian Industry Participation Policy

In October 2003 the Victorian Parliament passed the *Victorian Industry Participation Policy Act 2003* that requires public bodies and departments to report on the application of the Victorian Industry Participation Policy (VIPP). This is intended to promote employment and business growth by expanding opportunities for local industry.

Departments and public bodies are required to apply VIPP in all procurement activity of more than $3 million in metropolitan Melbourne and $1 million in regional Victoria. We did not commence or complete any procurement activity that was subject to VIPP during 2014/15.

National Competition Policy

The Victorian Government is part of the inter-governmental Competition Principles Agreement. The principle of this policy is to not restrict competition. IBAC is compliant with the National Competition Policy, including compliance with requirements of the Department of Treasury and Finance's Competitive Neutrality Policy.

Disclosure of grants

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

Disclosure of ex-gratia payments

We have not made any ex-gratia payments in 2014/15.

Major contracts

We had no major contracts awarded during this financial year.

Government advertising expenditure

We had no campaigns with a media spend of more than $150,000.

Consultancies

In 2014/15 there were seven consultancies where the total fees payable to the consultant were $10,000 or greater. The total expenditure incurred during 2014/15 in relation to these consultancies is $250,243 (excluding GST). Details of individual consultancies can be viewed at **www.ibac.vic.gov.au**

There were no consultancies engaged below the $10,000 threshold during 2014/15.

$31.2m
expenditure

$25.6m
assets

Managing our finances

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 2014/15 year and make it available to the public on request, subject to the provision of the *Freedom of Information Act 1982*:

- A statement that declarations of private interests have been duly completed by all relevant officers
- Details of publication produced by the entity about the entity and the places they can be obtained
- Details of any major research and development activities undertaken by the entity
- 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
- Details of assessment and measures undertaken to improve the occupational health and safety of employees
- A general statement on industrial relations within the entity and details of any time lost through industrial accidents and disputes
- A list of major committees sponsored by the entity and the purposes of each committee and the extent to which the purposes have been achieved
- Details of all consultancies and contractors including consultant/contractors engaged, services provided and expenditure committed for each engagement.

Further enquiries should be directed to:

Director Prevention and Communication

Independent Broad-based Anti-corruption Commission

GPO Box 24234
Melbourne VIC 3001

Financial report

for the financial year ended 30 June 2015

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 2015 and financial position of IBAC as at 30 June 2015.

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 28 August 2015.

S O'Bryan QC
Commissioner
IBAC

Melbourne
28 August 2015

A Maclean
Accountable Officer
IBAC

Melbourne
28 August 2015

J Koops
Chief Finance and Accounting Officer
IBAC

Melbourne
28 August 2015

Independent auditor's report

VAGO

Victorian Auditor-General's Office

Level 24, 35 Collins Street
Melbourne VIC 3000

Telephone 61 3 8601 7000
Facsimile 61 3 8601 7010
Email comments@audit.vic.gov.au
Website www.audit.vic.gov.au

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 2015 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.

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 2015 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*.

MELBOURNE
28 August 2015

for John Doyle
Auditor-General

Comprehensive operating statement

for the financial year ended 30 June 2015

	Note	2015 $'000	2014 $'000
Income from transactions			
Grants	2(a)	31,547	27,353
Other income	2(b)	-	329
Total income from transactions		**31,547**	**27,682**
Expenses from transactions			
Employee expenses	3(a)	19,741	17,388
Depreciation and amortisation	3(b)	1,520	1,494
Interest expense	3(c)	46	54
Other operating expenses	3(d)	9,921	8,399
Total expenses from transactions		**31,228**	**27,335**
Net result from transactions (net operating balance)		**319**	**347**
Other economic flows included in net result			
Other gain/(loss) from other economic flows	4	(78)	20
Total other economic flows included in net result		**(78)**	**20**
Net result		**241**	**367**
Comprehensive result		**241**	**367**

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

Balance sheet

as at 30 June 2015

	Note	2015 $'000	2014 (restated) $'000
Assets			
Financial assets			
Cash and cash equivalents [(i)]	18(a)	7,399	9,803
Receivables	6	5,986	5,222
Total financial assets		**13,385**	**15,025**
Non-financial assets			
Non-financial physical assets held for sale	7	32	48
Property, plant and equipment	8	11,238	5,294
Other non-financial assets	9	903	1,360
Total non-financial assets		**12,173**	**6,702**
Total assets		**25,558**	**21,727**
Liabilities			
Payables	10	1,281	847
Borrowings	11	1,027	864
Provisions	12	3,519	3,003
Total liabilities		**5,827**	**4,714**
Net assets		**19,731**	**17,013**
Equity			
Accumulated surplus		14,107	13,866
Contributed capital		5,624	3,147
Net worth		**19,731**	**17,013**

Commitments for expenditure	15
Contingent assets and contingent liabilities	16

Note:

(i) Trust fund balances have been reclassified from receivables to cash and prior year comparative has been restated. See note 1(S) for details.

