EXPOSING CORRUPTION

Annual report

2015|2016

ibac

independent broad-based anti-corruption commission

Victoria

IBAC's Annual Report 2015/16 is a comprehensive progress report toward our vision of a **corruption-resistant Victoria**. It analyses our operational and financial performance, reflects our challenges, highlights our achievements and looks at how we will continue to expose and prevent corruption and misconduct in the year ahead.

This report is a key accountability document and the principal way in which we report on our activities and outcomes to our stakeholders – namely the Parliament of Victoria, Victoria Police and public sector leaders and employees, the wider community and our oversight bodies.

We report in accordance with the *Financial Management Act 1994,* the *Independent Broad-based Anti-corruption Commission Act 2011* and the *Protected Disclosure Act 2012.*

Challenges

Page	
33	Police oversight There is continuing public debate about how to ensure the most efficient and effective model of independent police oversight and, in particular, the balance of responsibility between IBAC and Victoria Police itself in investigating police complaints. IBAC already has the power to oversight the handling of all complaints concerning Victoria Police employees. We seek to strike the right balance in determining the most serious or systemic matters for IBAC to investigate, while enabling Victoria Police to appropriately retain primary responsibility for the integrity and professional conduct of their own employees. This requires careful judgement as to how our powers, expertise and resources are best directed.
33	Building awareness and reporting While awareness of corruption and IBAC's role has increased over the past year - due to high profile operations, public reports and research - we know there are significant barriers that can prevent people from reporting corruption. These include knowing who to talk to and feeling confident about raising concerns. IBAC is working with current reviews by government to improve the protected disclosure regime and reduce these barriers. IBAC is also stepping up its communication and engagement to help improve understanding of corruption and encourage reporting, with new campaign activities planned next year. The forthcoming introduction of mandatory reporting by public sector body heads is also expected to assist in building a culture of reporting across the public sector, and we are working to help support its implementation.
42	Maturing our organisation IBAC is still a young organisation, and remains focused on building its capacity to prevent, identify and expose corrupt conduct and police misconduct. We are continuing to recruit experienced investigators, assessors, researchers, lawyers and other specialists. We are building complaints and information management systems to support our caseload. And we are focused on robust risk management to ensure the proper and accountable use of our statutory powers. Parliament, and through it, the public, can be confident that IBAC is well positioned to fulfil its public role and functions.

Achievements

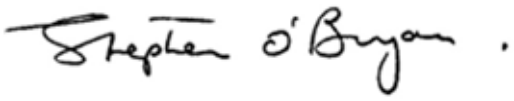
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16	Assessed 94 per cent of complaints and notifications within 45 days, exceeding the 90 per cent target through enhanced processes and procedures.
22, 24	Promoted whole-of-government reform to strengthen integrity and prevent corruption as a result of major investigations exposing serious corruption.
25	As part of our 34 active investigations this year, we held our first regional public examinations, and our first into alleged police misconduct.
27, 28	Released our first two intelligence reports on organised crime and predatory police behaviour, helping to inform investigative and prevention priorities.
30	Reviewed 104 external investigations, to ensure Victoria Police and public sector bodies investigated corruption/misconduct allegations thoroughly and appropriately.
34	Examined compliance with the protected disclosure regime by public sector agencies, finding that 100 per cent of our 2015 recommendations had been accepted.
34	Enhanced our support for the state's Protected Disclosure Coordinators, releasing new guidelines and holding our third forum.
33	Commenced implementation of our new corruption prevention strategy, which aims to build capacity of the public sector to better report corruption and safeguard against risks.
31	Helped public sector agencies proactively prevent corruption through providing practical resources and undertaking 52 speaking engagements, including with high-risk agencies.
57	Developed a comprehensive business resilience framework and strengthened our risk management framework, to best prepare for any interruption to our business.
50	Achieved compliance with external reporting requirements and all legislated obligations for the third year in a row.
42	Implemented an Employee Value Proposition and Recognition Framework to help recruit and retain the right people.

Outlook

Page	
28	**A changing integrity system for Victoria** IBAC's procedures and processes have undergone significant revision following welcome reform of IBAC's governing legislation. Changes to our investigative powers were introduced on 1 July 2016, while mandatory notification requirements commence on 1 December. We will need to remain responsive and flexible, as further changes have been proposed for Victoria's integrity system and protected disclosure regime.
38	**Prevention initiatives** Following staged implementation of our corruption prevention strategy, IBAC is set to launch a series of engagement and other prevention activities in 2016/17 that are designed to increase community, police and public sector understanding of corruption, and improve reporting.
58	**Focusing on outcomes** IBAC reviewed its business planning and budgetary processes over the past year to focus on demonstrating the impact our work has in the Victorian public sector and the wider community. Internal processes are continually evolving in support of this approach, and will be further developed for our new Corporate Plan cycle in 2018.

Responsible body's declaration

In accordance with the *Financial Management Act 1994*, the *Independent Broad-based Anti-corruption Commission Act 2011* and the *Protected Disclosure Act 2012*, I am pleased to present the Independent Broad-based Anti-corruption Commission's Annual Report for the year ending 30 June 2016.



Stephen O'Bryan QC
Commissioner
Independent Broad-based Anti-corruption Commission
2 September 2016

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About this report

This report provides an assessment of our performance in 2015/16, demonstrating the extent of our activities and highlighting our accountable and responsible use of powers.

Our '**Exposing corruption**' theme reflects the significant impact IBAC has made over the past year in investigating and exposing corruption, and the effect this has had toward deterring and preventing potential corruption across the public sector.

This report is structured around our new three-year Corporate Plan (page 13). Each chapter describes and analyses:

- our performance
- the challenges we face
- the improvements we've made
- what we're planning in the year ahead.

Please note: For legal and operational reasons, there are some activities we cannot report on publicly. When activities are no longer sensitive or constrained by legal and statutory requirements, and wherever possible, we are committed to being open and transparent and providing information to the public. Additionally, some of our work is long-term with results occurring months or years after our initial involvement. This includes potential criminal prosecutions, and changes in public sector and community practices.

The year in review

Commissioner's report



The past year has brought greater clarity to Victoria's anti-corruption regime, strengthening our ability to identify and expose serious public sector corruption and police misconduct. Our governing legislation was enhanced, while our power to hold public examinations was upheld by the High Court of Australia. However, there remains scope to further improve Victoria's integrity system.

Exposing and preventing corruption

This year we continued major investigations into alleged serious corruption in the education sector – holding public examinations as part of Operation Dunham (page 22), and releasing detailed findings and recommendations from Operation Ord (page 24), itself the subject of public hearings in mid-2015.

Openly examining cases of alleged serious corruption and misconduct encourages and empowers people to come forward and report suspected wrongdoing. By focusing attention on weaknesses in systems and practices, our public examinations and reports also provide an impetus for public sector leaders to act quickly to prevent corruption.

In the past year, the Department of Education and Training implemented immediate actions to strengthen the department's financial controls and compliance, policies and systems around conflicts of interest, gifts, travel and hospitality, and wider reforms to create an integrity culture. More broadly, all departmental Secretaries committed to a program of reform to strengthen integrity and prevent corruption across the Victorian public sector. It is doubtful whether such a quick and comprehensive public sector response would have ensued without such public exposure.

This year, our powers were tested following a decision in early 2015 to hold public hearings as part of our Operation Ross investigation into alleged serious police misconduct, with two of the witnesses seeking not to be examined at all, or to have their examinations held in private. Their appeal was unanimously rejected by a full bench of the High Court, and we can now have confidence that our decision and powers in that regard are, respectively, robust and clear.

The decision to hold public examinations is not one taken lightly. Since our establishment, we have investigated 66 matters, including still active cases, and conducted only four public hearings. In part this is due to the strict criteria under our legislation for witnesses to be examined in public. As set out in our response to a Government discussion paper released this year (page 33), canvassing potential reforms to IBAC's public examination powers, it is important to understand that such examinations are part of an inquisitorial and not adversarial process. As the Government's discussion paper noted, IBAC was established with the powers and capabilities of an executive inquiry, such as a Royal Commission. Public examinations conducted as part of an IBAC investigation into serious or systemic corruption or police misconduct are the equivalent of a public inquiry, and are therefore conducted in a similar way.