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

Statement of changes in equity

for the financial year ended 30 June 2015

	Accumulated surplus $'000	Contributed capital $'000	Total $'000
Balance at 1 July 2013	**13,499**	**3,159**	**16,658**
Net result for the year	367	-	367
Net assets disposed	-	(12)	(12)
Balance at 30 June 2014	**13,866**	**3,147**	**17,013**
Net result for the year	241	-	241
Capital appropriations	-	2,539	2,539
Net assets disposed	-	(62)	(62)
Balance at 30 June 2015	**14,107**	**5,624**	**19,731**

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

Cash flow statement

for the financial year ended 30 June 2015

	Note	2015 $'000	2014 $'000
Cash flows from operating activities			
Receipts and payments			
Receipts from government		30,878	27,028
Other receipts		-	82
Payments to suppliers and employees		(28,491)	(25,983)
Interest paid		(46)	(54)
Net cash flows from operating activities	**18(b)**	**2,341**	**1,073**
Cash flows from investing activities			
Purchases of non-financial assets		(7,660)	(1,217)
Net cash flows (used in) investing activities		**(7,660)**	**(1,217)**
Cash flows from financing activities			
Financed lease additions – finance leases		656	409
Repayment of finance leases		(280)	(265)
Owner contributions by State Government-appropriation for capital expenditure purposes		2,539	-
Net cash flows from financing activities		**2,915**	**144**
Net decrease in cash and cash equivalents		**(2,404)**	**-**
Cash and cash equivalents at beginning of financial year		9,803	9,803
Cash and cash equivalents at end of financial year	**18(a)**	**7,399**	**9,803**

The cash flow statement should be read in conjunction with the notes to the financial report.

Notes to the financial report

for the financial year ended 30 June 2015

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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 2015. 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 28 August 2015.

(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(J)); 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(K)).

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.
- **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* (IBAC Act). The primary purpose of IBAC is to strengthen the integrity of the Victorian public sector, and to enhance community confidence in public sector accountability.

Note 1. Summary of significant accounting policies (cont.)

(C) Reporting entity (cont.)

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.

Objectives and funding

IBAC's principal objectives and functions are set out in the IBAC Act. 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
- 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 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 are disclosed in the notes, where relevant. In general, non-current assets or liabilities are expected to be recovered or settled more than 12 months after the reporting period, except for the provisions of employee benefits, which are classified as current liabilities if IBAC does not have the unconditional right to defer the settlement of the liabilities within 12 months after the end of the reporting period.

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) 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.

Services provided by the Department of Justice and Regulation

IBAC is aligned with the Department of Premier and Cabinet rather than the Department of Justice and Regulation effective 1 January 2015 as a result of machinery of government changes (refer to Note 5). IBAC, however, continued to receive a number of resources and services from the Department of Justice and Regulation (DJR) for the year ended 30 June 2015, which included the use of DJR's financial and payroll systems. These services are not recognised in the financial report of IBAC as DJR is centrally funded to provide these services and fair value of such services cannot be reliably determined.

(F) 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(K) 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.

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(J) 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 typical estimated useful lives for the different asset classes for current and prior years.

Asset	Useful life
Leasehold improvements	7 years
Computer and communication equipment	3 to 5 years
Plant and equipment	4 to 10 years
Motor vehicles (including those under finance leases)	2 to 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.

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.

(G) 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) consists of:

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.

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.

(H) 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(I)), trade receivables and other receivables, but not statutory receivables.

Note 1. Summary of significant accounting policies (cont.)

(H) Financial instruments (cont.)

Categories of non-derivative financial instruments (cont.)

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.

(I) Financial assets

Cash and cash equivalents

Cash and cash equivalents comprise of cash on hand and funds held in trust.

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(H) 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(H).

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*.

(J) Non-financial assets

Non-financial physical assets classified as held for sale

Non-financial physical assets are treated as current and classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use.

This condition is regarded as met only when:

- the asset is available for immediate use in current condition; and
- the sale is highly probable and the asset's sale is expected to be completed in 12 months from the date of classification.

These non-financial physical assets, related liabilities and financial assets are measured at the lower of carrying amount and fair value less costs of disposal, and are not subject to depreciation or amortisation.

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 8.

The initial cost of non-financial physical assets under a finance lease (refer to Note 1(L)) 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.