Active police oversight

Over the past year, we have focused on ensuring active independent oversight of Victoria Police. There is continuing debate nationally about how to ensure the most efficient and effective model of independent police oversight. In Victoria, this centres on where the balance of responsibility should lie between IBAC and Victoria Police itself, for investigating police complaints.

This debate has been a central feature of Operation Darby, on which we released a special report in May. In February 2010, Mr Nassir Bare made a complaint to the former Office of Police Integrity (OPI), alleging excessive force and racial discrimination by police officers during his arrest. On assessment, the OPI determined that it was appropriate to refer the matter to Victoria Police for investigation. However, following

legal appeal, IBAC made a fresh assessment of this matter and decided it was in the public interest to directly investigate the original complaint. IBAC's investigation found there was insufficient evidence to support the allegations, as outlined on page 20.

As in all other Australian jurisdictions, under the current Victorian system of police oversight, IBAC assesses all police complaints and retains the most serious or systemic matters that we have the capacity to handle for direct investigation. In 2015/16, police were the subject of almost half (47 per cent) of our active investigations.

As well as commencing investigations in response to complaints, IBAC can initiate investigations on its 'own motion', as was the case with Operation Ross (page 25).

The majority of police complaints are assessed by IBAC as appropriate for investigation by Victoria Police, as they primarily concern customer service or operational performance issues (such as poor communication or slow/inadequate response) or lower level misconduct. This approach is consistent with established best practice oversight principles that police managers must retain primary responsibility for ensuring the integrity and professional conduct of their own employees.

Most importantly, IBAC's powers enable independent oversight of all matters investigated by Victoria Police. We apply scrutiny to Victoria Police's investigations of complaints by reviewing particular cases – returning 36 per cent of the 96 police investigations we reviewed last year as deficient (compared to 16 per cent in 2014/15). We are also undertaking broader audits of Victoria Police complaints handling systems, with a public report imminent on an audit completed in 2015/16 on how complaints are being investigated by police at the regional level.

IBAC also conducts a range of strategic research and other projects examining systemic issues and risks, and recommending ways to prevent police misconduct. In 2015/16, for example, we analysed police use of force and drink driving trends, and published an Intelligence report on police predatory behaviour involving vulnerable community members.

Looking ahead

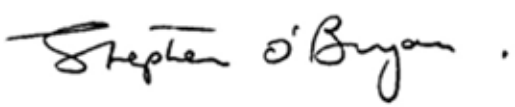
Since 1 July, IBAC has had improved ability to detect and investigate public sector corruption and misconduct. Changes to our governing legislation largely resolved key issues we identified in our first year as we tested the new IBAC Act in practice. Further reform will follow this year, with a new requirement for heads of public sector bodies to mandatorily notify IBAC of suspected public sector corruption commencing on 1 December 2016. We intend reporting publicly on the implementation of our new powers after 12 months of operation.

I am encouraged the Victorian Government is considering further reform to Victoria's integrity system, after seeking feedback through discussion papers earlier this year. For some years now I have publicly expressed the need for IBAC's governing legislation to be less prescriptive, particularly bringing it into closer alignment with our interstate counterparts around our primary investigative functions.

While it may seem wise for Parliament to heavily prescribe legislation for a 'start up' body, as it matures it needs to be able to operate with an appropriate degree of flexibility in order to allocate resources where they are best utilised, and to lessen the risks associated with heavily prescriptive legislation such as ineffective 'process driven' activity and court challenges. As a contemporary anti-corruption agency, IBAC aims to take a more strategic, intelligence based approach to our operations, rather than being a reactive complaints-driven body. In this way, we aim to ensure our resources and powers are best directed to most effectively expose and prevent serious systemic corruption and police misconduct.

There also remains scope to improve how the key integrity agencies work together, and I believe it is important that 'follow-the-dollar' powers (like those now available to the Auditor-General) be considered for IBAC. Such a power would support our ability to thoroughly investigate public sector corruption, which often involves complex financial arrangements between public and private entities.

On behalf of IBAC, I thank former Deputy Commissioner Andrew Kirkham whose three-year commission ended in April 2016. He presided over many private examinations and participated in a number of important reviews. I also thank our Parliamentary Committee for their questions and interest over the past year.



Stephen O'Bryan QC
Commissioner

The year in review (cont)

CEO's report



In 2015 we set out a statement of who we are, and what we do, at IBAC. We set as our vision a Victorian public sector that actively resists corruption, and our purpose as preventing and exposing public sector corruption and police misconduct. We settled on fairness, professionalism, courage, respect and trust as our core values.

We then developed a Corporate Plan for 2015-18. We identified four basic goals: investigating and exposing, and preventing and informing, in relation to corrupt conduct and police misconduct; building our organisation, and ensuring accountability and independence. Our goals reflect our legislated functions, the fact that IBAC is still young, and the seriousness with which we take our powers.

Our 2015-18 plan then set out 10 objectives, such as high impact investigations, public awareness of corruption risks, a highly capable and professional workforce, and public confidence in our integrity and performance. In turn, these informed our planning, resourcing and work, and the professional development of individual IBAC officers.

Real progress

This annual report therefore represents the first year of the IBAC corporate plan, and I believe that we can report real progress and results. There is no question, for example, that we have developed and refined our ability to identify and expose corrupt conduct and police misconduct. Not only is this reflected in successful investigations of such conduct, but also in applying our expertise, research and intelligence to help prevent such conduct from occurring in the first place.

During the year, we received and assessed 4576 allegations of corrupt conduct and misconduct, and the number of protected disclosures (or whistleblower complaints) more than tripled. We also referred increased numbers of complaints to the police or public sector bodies to investigate – with more than 100 of the more serious matters marked for review by IBAC upon completion. As part of our referrals, we issued a guide to conducting internal investigations of corrupt conduct for public sector agencies.

During the year we had 34 active investigations – the most we've handled – across our public sector and police jurisdictions. The increased complexity of our caseload, particularly around fraud-related matters, has demanded sophisticated systems, expertise and resources. It has also extended the average time to complete an investigation from 175 days to more than 250 days.

Importantly, a matter is not finalised just because the formal investigation (including in some cases public hearings) has been completed, or a public report issued, or criminal charges recommended. For example, Operation Fitzroy – a complex inquiry into alleged corruption in the public transport sector that commenced in 2013 – remains open, and is now before the courts after nine people and one company were charged with a range of fraud-related criminal offences.

While we anticipated the impacts in particular on investigations, we have had to increase other resources in response to a complex caseload. The purpose is not just to support active investigations, but also to monitor recommendations from previous operations, and to publish new research in corrupt conduct and police misconduct. Our public report on organised crime groups grooming public servants, which we used to engage public sector agencies we considered to be at risk, is a good example.

A culture of reporting

Creating a culture of reporting corrupt conduct – especially where individual whistleblowers can have confidence – is an important objective. IBAC has worked to support Victoria's protected disclosure regime by developing and releasing new guidelines, and hosting forums for protected disclosure coordinators across the public sector.

However, we recognise that the protected disclosure regime is complex, and welcome the IBAC Parliamentary Committee's support for change in its recent report, *Strengthening Victoria's key anti-corruption agencies?* Likewise, we look forward to the opportunity to contribute to the review of the regime by the Department of Premier and Cabinet.

We are also working closely with the Department in its ongoing review of the broader integrity system. The introduction of mandatory reporting of suspected corrupt conduct to IBAC by heads of public sector bodies, in particular, is a potentially significant development. IBAC has prepared directions, or guidelines, for mandatory reporting of suspected corrupt conduct, before it comes into effect on 1 December.

Our performance

For legal and operational reasons, much of our work cannot be reported publicly. While we report on the use of our powers, most of our work is kept confidential so as to comply with the law, and protect the integrity of our investigations. However, we recognise the need to assure the community that we are using our powers responsibly.

As an integrity agency, we must exhibit the standard of leadership and governance that we expect of public sector agencies. We have made good progress in establishing robust internal systems and checks across risk management, recruitment and employment conditions. For instance, we have reviewed risk management across the organisation.

One specific area that has come under public scrutiny has been the welfare of people involved in IBAC investigations, in particular those who we require to appear and answer questions. As with any investigative body, we recognise that our operations can (and do) place people under considerable pressure. The health and safety of witnesses is always our first priority. IBAC has established a good track record of enabling witnesses to seek and receive medical, counselling or other support, and has taken steps to further enhance our associated processes.

Looking ahead

IBAC will shortly launch a series of engagement and other prevention activities designed to increase community, police and public sector understanding of corruption, its risks and impacts. In particular, we will survey perceptions of corruption and misconduct in the public sector and Victoria Police. The results will be used to further inform IBAC's prevention activity.

On a final note, I thank IBAC's executive team and staff for their dedication to the task of preventing and exposing public sector corruption and police misconduct. We look forward to continuing to work with the public sector and the community to strengthen corruption resistance in Victoria.



Alistair Maclean
Chief Executive Officer

Financial report

IBAC's financial position continues to remain sound. Revenue, expenditure and equity are up and IBAC is in a good state to respond to financial challenges. We are still growing as an organisation, and revenue and expenditure are forecast to further increase in 2016/17. The office refurbishment project (managed by the Department of Treasury and Finance) is almost complete and has resulted in modern, refreshed, open-plan offices.

Financial performance

Our net financial result for the year was a surplus of $0.55 million, compared with a surplus of $0.24 million in 2014/15.

A summary of our performance is outlined below and shows the movement in actual revenues, expenses, balance sheet items and net cash flow.

Table 1: Financial summary 2013-2016

	2013/14 $m	2014/15 $m	2015/16 $m
Financial performance			
Grants from Victorian Government	27.353	31.547	**32.580**
Total income	27.682	31.547	**32.580**
Total expenditure	27.335	31.285	**31.992**
Net result from transactions	0.347	0.262	**0.588**
Comprehensive result	0.367	0.241	**0.554**
Financial position			
Total assets	21.727	25.558	**27.138**
Total liabilities	4.714	5.827	**6.923**
Total equity	17.013	19.731	**20.215**
Cash flow			
Net cash flow from operating activities	1.073	1.606	**1.915**

Detailed information related to IBAC's financial performance is included within the Financial Statements of the Financial Report.

Income

We are funded through parliamentary appropriations. Income increased by three per cent in 2015/16.

Expenditure

IBAC's overall expenditure increased by two per cent in 2015/16, with 61 per cent of expenditure spent on employees. Due to a number of staff movements, actual employee expenditure in 2015/16 was one per cent lower than 2014/15. There were new appointments made towards the end of the financial year but the full effect of these appointments will not be felt until 2016/17.

Financial Position

IBAC's financial position remains strong with total assets of $27.1 million, liabilities at $6.9 million and equity of $20.2 million. During 2015/16, $2.8 million was expended on capital works. $2.1 million related to the office refurbishment project at 459 Collins Street. This project is expected to be completed early in the new financial year. The remaining capital investments were for cyclical asset replacements. For 2016/17, IBAC is planning additional capital investments to ensure its systems are up to date and fit for purpose.

Table 2: Compliance with financial policies and model report requirements

In line with mandatory requirements we are including the following disclosures:

Advertising	There were no advertising campaigns with a media spend of $100,000 or greater.
Consultancies ($>10,000)	IBAC contracted four consultancies at a total expenditure of $80,666 (excluding GST). Details of individual consultancies can be viewed at www.ibac.vic.gov.au
Consultancies ($<10,000)	There were no consultancies that were below $10,000 in 2015/16.
Ex-gratia payments	There were no ex-gratia payments in 2015/16.
Major contracts	There were no major contracts greater than $10 million awarded during 2015/16.
National Competition Policy	IBAC is compliant with the *National Competition Policy*, including compliance with the requirements of the Department of Treasury and Finance's *Competitive Neutrality Policy*.
Victorian Industry Participation Policy Act 2003	The Victorian Industry Participation Policy must be applied in all procurement activities valued at $3 million or more in metropolitan Melbourne and for statewide projects, or $1 million or more in regional Victoria. IBAC did not commence or complete any such procurement activities in 2015/16.

Performance measures

IBAC's performance measures are set out in 2015/16 State Budget Paper No. 3 Service Delivery detailed below. Brief notes on major variances are included, while page references are provided for more detailed analysis of our performance.

Table 3: Budget Paper No. 3 performance measures

	Unit of measure	2015/16 target	2015/16 actual	Notes	Page
(a) Quantity					
Corruption prevention initiatives delivered by IBAC	number	60	**78**	IBAC proposed a conservative target for this reporting period as we were commencing implementation of a new corruption prevention strategy and team structure. Despite these changes, outputs continued on par to previous reporting periods.	31
(b) Quality					
Satisfaction rating with IBAC's prevention and education initiatives delivered to stakeholders	per cent	90%	**99%**	IBAC continues to post an exceptionally high level of satisfaction with the prevention initiatives it delivered during the reporting period. This measure reflects continual improvements to activities of this nature.	31
(c) Timeliness					
Complaints or notifications assessed by IBAC within 45 days	per cent	90%	**94%**	Conservative target was appropriate for a new organisation and uncertain complaints load. IBAC has rapidly developed its case management and processing capacity which has enabled the agency to exceed this target.	16
Proportion of IBAC investigations completed within 12 months	per cent	70%	**86%**	IBAC was able to exceed its anticipated target this financial year due to: • an increase in operational staff • setting priorities that enable investigations to deliver optimum impact • streamlining processes to better facilitate investigative activities • an increased focus on staff skills and training.	18

About us

IBAC is Victoria's anti-corruption agency responsible for preventing and exposing public sector corruption and police misconduct. Working toward a vision of a corruption-resistant Victoria, we:

- assess complaints, notifications and protected disclosures against the IBAC Act for allegations of corruption or misconduct
- investigate allegations of serious or systemic corruption and misconduct, holding public examinations in exceptional circumstances
- undertake strategic intelligence and research to alert the public sector to corruption issues and risks
- inform the public sector and the wider community about corruption, and ways in which it can be prevented.

History and legislation

The *Independent Broad-based Anti-corruption Commission Act 2011* was passed in November 2011, outlining our functions, powers and our relation to other public sector integrity agencies. It established:

- the role of the Commissioner
- the Parliamentary Committee to oversee IBAC
- IBAC's prevention functions.

In 2012, the IBAC Act was amended to grant IBAC certain investigative powers as well as define its main areas of jurisdiction.

Further legislation was subsequently introduced to replace the former *Whistleblowers Protection Act 2001* with the *Protected Disclosure Act 2012*, defining IBAC's central role in deciding which complaints are treated as protected disclosures.

IBAC was formally established on 1 July 2012 and became fully operational in February 2013 with the enactment of our investigative powers. Unlike our predecessor, the former Office of Police Integrity (OPI), IBAC has broad jurisdiction over the whole public sector – including Victoria Police, state government departments and agencies, councils, the judiciary and Parliament.

In May 2016, the IBAC Act was amended to enhance our investigative functions and abilities. With most introduced on 1 July 2016, the changes strengthen IBAC's ability to detect and investigate allegations of public sector corruption and misconduct, including misconduct in public office. They also help inform IBAC decisions to investigate by introducing preliminary inquiries, and seek to protect the identity and rights of witnesses and other people involved in our investigations.

From 1 December 2016, the heads of state government agencies and council CEOs (among other 'principal officers') will have to notify IBAC if they suspect corruption is occurring.

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.

IBAC's values were developed in consultation with our staff and are in addition to the Victorian Public Sector (VPS) Code of Conduct for Special Bodies. Both provide clear statements about how we conduct our day-to-day business activities and the standards by which we treat our stakeholders and colleagues.