(K) 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(H)). 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(L)). 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:

- nominal 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:

- nominal 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(G)).

Note 1. Summary of significant accounting policies (cont.)

(K) Liabilities (cont.)

Provisions (cont.)

Employee benefits (cont.)

(iii) Termination benefits

Termination benefits are payable when employment is terminated before the normal retirement date, or when an employee decides to accept an offer of benefits in exchange for the termination of employment. IBAC recognises termination benefits when it is demonstrably committed to either terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after the end of the reporting period are discounted to present value.

Employee benefits on costs

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

(L) 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.

(M) Equity

Contributions by owners

Consistent with the requirements of AASB 1004 *Contributions*, contributions by owners (that is, contributed capital and its repayment) are treated as equity transactions and, therefore, do not form part of the income and expenses of IBAC.

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.

(N) 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 15) 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.

(O) 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 16) and, if quantifiable, are measured at nominal value. Contingent assets and liabilities are presented inclusive of GST receivable or payable respectively.

(P) 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 and Regulation (DJR) manages GST transactions on behalf of IBAC, the GST components of IBAC's receipts and/or payments are recognised in DJR's financial report.

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

(Q) 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.

(R) Change in accounting estimates

During the reporting period ended 30 June 2014, IBAC's office accommodation lease was renegotiated. Due to insufficient information, the make good provision was not adjusted in line with the new lease as at 30 June 2014. The adjustments have been made in the reporting period ended 30 June 2015 and the prior year comparatives have been restated. Below is a summary of the impact on prior year comparatives:

Impact on comprehensive operating statement

	2014 (as previously reported) $'000	Changes in accounting estimates $'000	2014 (restated) $'000
Other income	49	280	329

Impact on balance sheet

	As at 30 June 2014 (as previously reported) $'000	Changes in accounting estimates $'000	As at 30 June 2014 (restated) $'000
Property, plant and equipment	5,616	(322)	5,294
Provisions	3,605	(602)	3,003
Accumulated surplus	13,586	280	13,866

(S) Correction of error

In line with general Victorian Government reporting guidelines, trust funds amounting to $7.364 million as at 30 June 2015 (2013/14: $9.773 million; refer to Note 22) were reclassified from receivables to cash. The error has no impact on the net results and net assets of IBAC as previously reported. The prior year error just relates to the classification of a balance between two lines in the balance sheet. Below is a summary of the impact on prior years' comparative:

Balance Sheet (extract)

	As at 30 June 2014 (as previously reported) $'000	Increase/ (decrease) $'000	2014 (restated) $'000	As at 30 June 2013 (as previously reported) $'000	Increase/ (decrease) $'000	2013 (restated) $'000
Cash and cash equivalents	30	9,773	9,803	30	9,773	9,803
Receivables	14,995	(9,773)	5,222	14,406	(9,773)	4,633
Total financial assets	**15,025**	**-**	**15,025**	**14,436**	**-**	**14,436**

Note 1. Summary of significant accounting policies (cont.)

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

Certain new AASs have been published that are not mandatory for the 30 June 2015 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 2015, 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 *Financial Instruments*	The key changes include the simplified requirements for the classification and measurement of financial assets, a new hedging accounting model and a revised impairment loss model to recognise impairment losses earlier, as opposed to the current approach that recognises impairment only when incurred.	1 Jan 2018	The assessment has identified that the financial impact of available for sale (AFS) assets will now be reported through other comprehensive income (OCI) 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.
AASB 2014-4 *Amendments to Australian Accounting Standards – Clarification of Acceptable Methods of Depreciation and Amortisation* [AASB 116 & AASB 138]	Amends AASB 116 *Property, Plant and Equipment* and AASB 138 *Intangible Assets* to: • establish the principle for the basis of depreciation and amortisation as being the expected pattern of consumption of the future economic benefits of an asset • prohibit the use of revenue based methods to calculate the depreciation or amortisation of an asset, tangible or intangible, because revenue generally reflects the pattern of economic benefits that are generated from operating the business, rather than the consumption through the use of the asset.	1 Jan 2016	The assessment has indicated that there is no expected impact as the revenue-based method is not used for depreciation and amortisation.
AASB 2015-6 *Amendments to Australian Accounting Standards – Extending Related Party Disclosures to Not-for-Profit Public Sector Entities* [AASB 10, AASB 124 & AASB 1049]	The amendments extend the scope of AASB 124 *Related Party Disclosures* to not-for-profit public sector entities. A guidance has been included to assist the application of the standard by not-for-profit public sector entities.	1 Jan 2016	The amending standard will result in extended disclosures on the entity's key management personnel (KMP), and the related party transactions.