About us (cont)

Victoria's integrity system

IBAC is one of three core, independent agencies in the Victorian integrity system. The system aims to protect the integrity of the Victorian public sector and Victoria Police. We work closely with the other integrity agencies, especially the Victorian Ombudsman and the Victorian Auditor-General's Office.

Figure 1: Victoria's integrity system



Corporate Plan 2015-18

Endorsed by the Executive in July 2015, our Corporate Plan sets out who we are and what we do, defining:

- our strategic goals for the next three years
- high-level objectives under each strategic priority.

As part of our business planning for 2016/17, we have undertaken considerable work to take a more detailed look at the outcomes we aim to deliver through our objectives and strategic goals, rather than simply focusing on outputs and activities.

Figure 2: Corporate Plan 2015-18 snapshot

Our vision	A Victorian public sector that actively resists corruption			
Our purpose	To prevent and expose public sector corruption and police misconduct			
Our strategic goals	1. Investigating and exposing	2. Preventing and informing	3. Building our organisation	4. Ensuring accountability

Our progress toward achieving our vision is covered through chapters one to four, which are aligned with our strategic goals.

Corporate governance

IBAC has practices, policies and procedures in place to ensure we achieve our strategic goals, and that we responsibly manage risks and resources.

Setting directions

Our Commissioner, CEO and Executive set our strategic goals, and monitor our progress against desired outputs under the Corporate Plan (pages 52-54).

Making good decisions

Our governance committees ensure we make appropriate decisions on both day-to-day work and large-scale projects or procurements (page 55).

To support staff in their work and to help IBAC comply with all relevant legislation, IBAC is further developing our suite of practice policies and procedures for staff.

Planning ahead

The Corporate Plan informs our business planning cycle and budget process, which define key projects we want to deliver each financial year to help meet our objectives and outcomes.

Both our business planning and budgetary processes were reviewed in 2015/16. From the new financial year, IBAC's performance reporting will be more outcome-focused to better demonstrate to our stakeholders that we are making a difference in preventing and exposing corruption across the Victorian public sector.

Managing performance

All employees have a Performance Development Plan which aims to support their development and performance by documenting clear goals, expectations and development opportunities. Performance and development planning allows managers and staff to identify and understand how their individual and team outputs contribute to the Corporate Plan.

About us (cont)

Accountability

IBAC is independent of government and reports to the community through the Parliament of Victoria. To assure our stakeholders that our conduct, actions and decisions are appropriate, we have various internal and external reporting processes in place.

External oversight

We are subject to external oversight from various state and federal bodies to ensure we are making good decisions and using our powers responsibly (page 50).

Audit and risk management framework

We are subject to both external and internal audits of our compliance, processes and systems that support our work decisions and endeavour to quickly resolve any identified issues (page 55).

Legal compliance reporting

We report both publicly and confidentially on our compliance with the various laws we operate under (page 50).

Corporate compliance monitoring

Beyond our legal compliance requirements, we have strengthened our wider corporate compliance monitoring and will continue to develop this area in 2016/17 (page 58).

Investigating and exposing

As Victoria's anti-corruption commission, we work on information revealed through complaints, notifications and protected disclosures – as well as our own intelligence – to identify public sector corruption and police misconduct. By analysing trends, unravelling complex networks and following financial trails, we work to uncover the evidence necessary to expose serious corruption and misconduct. This chapter details our operational efforts, which ultimately help to deter and prevent further corruption in Victoria.

Strategic goal	Investigating and exposing corrupt conduct and police misconduct

Highlights

- Assessed 4576 allegations, with 94 per cent reviewed within 45 days. Of these, 653 matters were assessed as protected disclosures.
- Opened 19 new investigations, among 34 active investigations for the year.
- Held two public examinations, including our first in a regional centre and our first into alleged serious Victoria Police misconduct.
- Demonstrated maturity in our data analysis and strategic assessment process, through new intelligence reports and prevention resources.
- Prepared for legal changes that will strengthen our ability to identify, investigate and expose corruption and misconduct.

Performance

Table 4: Allegations and outcomes

	2013/14	2014/15	2015/16
Enquiries received	1023	1415	**903**
Complaints/notifications received	2567	2196	**2041**
Allegations assessed	4860	4443	**4576**
% allegations assessed within 45 days (target reduced from 60 days in 2015/16)	n/a	n/a	**94%**
Referred to another entity	1783	1206	**1523**
Investigated by IBAC	64	38	**47**
Dismissed *	1917	1818	**2408**

* This includes matters that are withdrawn, don't have enough information, are too old, have already been investigated or are frivolous or vexatious. Other outcomes not included in the above table include 'noted' and 'returned'. Note: A complaint may include multiple allegations, all of which are individually assessed.

In 2015/16, we saw a slight drop in the number of complaints but an increase in the number of allegations contained in them. This may be because of a lack of awareness, or because people have concerns about reporting corruption.

One of the functions of IBAC is to raise awareness about corruption and ways to prevent it. We are undertaking focused community, police and public sector research and engagement to ensure Victorians know about IBAC and to improve reporting of corruption (page 33).

In accordance with section 73 of the IBAC Act, the majority of complaints and notifications were referred to agencies best placed to action them – for example, complaints relating to public sector maladministration were referred to the Victorian Ombudsman. The majority of police complaints assessed by IBAC were considered appropriate for direct action by Victoria Police. This means that police managers are responsible for dealing with particular customer service or behaviour-related matters (such as alleged rudeness or poor communication) and lower-level misconduct. Regardless of the outcome, all information we receive is analysed as part of our strategic assessment process (page 26).

Table 5: Protected disclosures and outcomes

	2013/14	2014/15	2015/16
Matters granted protected disclosure status	314	210	**653**
Referred to Victorian Ombudsman, Chief Commissioner of Police or Victorian Inspectorate for investigation	230	171	**597**
Investigated by IBAC	43	14	**24**
Dismissed *	38	25	**32**
Number of disclosures IBAC was unable to either investigate or refer	0	0	**0**

* This includes matters that are withdrawn, don't have enough information, are too old, have already been investigated or are frivolous or vexatious. Other outcomes not included in the above table include 'noted' and 'returned'. Note: A complaint may include multiple allegations, all of which are individually assessed.

IBAC directly received 3392 allegations for assessment as potential protected disclosures under the *Protected Disclosure Act 2012* (PD Act) including 604 assessable allegations notified by Victoria Police and other public sector entities.

The number of protected disclosures tripled in the past year, mostly due to a change in the *Victoria Police Act 2013* which determined all complaints made by police about police must be assessed as protected disclosures. This is also the reason behind the high number of referrals of protected disclosures.

Complaints

Under the PD Act, no applications for an injunction needed to be made, nor did we need to make any recommendations. IBAC continued to monitor implementation of past recommendations (page 59).

After assessing a complaint or notification, IBAC may decide to:

- refer it to an external agency best placed to action it (including the Victorian Ombudsman, Victoria Police or other agencies)
- investigate the matter
- close the matter with no further action.

The three examples below illustrate the different types of complaints and outcomes.

Complaint closed with no further action

A person raised concerns about the functioning of their local council, alleging the CEO was receiving 'commissions' from local businesses in order to gain favourable decisions. Further, they alleged the CEO was extorting money from the council. IBAC requested more specific information from the person in order to back up the allegations and assess whether it required closer scrutiny – including details of other potential witnesses, documents and details of local businesses. The complainant was unable to provide any evidence, stating it was only their belief and 'feeling'. With no information available to support the allegations, IBAC closed the matter with no further action and advised the complainant accordingly.

Allegations referred to an external agency

A person complained to IBAC about police inaction following a break-in at their home. The person knew and recognised the intruder and later told the attending police officers this. The person alleged Victoria Police did not act on this information. IBAC assessed the allegation as a potential duty failure by the police officers involved, which is a form of police misconduct. As a less serious allegation related to operational police performance, IBAC refered the complaint to Victoria Police for investigation.

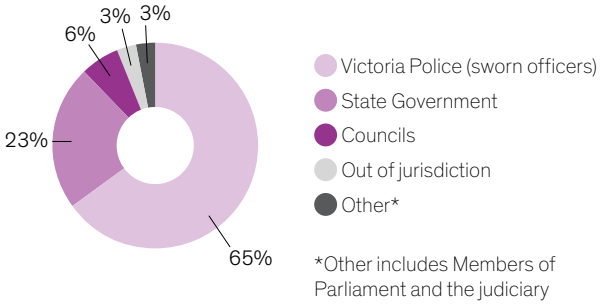
Complaint investigated by IBAC

A complaint was made that a councillor was accepting bribes in the form of purported gifts in exchange for awarding community grants to a prominent local businessman. Due to the seriousness of the allegations, IBAC decided to investigate. As part of Operation Charnley, we interviewed relevant witnesses and reviewed the council's conflict of interest and councillor code of conduct policies, and their community grants procedure. While the allegation could not be substantiated, IBAC identified questionable behaviour by individuals in public office, as well as broader issues which caused the council to be vulnerable to corruption, including:

- conflicts of interest not being reported
- a lack of knowledge about when a conflict of interest or perceived conflict of interest exists.

IBAC recommended the council hold councillor code of conduct training, focusing on its conflict of interest policy, expenses and entitlement policy, and gifts, benefits and hospitality policy.

Figure 3: Allegations by sector



The majority of allegations related to police personnel are due, in part, to mandatory reporting requirements under the *Victoria Police Act 2013*. Mandatory notifications are not yet in place for public sector agencies and will commence on 1 December 2016 (page 28).

Performance

Table 6: Investigations

	2013/14	2014/15	2015/16
Investigations commenced	24	16	**19**
Investigations finalised	15	15	**7**
Open investigations at 30 June	13	14	**27**
Average investigation duration (days)	175	209	**252**

In 2015/16, IBAC had 34 active investigations into serious public sector corruption and police misconduct. Five of these investigations were 'own motion', while the remainder were commenced as a result of complaints, notifications or protected disclosures. We are conscious of the impact of our investigations, and ensure duty of care to witnesses and other people involved.

We closed fewer investigations in 2015/16 than previous years, primarily due to the complexity and protracted nature of the wrongdoing subject to investigation (ie some of the alleged offending dates back many years) (page 21). The investigations closed were lower-level matters, with 86 per cent of those investigations completed within 12 months.

Table 7: Investigation outcomes

Number of investigations that resulted in:	2013/14	2014/15	2015/16
Formal recommendations	2	3	**7**
Criminal proceedings or brief of evidence to Office of Public Prosecutions (OPP)	0	3	**3**
Reports to Parliament	1	1	**2**
No further action	7	6	**3**

Our investigations determine whether serious corrupt conduct or police misconduct occurred. They also serve to deter and prevent corruption, and inform recommendations for improvement, public reports and other resources.

In 2015/16, three cases progressed to charges or briefs of evidence. At 30 June, IBAC had a number of investigations where briefs of evidence or charges were imminent.

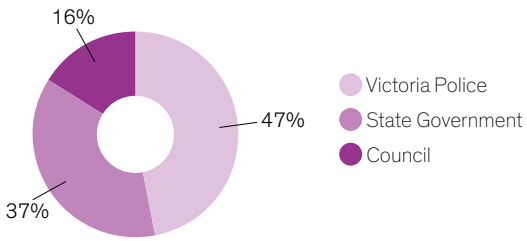
Table 8: Examinations

	2013/14	2014/15	2015/16
Number of hearing days (private)	n/a	52	**81**
Number of hearing days (public)	n/a	38	**23**
Number of witnesses called	58	105	**144**

Examinations are part of our investigative process, with the majority held in private as required under our legislation. This year IBAC held public examinations for Operations Dunham (page 22) and Ross (page 25).

Investigations

Figure 4: Investigations by sector



Almost half of IBAC's active investigations were into alleged serious corruption or misconduct by Victoria Police – an increase on 2014/15, when Victoria Police was subject to 36 per cent of investigations. Below are examples of two investigations finialised in 2015/16.

Operation Oldfield: charges altered through abuse of position

Victoria Police notified IBAC of allegations that a Leading Senior Constable had used his position as a police prosecutor to withdraw a serious motor traffic charge that was likely to succeed, and to accept a guilty plea to a lesser charge.

IBAC's Operation Oldfield determined the Leading Senior Constable had in fact interfered in the Victoria Police prosecution, withdrawing the dangerous driving charge and influencing the outcome of a matter before a Magistrates' Court. IBAC provided the results of its investigation to the Professional Standards Command to consider action in relation to the conduct of the police prosecutor. The matter is currently proceeding as a disciplinary process.

The investigation highlighted a systemic issue: the significant authority granted to often junior police prosecutors operating with little or no oversight. As a result, IBAC made four recommendations to Victoria Police, including that they:

- review policies governing court processes, including the authority granted to police prosecutors to withdraw substantive charges and processes to proactively oversight such decisions
- report to IBAC on how Victoria Police ensures police prosecutors have the required standard of integrity and judgement.

Three of the four recommendations have been fully implemented, while Victoria Police requested an extension to conduct an audit that will satisfy the fourth recommendation.

Operation Warburton: breach of duty confirmed amid lax controls and record-keeping

IBAC received a complaint alleging employees of a regulatory body misappropriated government funds for their own benefit, and that of an associated union which they had personal ties to. It was alleged a beachside property owned by a union member, was rented by the regulator to house disadvantaged apprentices but was instead used as a holiday house by a trade union secretary. Similarly, a Melbourne property rented for apprentices to live in was used for other purposes. The complainant also alleged the employees pushed for the state body to pay more than $100,000 to support a union initiative because, 'It's what we do to keep the unions happy'.

Due to a complete absence of formal paperwork and controls, the IBAC investigation could not substantiate that the properties in question had been used for personal or other interests. There was no paperwork (or 'no records') to substantiate rental arrangements for the properties, and invoices signed by the regulatory body lacked the most basic of details, such as the address of specific rental properties. Additionally, there were no controls in place to ensure the state government funding package was spent as intended to support apprentices – as the money was deposited into the body's main bank account used for day-to-day expenses. Nor did the state government body have any arrangement to review or audit the administration of the apprentice support program, and no enquiries were made to confirm the properties were being used as intended. The investigation found the arrangement between the state body and union ran for nine years and involved four separate rental properties without any formal written arrangements, administration or audit. A total of $355,000 was paid to this program.

While not constituting corrupt conduct, IBAC found there had been a breach of duty in allowing two senior employees to operate as trustees two years after their tenure expired, and that the pair breached their duty as trustees in supporting a union initiative, which they were personally involved in, and not declaring a conflict of interest. IBAC made two recommendations to the regulatory body to improve their processes around accounting and record-keeping, and declaring and managing conflicts of interest. The recommendations have been accepted and implemented.

Investigations (cont)

Operation Darby: 2010 police assault allegations unsubstantiated

Culminating in a report to Parliament in May 2016, IBAC's investigation found there was insufficient evidence to support allegations Mr Nassir Bare was assaulted and racially vilified by police officers in 2009.

In February 2010, Mr Bare made a complaint to the former Office of Police Integrity (OPI). On assessment, the OPI determined that it was appropriate to refer the matter to Victoria Police for investigation. Following a legal challenge against that decision, the Court of Appeal last year required IBAC to make a fresh decision on whether to refer, investigate or close Mr Bare's initial complaint. Due to the significant public interest in this matter, IBAC decided to investigate the original complaint. As part of our investigation, we interviewed Mr Bare, the attending police officers, witnesses and other key people, and reviewed available records and documents from the time.

The investigation found neither the attending police officers nor third party witnesses with Mr Bare at the time were able to support allegations the arresting officer racially vilified Mr Bare and used OC spray (pepper spray) on Mr Bare while he was handcuffed. Additionally, medical and dental records did not correspond with the injuries described as sustained by Mr Bare at the time. Accordingly, the investigation was concluded.