In addition to the new standard above, the AASB has issued a list of amending standards that are not effective for the 2014/15 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 2014/15 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)*
- AASB 2013-9 *Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments*
- AASB 2014-8 *Amendments to Australian Accounting Standards arising from AASB 9 (December 2014) – Application of AASB 9 (December 2009) and AASB 9 (December 2010) [AASB 9 (2009 & 2010)]*
- AASB 2015-2 *Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101 [AASB 7, AASB 101, AASB 134 & AASB 1049]*
- AASB 2015-3 *Amendments to Australian Accounting Standards arising from the Withdrawal of AASB 1031 Materiality*

Note 2. Income from transactions

	Note	2015 $'000	2014 $'000
(a) Grants			
General purpose grants		31,547	27,353
Total grants		**31,547**	**27,353**
(b) Other income			
Other [(i)]	12	-	329
Total other income		**0**	**329**
Total income from transactions		**31,547**	**27,682**

Note: (i) Prior year comparative has been restated due to a change in accounting estimate. Refer to note 1(R) for details.

Note 3. Expenses from transactions

	Note	2015 $'000	2014 $'000
(a) Employee expenses			
Salaries, wages and long service leave		18,097	16,150
Defined contribution superannuation expense		1,371	1,178
Defined benefit superannuation expense		34	40
Termination benefits		239	20
Total employee expenses		**19,741**	**17,388**
(b) Depreciation and amortisation			
Leasehold improvements		666	672
Computer and communication equipment		272	439
Plant and equipment		303	114
Motor vehicles		3	7
Motor vehicles under finance lease		276	262
Total depreciation and amortisation		**1,520**	**1,494**
(c) Interest expense			
Interest on finance leases		46	54
Total interest expense		**46**	**54**
(d) Other operating expenses			
Contractors and professional services		2,820	1,917
Technology service costs		1,380	1,163
Printing, communications and office expenses		1,172	969
Travel and transport		326	473
Training		240	173
Auditors' remuneration		26	25
Other		840	809
Total other operating expenses		**6,804**	**5,529**
Operating lease rental expenses			
Lease payments		3,117	2,870
Total operating lease rental expenses		**3,117**	**2,870**
Total other operating expenses		**9,921**	**8,399**

Note 4. Other economic flows included in net result

	2015 $'000	2014 $'000
Other gain/(loss) from other economic flows		
Net gain/(loss) arising from revaluation of annual leave and long service liability	(78)	20
Total other gain/(loss) from other economic flows	**(78)**	**20**

Note 5. Restructuring of administrative arrangements

In December 2014, the Government issued an administrative order restructuring some of its activities via machinery of government changes, taking effect from 1 January 2015. IBAC is now aligned with the Department of Premier and Cabinet rather than the Department of Justice and Regulation.

These machinery of government changes have no impact on IBAC's financial report for the financial year ended 30 June 2015.

Note 6. Receivables

	2015 $'000	2014 $'000
Current receivables		
Contractual		
Other receivables	197	243
Statutory		
Amount owing from Government	5,269	4,511
Total current receivables	**5,466**	**4,754**
Non-current receivables		
Statutory		
Amount owing from Government	520	468
Total non-current receivables	**520**	**468**
Total receivables	**5,986**	**5,222**

Note 7. Non-financial physical assets classified as held for sale

	2015 $'000	2014 $'000
Non-current assets		
Motor vehicles under finance leases held for sale	32	48
Total non-financial physical assets held for sale	**32**	**48**

Note 8. 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 8.1: Gross carrying amount and accumulated depreciation

	Gross carrying amount		Accumulated depreciation		Net carrying amount [(i)]	
	2015 $'000	2014 $'000	2015 $'000	2014 $'000	2015 $'000	2014 $'000
Leasehold improvements at fair value	7,816	4,764	2,127	3,170	5,689	1,594
Assets under construction at cost	1,824	1,103	-	-	1,824	1,103
Computer and communication equipment at fair value	4,950	4,926	3,618	4,261	1,332	665
Plant and equipment at fair value	2,725	2,235	1,385	1,172	1,340	1,063
Motor vehicles at fair value	149	143	88	84	61	59
Motor vehicles under finance lease at fair value	1,387	1,185	395	375	992	810
	18,851	**14,356**	**7,613**	**9,062**	**11,238**	**5,294**

Note:

(i) Prior year comparative for leasehold improvements at fair value has been restated due to a change in accounting estimate. Refer to note 1(R) for details.