Challenges

Delivering complex investigations

While we have responded well to the challenge of increasingly complex investigations, the nature of our work will continue to be challenging because:

- corruption, by its very nature, is kept hidden and concealed and often has no obvious 'victim' to complain. This makes it difficult and time-consuming to investigate, along with delays we face in working with external agencies such as financial institutions on complex fraud cases. Additionally, serious corrupt conduct can continue over many years, meaning records of financial or other transactions may have been lost or destroyed.
- people involved in corruption are often well-resourced and well placed within an organisation, and are adept at concealing their wrongdoing and obtaining the cooperation of colleagues. Similarly, police officers who engage in misconduct are often well versed in investigative techniques and how to conceal misconduct and avoid detection.

To help equip our investigators in exposing serious corruption and misconduct, we continually update our investigative practices.

Responding to public examination challenges

IBAC's ability to hold public examinations as part of our investigations was challenged in the past year. An appeal by two police officers at the centre of our Operation Ross investigation was taken to the High Court of Australia (page 25). Individual applications were also made – and refused – during the Operation Dunham hearings by witnesses requesting to be heard in private. In February 2016 the full bench of the High Court unanimously dismissed the appeal and the public examinations commenced in May 2016.

IBAC examinations are generally required under our legislation to be held in private. However, our Commissioner may decide to hold public examinations if he considers there are exceptional circumstance, it is in the public interest, and they can be held without causing unreasonable damage to a person's reputation, safety or wellbeing. IBAC has held four public hearings out of its earlier 64 investigations (both active and finalised) to date.

Challenges (cont)



Operation Dunham: public report to be released

Held in February and March 2016, Operation Dunham hearings examined allegations of serious corruption regarding the Department of Education and Training (DET) $180 million Ultranet project. They focused on:

- how contracts around the online learning portal were tendered and awarded
- the personal and business connections between department employees and businesses involved in the Ultranet project
- whether current or former DET employees released confidential information, or used their position to influence procurement processes
- whether DET employees received payments, gifts, travel, employment opportunities or other benefits because they were involved in the Ultranet tender or procurement processes
- DET procurement and conflict of interest processes, and organisational culture.

A special report will be released in 2016/17, including findings and recommendations for further action and improvements.

Commissioner Stephen O'Bryan QC presided over public hearings in Operation Dunham over five weeks, considering 273 exhibits and the testimony of 39 witnesses.

Supplementing our strategic intelligence

IBAC's strategic intelligence analysis (page 26) helps inform our work and priorities, ensuring our resources and effort are focused where they will be the most effective. By interrogating our data, we can identify emerging issues and alert the public sector on corruption risks and vulnerabilities.

IBAC's data holdings are continuing to develop, enabling better and more informed analysis on corruption patterns and trends. To supplement our data holdings in our most recent assessment, we surveyed almost 150 public bodies and consulted with a number of agencies. The most significant recurring corruption risks and vulnerabilities identified by the public bodies which responded to the survey were:

- procurement and contract management
- conflict of interest
- unauthorised data access and disclosure
- changing technologies.

Achievements

Making reporting easier

It is important for Victorians to be confident they can report alleged wrongdoing in a private and secure way.

To improve our processes, we updated our secure online form, making it easier to lodge a complaint and understand our assessment process. The upgrades also improved the quality of our data to help ensure consistent recording of allegations and enabling better analysis of emerging risks and trends.

In 2015/16, 27 per cent of our complaints and notifications were received through our online form. We expect to see this increase in the coming year.

Achievements (cont)

Operation Ord: brief of evidence being compiled

IBAC is preparing a brief of evidence for consideration by the Office of Public Prosecutions, following a major investigation into DET use of 'banker schools'.

Subject to public examinations in mid-2015 and a public report tabled in April 2016, Operation Ord revealed how a core group of senior DET officials – in particular former Director Nino Napoli – siphoned off vital public funds intended for school education.

Operation Ord found:

- Mr Napoli exploited lax controls around DET's banker school system to secure payments for false and inflated invoices, or inappropriate expenses such as excessive hospitality, travel and personal items. Other senior executives were at times involved, including former Acting Secretary Jeff Rosewarne
- the abuse of the system was generally accepted and enabled by a number of school principals and business managers, in some cases in apparent return for personal benefits such as overseas travel or promotion
- at least $1.9 million went to relatives and associates of Mr Napoli between 2007 and 2014, with a further $1.1 million in suspicious transactions and $3.3 million in tainted or suspicious contracts awarded by Mr Napoli to relatives
- substantial weaknesses in DET's systems, controls and culture created an environment where misconduct and corrupt conduct were able to flourish.

IBAC recommended that DET:

- report on a range of reforms and improvements aimed at preventing corruption and building an integrity culture
- undertake a review to identify and audit any remaining banker schools
- exclude people and entities whose behaviour has been found to be improper or corrupt from obtaining work with DET or schools in the future.

The knowledge that funds intended to support the education of some of the state's most disadvantaged children were diverted by senior departmental officers for their own personal gain is understandably a cause for significant public concern.

Commissioner Stephen O'Bryan QC

Operation Ross: examinations held in regional Victoria

Operation Ross examinations were initially scheduled for April 2015 but adjourned pending a series of court challenges. Week-long public examinations into alleged serious police misconduct in Ballarat were held in May 2016, after a High Court ruling paved the way for them to proceed.

The hearings focused on:

- alleged excessive use of force by officers at Ballarat Police Station
- the Victoria Police management of, and response to, alleged excessive use of force by police officers, including in Ballarat.

IBAC's findings and recommendations will be released in 2016/17.

Reaching out to the regions

IBAC held its public hearings for Operation Ross in the regional centre of Ballarat. While logistically more challenging, holding open hearings in the local area associated with an investigation can assist everyone involved to better understand the issues under investigation, and enhance community confidence that action is being taken to prevent recurrence.

Achievements (cont)

Setting our operational and research agenda

Since IBAC became fully operational in February 2013, our strategic intelligence function has continued to mature and assist us in identifying the most significant corruption and police misconduct issues and risks. Alongside other research and data analysis, we released our first public intelligence reports this year (see 'Organised crime group cultivation of public sector employees' on next page, and 'Predatory behaviour by Victoria Police officers against vulnerable people' on page 28).

We presented our approach to establishing a strategic intelligence program to the Australian Public Sector Anti-Corruption Conference in Brisbane in November 2015. IBAC conducts strategic intelligence assessments every 12 to 18 months to identify high-level corruption risks facing the Victorian public sector and Victoria Police. These assessments are both informed by, and contribute to IBAC's:

- assessment of complaints and notifications
- reviews of external investigations
- investigations into serious corruption and police misconduct
- recommendations and agency responses
- engagement with public bodies
- surveys of stakeholders (public sector bodies, government suppliers and the wider community)
- research projects
- prevention initiatives.

Three other thematic assessments – into the health and corrections sectors and the corruption and misconduct risks posed by protective services officers – are also underway, but have been rescheduled to better align with other activities. These, and other projects, will continue as we approach our third strategic assessment in early-2017.

Intelligence report 1: organised crime group cultivation of public sector employees

Once criminals have made a connection, the employee can be exploited for a long time if the leaks are not detected. This type of corruption not only places the public sector and its employees at risk, it threatens Victorians' personal information and privacy.

CEO Alistair Maclean



Senior Strategic Policy Officer Alister McCulloch launches the findings from IBAC's organised crime intelligence report to public sector employees at an Institute of Public Administration Australia forum in September 2015.

IBAC's first public intelligence report 'Organised crime group cultivation of public sector employees' detailed how criminals are grooming employees to access information, influence decisions and manipulate systems, with public sector agencies largely in the dark about the potential for corruption.

Without awareness of the risk to their organisation and employees, public bodies are unequipped to detect and report corrupt approaches and employees are unlikely to be able to identify and repel targeting by crime groups. IBAC initiatives included:

- CEO Alistair Maclean meeting with Executive groups and senior leaders at identified high-risk agencies (such as key decision-making and regulatory bodies) to discuss measures to address the threat
- producing resources to help public sector agencies and their employees understand, assess and manage the risk of criminal groups grooming their employees
- launching the intelligence report at a large public sector integrity conference.