Table 8.2: Movements in carrying amounts

	Leasehold improvements at fair value		Assets under construction at cost		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	
	2015 $'000	2014 $'000	2015 $'000	2014 $'000	2015 $'000	2014 $'000	2015 $'000	2014 $'000	2015 $'000	2014 $'000	2015 $'000	2014 $'000	2015 $'000	2014 $'000
Opening balance	1,594	2,340	1,103	-	665	854	1,063	635	59	72	810	813	5,294	4,714
Additions	-	248	5,482	1,103	971	430	610	374	5	-	656	409	7,724	2,564
Disposals [(i)]	-	(322)	-	-	(32)	(2)	(30)	(3)	-	(6)	(166)	(102)	(228)	(435)
Transfer in/(out) of assets under construction	4,761	-	(4,761)	-	-	-	-	-	-	-	-	-	-	-
Adjustments	-	-	-	-	-	(178)	-	171	-	-	-	-	-	(7)
Depreciation and amortisation	(666)	(672)	-	-	(272)	(439)	(303)	(114)	(3)	(7)	(276)	(262)	(1,520)	(1,494)
Transfers to/ from disposal group held for sale	-	-	-	-	-	-	-	-	-	-	(32)	(48)	(32)	(48)
Closing balance	**5,689**	**1,594**	**1,824**	**1,103**	**1,332**	**665**	**1,340**	**1,063**	**61**	**59**	**992**	**810**	**11,238**	**5,294**

Note:

(i) Prior year comparative for leasehold improvements at fair value has been restated due to a change in accounting estimate. Refer to note 1(R) for details.

Note 8. Property, plant and equipment (cont.)

Table 8.3: Aggregate depreciation and amortisation recognised as an expense during the year

	2015 $'000	2014 $'000
Leasehold improvements at fair value	666	672
Computer and communication equipment at fair value	272	439
Plant and equipment at fair value	303	114
Motor vehicles at fair value	3	7
Motor vehicles under finance lease at fair value	276	262
	1,520	**1,494**

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 2015.

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

Table 8.4: Fair value measurement hierarchy for assets as at 30 June 2015 and 2014

	Carrying amount as at 30 June 2015	Fair value measurement at end of reporting period using:		
2015		Level 1[(i)] $'000	Level 2[(i)] $'000	Level 3[(i)] $'000
Leasehold improvements at fair value				
Leasehold improvements at fair value	5,689	-	-	5,689
Total leasehold improvements at fair value	**5,689**	**-**	**-**	**5,689**
Computer and communications equipment at fair value				
Computer and communications equipment at fair value	1,332	-	-	1,332
Total computer and communications equipment at fair value	**1,332**	**-**	**-**	**1,332**
Plant and equipment				
Plant and equipment	1,340	-	-	1,340
Total plant and equipment	**1,340**	**-**	**-**	**1,340**
Motor vehicles				
Motor vehicles	61	-	-	61
Total motor vehicles	**61**	**-**	**-**	**61**

2014	Carrying amount as at 30 June 2014	Fair value measurement at end of reporting period using: Level 1[(i)] $'000	Level 2[(i)] $'000	Level 3[(i)] $'000
Leasehold improvements at fair value				
Leasehold improvements at fair value	1,594	-	-	1,594
Total leasehold improvements at fair value	**1,594**	**-**	**-**	**1,594**
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 8.5: Reconciliation of Level 3 fair value

	Leasehold improvements $'000	Computer and communi-cations equipment $'000	Plant and equipment $'000	Motor vehicles $'000
2015				
Opening balance	1,594	665	1,063	59
Purchases/(sales)	4,761	939	580	5
Transfers in (out) of Level 3	-	-	-	-
Depreciation	(666)	(272)	(303)	(3)
Closing balance	**5,689**	**1,332**	**1,340**	**61**
2014				
Opening balance	2,340	854	635	72
Purchases/(sales)	(74)	428	371	(6)
Transfers in (out) of Level 3	-	-	-	-
Depreciation	(672)	(439)	(114)	(7)
Impairment loss	-	-	-	-
Adjustments	-	(178)	171	-
Closing balance	**1,594**	**665**	**1,063**	**59**

Note 8. Property, plant and equipment (cont.)

Table 8.6: Description of significant unobservable inputs to Level 3 valuations

	Valuation technique	Significant unobservable inputs
Leasehold improvements	Depreciated replacement cost	Cost per sqm
		Lease period
Computer and communications equipment	Depreciated replacement cost	Cost per unit
		Useful life of computer and communications equipment
Plant and equipment	Depreciated replacement cost	Cost per unit
		Useful life of plant and equipment
Motor vehicles	Depreciated replacement cost	Cost per vehicle
		Useful life of motor vehicles

Note: The reduced disclosures in relation to fair value measurements within Level 3 of the fair value hierarchy is the result of IBAC's decision to early adopt AASB 2015-7 *Amendments to Australian Accounting Standards – Fair Value Disclosures of not-for-profit entities*.