We also met with the Victorian Law Reform Commission, which cited the IBAC intelligence in their May 2016 report on the use of regulatory regimes in preventing the infiltration of organised crime into lawful occupations and industries.

Outlook

Implementing changes to our powers and processes

Passed by the Victorian Parliament in May 2016, the *Integrity and Accountability Legislation Amendment (A Stronger System) Act 2016* introduced important changes to the way IBAC operates. Coming into effect on 1 July 2016, the changes allow IBAC to:

- consider a broader range of corruption matters, including alleged misconduct in public office
- conduct preliminary inquiries to inform IBAC's decision on whether to investigate
- issue non-publication orders during public examinations to protect witnesses.

To ensure IBAC was prepared for the changes, we reviewed all internal procedures, and retrained staff from our Operations and Legal divisions, which together account for 74 per cent of our workforce. IBAC intends reporting publicly on use of the new powers after 12 months of operation.

Preparing for mandatory reporting

New requirements for heads of public sector bodies to mandatorily notify IBAC of suspected corruption will commence on 1 December 2016. Prior to this, IBAC will consult with public sector leaders to provide direction around how and when council CEOs, department secretaries and other relevant principal officers must report to IBAC.

Mandatory reporting will help improve IBAC's data holdings and strategic intelligence analysis, meaning we are better placed to alert and inform public sector agencies on key issues and risks, and how to prevent corruption. Appropriately, mandatory notifications emphasise the primary responsibility for detecting and preventing corruption lies with public sector leaders.

Intelligence report 2: predatory behaviour by police against vulnerable persons

Victoria Police has monitored or investigated a number of serving officers identified by IBAC as alleged repeat offenders of predatory behaviour, as a result of IBAC's public intelligence report. 'Predatory behaviour by Victoria Police officers against vulnerable persons' was released in December 2015 and aimed to help Victoria Police identify, investigate and prevent predatory behaviour by its officers. It complemented a Victorian Equal Opportunity and Human Rights Commission report which examined the nature and extent of sexual harassment and predatory behaviour within Victoria Police.

IBAC examined 142 allegations of predatory behaviour by Victoria Police over 10 years against vulnerable members of the public, with complaints ranging from sexually inappropriate comments or relationships, through to stalking and sexual assault.

The report found:

- victims of predatory behaviour by police are some of the most vulnerable people in the community – such as victims of domestic and family violence or sexual assault, sex workers, or people with mental illness or alcohol or drug dependency
- police who groom, stalk or sexually assault vulnerable members of the public are likely to repeat the behaviour
- complaints about predatory behaviour involving vulnerable community members are twice as likely to be substantiated than other types of police complaints.

2

Preventing and informing

Preventing corrupt conduct and police misconduct is at the centre of our work. When conducting investigations, reviewing referred matters and undertaking research, we always consider how the findings could promote awareness of corruption, and help public sector agencies identify their own vulnerabilities and risks. This chapter outlines how IBAC informs the public sector, Victoria Police and the community about the risks and impacts of corruption and police misconduct, and ways in which it can be identified, reported and prevented.

Strategic goal	Preventing and informing corrupt conduct and police misconduct

Highlights

- As a result of investigations, we made 20 recommendations to public sector agencies aimed at preventing corruption.
- Assisted Victoria Police and public sector agencies to strengthen internal investigations by reviewing 104 investigations, and publishing a guide on how to investigate misconduct.
- Strengthened support for the protected disclosure regime through training and improved resources for protected disclosure coordinators.
- Helped public sector agencies prevent corruption through practical resource packs and speaking engagements, including with high-risk agencies.
- Commenced a new corruption prevention strategy focused on understanding corruption and its impacts, and building a reporting culture in the public sector.

Performance

Table 9: Reviews of external investigations

	2013/14	2014/15	2015/16
Police reviews completed	79	114	**96**
Number returned as deficient	n/a	19	**35**
Public sector reviews completed	0	5	**8**
Number returned as deficient*	–	3	**5**

* The main reason why files are returned as deficient is a lack of detail.

Reviews of matters referred by us to other agencies are an important component of IBAC's oversight of Victoria Police and the public sector. In particular, they help determine if a matter has been handled fairly and investigated thoroughly. IBAC selects matters for review based on whether the case involves a specific risk identified by IBAC, whether it is in the public interest, or when it has generated significant public concern.

This was the second year IBAC reviewed investigations by public sector agencies. Accordingly the figures are currently low but will steadily rise, resulting in the further development of relationships with public sector agencies and assist in ensuring adequate investigation techniques are employed. It will also provide opportunity for IBAC to review agency policies and procedures to ensure they are sufficiently robust to detect and prevent corruption.

Eighty-five per cent of all reviews were completed in 90 days.

Table 10: Recommendations

	2013/14	2014/15	2015/16
Recommendations made by IBAC	2	24	**20**
Recommendations accepted	2	24	**19**
Recommendations implemented	1	10	**18**
Outstanding recommendations being monitored	1	14	**16**
Outstanding OPI recommendations not fully implemented by Victoria Police (not included in counts above)	14	7	**6**

As part of our investigations, we consider wider systems and gaps or weaknesses that enabled alleged corrupt activity. As a result, we make formal recommendations (under the IBAC Act) for public sector agencies to improve their systems, practices and controls. We may also provide advice on possible preventative action. Agencies are usually given six months to respond to recommendations.

IBAC continued to monitor outstanding recommendations arising from OPI investigations. We anticipate all remaining recommendations will be implemented or closed by Victoria Police in the next financial year.

Table 11: Corruption prevention initiatives

	2013/14	2014/15	2015/16
Number of corruption prevention initiatives delivered by IBAC (for example, training sessions, speaking opportunities and prevention resources)	74	76	**78**
Satisfaction rating with IBAC's prevention and education initiatives delivered to stakeholders	100%	100%	**99%**

During our early establishment phase, our focus was on using speaking events to raise general awareness about IBAC and corruption, as well as the new protected disclosure regime. This year we conducted more targeted engagement and focused on high impact speaking events.

Senior personnel spoke to audiences ranging from the Victorian Secretaries' Board, local government CEOs, agency boards, executive teams and risk and audit committees. With continued high satisfaction, IBAC partnered with Victoria Police to contribute to its established education and training programs, in particular the courses for new recruits.

Reviews

Review prompts improvements to Victoria Police investigations

In late-2014, protective services officers (PSOs) received a complaint of people smoking at Flinders Street Station. The PSOs approached one person who was smoking, explaining it was an offence to smoke on the platform and requested her name and address. The person refused and became verbally abusive. Once under arrest, they kicked, punched and attempted to bite the PSOs a number of times.

The following day, the complainant attended a local police station and lodged a complaint of assault against the four PSOs. The complainant also sent an email to the Professional Standards Command, which referred the complaint to the region to be investigated. The investigator found the actions of the PSOs were both professional and lawful.

On review, IBAC concurred with those findings but also identified a number of areas for improvement with the investigation file, noting the requested actions of two inspectors had not been undertaken, incorrect terminology was used, no determination was referenced in the outcome letter, and a lack of professionalism regarding file presentation/ management.

As a result, the file was returned to Victoria Police for comment. Victoria Police noted there may not have been appropriate support for the investigation officer and as a result, the division now has its own Ethical and Professional Standards Officer. In addition, an audit of letter templates was undertaken, officers were provided guidance on the professional management of files and letters were amended and resent. IBAC is satisfied the concerns were addressed promptly by Victoria Police, which sought to improve a number of areas at both the individual and organisational level.

Review confirms thorough police investigation and internal learnings

A Victoria Police officer lodged a complaint against fellow officers regarding their failure to conduct the requisite checks of persons listed on the Sex Offender Registry (SOR). The complainant became aware that details of their complaint were known to other officers, so they contacted Victoria Police to query why they were not given whistleblower status.

An internal investigation identified a possible significant risk to public safety and reputation to Victoria Police regarding the SOR failures. Victoria Police acknowledged it had not followed the correct procedure for the notification and treatment of the complaint. As a result, police provided welfare services to the complainant and they were offered a secondment to another station to ensure their safety. From the investigation, Victoria Police audited its SOR practices to identify non-compliant work practices and develop improved systems.