Note 9. Other non-financial assets

	2015 $'000	2014 $'000
Current other assets		
Prepayments	872	1,329
Rental security deposit	31	31
Total current other assets	**903**	**1,360**
Total other non-financial assets	**903**	**1,360**

Note: The Department of Treasury of Finance (DTF) manages the refurbishment of IBAC's leased office premises on behalf of IBAC. Prepayments include $0.28 million (2013/14: $0.76 million) made to DTF in relation to the project (refer to Note 15(a)).

Note 10. Payables

	2015 $'000	2014 $'000
Current payables		
Contractual		
Supplies and services	1,265	821
Statutory		
FBT payable	16	26
Total current payables	**1,281**	**847**
Total payables	**1,281**	**847**

Maturity analysis of contractual payables
Refer to Note 17 for the maturity analysis of contractual payables.

Nature and extent of risk arising from contractual payables
Refer to Note 17 for the nature and extent of risks arising from contractual payables.

Note 11. Borrowings

	2015 $'000	2014 $'000
Current borrowings		
Lease liabilities [(i)]	563	537
Total current borrowings	**563**	**537**
Non-current borrowings		
Lease liabilities [(i)]	464	327
Total non-current borrowings	**464**	**327**
Total borrowings	**1,027**	**864**

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 17 for the maturity analysis of borrowings.

Nature and extent of risk arising from borrowings
Refer to Note 17 for the nature and extent of risks arising from borrowings.

Note 12. Provisions

	Note	2015 $'000	2014 $'000
Current provisions			
Employee benefits – annual leave [(i)]:	12(a)		
Unconditional and expected to settle within 12 months [(ii)]		832	685
Unconditional and expected to settle after 12 months [(ii)]		119	96
Employee benefits – long service leave [(i)]:	12(a)		
Unconditional and expected to settle within 12 months [(ii)]		606	574
Unconditional and expected to settle after 12 months [(ii)]		810	591
Total employee benefits		**2,367**	**1,946**
Provisions for on-costs:	12(a), (b)		
Unconditional and expected to settle within 12 months [(ii)]		322	305
Unconditional and expected to settle after 12 months [(ii)]		160	134
Total on-costs		**482**	**439**
Total current provisions		**2,849**	**2,385**
Non-current provisions			
Employee benefits [(i), (ii)]	12(a)	450	398
On-costs [(ii)]	12(a), (b)	70	70
Make-good provision [(iii)]	12(b)	150	150
Total non-current provisions		**670**	**618**
Total provisions		**3,519**	**3,003**

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) The make good provision relates to IBAC leased office premises. Prior year comparative has been restated to reflect existing lease agreement. Refer to note 1(R) details.

Note 12. Provisions (cont.)

(a) Employee benefits and on-costs

	2015 $'000	2014 $'000
Current employee benefits		
Annual leave entitlements	950	781
Long service leave entitlements	1,417	1,164
Non-current employee benefits	**2,367**	**1,945**
Long service leave entitlements	450	398
Total employee benefits	**2,817**	**2,343**
Current on-costs	482	440
Non-current on-costs	70	70
Total on-costs	**552**	**510**
Total employee benefits and on-costs	**3,369**	**2,853**

(b) Movement in provisions

	Make-good 2015 $'000	On-costs 2015 $'000	Total 2015 $'000
Opening balance	**150**	**510**	**660**
Additional provisions recognised	-	378	378
Reductions arising from payments/other sacrifices of future economic benefits	-	(336)	(336)
Closing balance	**150**	**552**	**702**
Current	50	482	532
Non-current	100	70	170
Total	**150**	**552**	**702**

Note 13. 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:

	Paid contribution for the year		Contributions outstanding as at year end	
Fund	2015 $'000	2014 $'000	2015 $'000	2014 $'000
Defined benefit plan:				
State Superannuation Fund – revised and new	34	40	-	-
Defined contribution plans:				
VicSuper	1,069	955	9	6
Other	291	223	2	1
Total	**1,394**	**1,218**	**11**	**7**

Note 14. 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.

		Minimum future lease payments		Present value of minimum future lease payments	
	Notes	2015 $'000	2014 $'000	2015 $'000	2014 $'000
Finance lease liabilities payable					
Not longer than one year		595	564	563	537
Longer than one year but not longer than five years		479	336	464	327
Minimum future lease payments		**1,074**	**900**	**1,027**	**864**
Less future finance charges		(47)	(36)	-	-
Present value of minimum lease payments		**1,027**	**864**	**1,027**	**864**
Included in the financial statements as:					
Current borrowings lease liabilities	11	563	537	563	537
Non-current borrowings lease liabilities	11	464	327	464	327
Total		**1,027**	**864**	**1,027**	**864**

Note 15. Commitments for expenditure

(a) Capital commitments

As at 30 June 2015, 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:

(i) 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

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

	2015 $'000	2014 $'000
Non-cancellable operating lease payable		
Not longer than one year	3,146	3,265
Longer than one year but not longer than five years	11,936	17,536
Five years or more	1,880	-
Total (inclusive of GST)	**16,962**	**20,801**

(c) Other commitments

Other commitments relate to an outsourcing arrangement for payroll services.

	2015 $'000	2014 $'000
Other commitments		
Not longer than one year	176	-
Longer than one year but not longer than five years	176	-
Total (inclusive of GST)	**352**	**-**

Note 16. Contingent assets and contingent liabilities

There were no contingent assets as at 30 June 2015 (2013/14: $Nil).

As at 30 June 2015, there is a possibility that IBAC may be subjected to legal costs. As these costs are yet to be finalised and cannot be reliably measured, no provision has been made in this report (2013/14: $Nil).

Note 17. 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
- 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.

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

Table 17.1: Categorisation of financial instruments

	Note	Contractual financial assets- loans and receivables $'000	Contractual financial liabilities at amortised costs $'000	Total $'000
2015				
Contractual financial assets				
Cash and cash equivalents		7,399	-	7,399
Receivables	6	197	-	197
Total contractual financial assets		**7,596**	**-**	**7,596**
Contractual financial liabilities				
Payables:				
Supplies and services	10	-	1,265	1,265
Borrowings:				
Finance lease liabilities	11	-	1,027	1,027
Total contractual financial liabilities		**-**	**2,292**	**2,292**
2014				
Contractual financial assets				
Cash and cash equivalents		9,803	-	9,803
Receivables	6	243	-	243
Total contractual financial assets		**10,046**	**-**	**10,046**
Contractual financial liabilities				
Payables:				
Supplies and services	10	-	821	821
Borrowings:				
Finance lease liabilities	11	-	864	864
Total contractual financial liabilities		**-**	**1,685**	**1,685**

Note 17. Financial instruments (cont.)

(a) Financial risk management objectives and policies (cont.)

Table 17.2: Net holding gain/(loss) on financial instruments by category

	Total interest income/(expense)	
	2015 $'000	2014 $'000
Contractual financial assets		
Financial assets – loans and receivables	-	-
Total contractual financial assets	**-**	**-**
Contractual financial liabilities		
Financial liabilities at amortised cost	(46)	(54)
Total contractual financial liabilities	**(46)**	**(54)**

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
- 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 Premier and Cabinet. 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 2015, 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 and Regulation 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 17.3: Maturity analysis of contractual financial liabilities[(i)]

	Carrying amount [(ii)] $'000	Less than 1 month $'000	1-3 months $'000	3 months-1 year $'000	1-5 years $'000	Nominal Amount $'000
2015						
Payables:						
Supplies and services	1,265	1,265	-	-	-	1,265
Borrowings:						
Finance lease liabilities	1,027	177	47	370	480	1,074
	2,292	**1,442**	**47**	**370**	**480**	**2,339**
2014						
Payables:						
Supplies and services	821	821	-	-	-	821
Borrowings:						
Finance lease liabilities	864	134	73	357	336	900
	1,685	**955**	**73**	**357**	**336**	**1,721**

Notes:

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

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

Note 17. Financial instruments (cont.)

(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 17.4: Interest rate exposure of financial instruments

	Weighted average interest rate %	Carrying amount [(i)] $'000	Interest rate exposure: Fixed interest rate $'000	Interest rate exposure: Variable interest rate $'000	Interest rate exposure: Non-interest bearing $'000
2015					
Financial assets					
Cash and cash equivalents	-	7,399	-	-	7,399
Receivables	-	197	-	-	197
Total financial assets		**7,596**	**-**	**-**	**7,596**
Financial liabilities					
Payables:					
Supplies and services	-	1,265	-	-	1,265
Borrowings:					
Lease liabilities	4.89	1,027	1,027	-	-
Total financial liabilities		**2,292**	**1,027**	**-**	**1,265**
2014					
Financial assets					
Cash and cash equivalents	-	9,803	-	-	9,803
Receivables	-	243	-	-	243
Total financial assets		**10,046**	**-**	**-**	**10,046**
Financial liabilities					
Payables:					
Supplies and services	-	821	-	-	821
Borrowings:					
Lease liabilities	5.87	864	864	-	-
Total financial liabilities		**1,685**	**864**	**-**	**821**

Note:

(i) The carrying amounts disclosed here exclude statutory amounts (eg 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.

Note 18. Cash flow information

(a) Reconciliation of cash and cash equivalents

	2015 $'000	2014 $'000
Cash	35	30
Funds held in trust [(i)]	7,364	9,773
Balance as per cash flow statement	**7,399**	**9,803**

Note:
(i) These funds represent the balance in IBAC trust funds at the end of each reporting period (see Note 22) which have been reclassified from receivables to cash. Prior year comparative has been restated.

(b) Reconciliation of net result for the period

	2015 $'000	2014 $'000
Net result for the period	**241**	**367**
Non-cash movements:		
Depreciation and amortisation of non-current assets	1,520	1,494
Other non-cash movements	-	(335)
Movements in assets and liabilities:		
Increase in receivables	(763)	(534)
Decrease/(increase) in other non-financial assets	457	(260)
(Decrease)/Increase in payables	370	(153)
Increase in provisions	516	494
Net cash flows from operating activities	**2,341**	**1,073**

Note 19. 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 2014	to	3 December 2014
Special Minister of State	The Hon Gavin Jennings MP	4 December 2014	to	30 June 2015
Commissioner	Stephen O'Bryan QC	1 July 2014	to	30 June 2015
Chief Executive Officer	Alistair Maclean	1 July 2014	to	30 June 2015
Acting Chief Executive Officer	Christopher Keen	29 December 2014	to	13 January 2015
	Dr John Lynch PSM	26 June 2015	to	30 June 2015

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.

	Total remuneration	
Income band	2015 No.	2014 No.
$360,000 – 369,999	-	1
$400,000 – 409,999	1	1
$410,000 – 419,999	1	-
Total number of responsible persons	**2**	**2**

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.

Note 20. 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.

	Total remuneration		Base remuneration	
Income band	2015 No.	2014 No.	2015 No.	2014 No.
Below $100,000	2	3	2	3
$120,000 – 129,999	-	1	-	1
$200,000 – 209,999	1	-	1	-
$230,000 – 239,999	-	2	1	2
$240,000 – 249,999	1	1	2	1
$250,000 – 259,999	1		-	
$260,000 – 269,999	1	1	2	1
$270,000 – 279,999	-	1	-	1
$280,000 – 289,999	2	1	-	1
$320,000 – 329,999	1	-	1	-
Total number of executives	**9**	**10**	**9**	**10**
Total annualised employee equivalent [(i)]	**6.55**	**6.69**	**6.55**	**6.69**
Total amount	**$ 1,902,430**	**$ 1,768,467**	**$ 1,810,798**	**$ 1,768,467**

Note:
(i) Annualised employee equivalent is based on paid working hours of 38 ordinary hours per week over 52 weeks for a reporting period.

A number of executive officers retired and resigned in the past year. This has had an impact on the remuneration figures.

(b) Payments to other personnel

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

During the year, no payment has been made to any contractor with significant management responsibilities (2013/14: $Nil).

Note 21. Remuneration of auditors

	2015 $'000	2014 $'000
Victorian Auditor-General's Office		
Audit of the financial statements	26	25
	26	**25**

Note 22. Trust account balances

The trust account was created with a purpose being the establishment of IBAC.

These funds have been earmarked primarily for the refurbishment of IBAC's leased office premises. Payments from the trust fund during 2014/15 amounted to $2.41m (2013/14: $Nil).

	Opening balance as at 1 July 2013 $'000	Total receipts $'000	Total payments $'000	Closing balance as at 30 June 2014 $'000	Opening balance as at 1 July 2014 $'000	Total receipts $'000	Total payments $'000	Closing balance as at 30 June 2015 $'000
Controlled Trust								
IBAC Trust fund								
For the establishment of IBAC	9,773	-	-	9,773	9,773	-	(2,409)	7,364
Total controlled trust	**9,773**	**-**	**-**	**9,773**	**9,773**	**-**	**(2,409)**	**7,364**

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.

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 paragraph 38 of AASB 101 *Presentation of Financial Statements*

(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 paragraph 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.

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

Glossary (cont.)

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.

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

(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

(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.

Transactions

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 (eg 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

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This annual report is prepared in accordance with all relevant Victorian legislation and pronouncements. This index has been prepared to help you identify our compliance with statutory disclosure requirements.

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Independent Broad-based Anti-corruption Commission
459 Collins Street, Melbourne VIC 3000
GPO Box 24234, Melbourne VIC 3001

Phone 1300 735 135
Fax (03) 8635 6444

www.ibac.vic.gov.au