IBAC called the investigation in for a review. We found the internal investigation was thorough and evidence-based. We also found the follow-up actions were appropriate and focused on system improvements to prevent similar occurrences.

Review highlights improved stakeholder communications

In early-2015 IBAC received a complaint regarding alleged inappropriate use of pesticides along a creek by contractors for Melbourne Water. The complainant alleged the spraying was being performed without any prior warning to residents, and that the pesticide posed a risk to members of the public and Melbourne Water contractors. IBAC referred the complaint to Melbourne Water.

Melbourne Water contracted an independent consultant to investigate the complaint. In its report to IBAC, Melbourne Water advised the use of the pesticide was appropriate and had been performed safely and in accordance with policy and procedure. However, it acknowledged that its communication with the complainant and relevant stakeholders had been poor. In an effort to remedy the issue, Melbourne Water engaged the complainant in a round table discussion to better understand and acknowledge the complainant's concerns, and committed itself to better communication in future.

Challenges

Overcoming barriers to reporting corruption

While awareness of IBAC is increasing, there are significant barriers that dissuade people from reporting corruption. Released in July 2015, results from a survey of more than 1000 Victorians found:

- while three in four Victorians would report corruption if they knew it was happening, fear of reprisal and victimisation prevent them from coming forward
- other common barriers to reporting corruption by the general public include a fear they won't be listened to, fear they don't have enough evidence, or confusion about where to go.

Victoria's protected disclosure regime is vital in encouraging and supporting people to speak out about corruption and misconduct. However, we recognise processes around making and handling protected disclosures can be confusing and cumbersome. To help guide improvement, we provided additional support to Protected Disclosure Coordinators (page 34), and contributed to an IBAC Parliamentary Committee inquiry into the protected disclosure regime. There remain issues around the very limited options for referral by IBAC to other agencies of disclosures for investigation.

IBAC is boosting its community and public sector engagement activities to increase awareness of corruption and improve reporting. IBAC held regular forums with key agencies in the state's protected disclosure regime, including the Victorian Ombudsman, Victoria Police, the Victorian Inspectorate and the presiding officers of the Victorian Parliament. Through quarterly meetings, the Protected Disclosure Liaison Group considered ways to manage and investigate protected disclosures more efficiently.

Referring and reviewing Victoria Police investigations

The majority of police complaints assessed by IBAC are considered appropriate for direct action by Victoria Police. This means that police managers retain responsibility for dealing with most complaints, particularly customer service or behaviour-related matters (such as rudeness or poor communication) and lower-level misconduct.

There is continuing debate nationally about how to ensure the most efficient and effective model of independent police oversight. The Victorian police oversight model enables IBAC to focus strategically on investigating matters that primarily involve systemic, serious and sensitive issues – as well as reviews of matters investigated by Victoria Police to ensure they were appropriately and thoroughly handled.

Focusing our prevention efforts

In early-2016, as part of its review of the Victorian integrity system, the State Government released a discussion paper on IBAC, including our role in preventing corruption in the public sector. IBAC responded in May 2016 to help inform the Government's consideration of these issues.

In our response we detailed where we believe we will have the greatest impact to prevent corruption in Victoria's large public sector – which comprises around 3500 entities and more than 300,000 employees. This approach is articulated in IBAC's corruption prevention strategy, which was finalised in 2015 and details our priorities over the next three years:

1. Engage with the community and the public sector to improve understanding of corruption and its harms
2. Improve reporting of corruption and helping to build the public sector's capacity to address reports
3. Alert organisations to the latest information and intelligence to stay ahead of corruption risks.

Importantly, IBAC seeks to support prevention responses that are owned and driven by each public sector organisation. This is because each organisation has a thorough understanding of their own systems, resources, operating environments and risks, and is therefore best placed to prevent corruption.

Achievements

Supporting protected disclosure coordinators

As part of the state's protected disclosure regime, protected disclosure coordinators perform a vital function in encouraging and supporting people to speak up about wrongdoing in the public sector. Alongside holding our third annual forum for coordinators, in January 2016 we launched refreshed guidelines around receiving protected disclosure complaints, and managing the welfare of disclosers.

Work is underway on additional resources and support, including a potential model for a community of practice for protected disclosure coordinators in 2016/17 to facilitate greater collaboration and capacity building.

I enjoyed meeting others doing the role and having the chance to share experiences and knowledge. Hearing about case studies from guest speakers also gave great insight into how IBAC investigations are done and showed their lasting and ongoing impact.

Forum participant



Professor AJ Brown from Griffith University presents to more than 70 people who attended IBAC's protected disclosure coordinator forum in March 2016. The day-long event was an opportunity for coordinators from departments, councils and Victoria Police to learn, share and network.

Growing compliance with protected disclosure laws

More Victorian public sector agencies are now complying with important protected disclosure laws as a result of an IBAC review. The initial review from December 2014 found nearly a quarter of sample public sector agencies in Victoria were not meeting their obligations under the *Protected Disclosure Act 2012* (PD Act). Released in January 2016, our 'Review of protected disclosure procedures | progress report' found:

- all 57 recommendations made in the initial review were accepted and the majority were reported as implemented
- 11 of 17 public sector agencies with non-compliant procedures reported fully implementing IBAC's recommendations
- seven public sector agencies that did not have procedures in place had introduced them by September 2015.

By 30 June 2016, all agencies reported they were compliant and no further recommendations were made under the PD Act.

It's encouraging to see evidence of great improvements and practice among this sample group, and this provides a good baseline for other agencies to work from to best meet their obligations.

CEO Alistair Maclean

Reporting on our police oversight activities

In August 2015, we released a comprehensive report highlighting IBAC's investigative and preventative efforts under our police oversight role.

The special report to Parliament detailed:

- strategic projects and initiatives to prevent police misconduct and corruption
- reviews of Victoria Police internal investigations
- investigations by IBAC into allegations of serious police corruption and misconduct.

As part of this report, we highlighted our detailed analysis of the assessment of 1313 Victoria Police allegations over a six-month period (1 January 2015 to 30 June 2015). The analysis revealed:

- duty failure and inappropriate behaviour account for 55 per cent of complaints (721 allegations over the six-month period). Inappropriate behaviour includes customer service matters such as rudeness, insensitivity or an alleged failure to investigate
- assault accounts for 20 per cent of complaints (267 allegations)
- most complaints are made against lower-ranked officers, which includes all categories of constables and sergeants. This reflects the composition of Victoria Police (90 per cent of officers hold those ranks) as well as the fact that those officers are most likely to interact with the public.

IBAC's independent oversight of Victoria Police includes:

- receiving complaints and notifications about corrupt conduct and police personnel conduct
- assessing those complaints and notifications to determine which will be referred to Victoria Police for action, which will be closed with no further action, and which will be investigated by IBAC
- reviewing investigations of selected matters referred to Victoria Police to ensure those matters were handled appropriately and fairly
- conducting 'own motion' investigations about police personnel conduct or corrupt conduct
- conducting private and public examinations to assist IBAC investigations
- ensuring police officers have regard to the Charter of Human Rights
- undertaking research and other strategic initiatives to inform Victoria Police and the public on particular systemic issues and risks to help prevent misconduct and corruption.

Police hold significant powers that can be exercised over their fellow citizens. The exercise of these powers can be vulnerable to misuse, adversely impacting on individuals and the Victorian community as a whole. Independent, external oversight is critical to help ensure police act fairly, impartially and in accordance with the law. IBAC's oversight is vital to support community confidence in police integrity and accountability.

Commissioner Stephen O'Bryan QC

Achievements (cont)

Government suppliers concerned about corruption

Released in June 2016, IBAC research found 40 per cent of suppliers believe in corruption in procurement processes to be a problem in the Victorian public sector, and 34 per cent have been deterred from bidding for contracts because of their concern about corruption. The survey of 1480 respondents also found half of suppliers believe it is typical for gifts to be offered to public servants and 44 per cent believe public servants accept gifts or benefits.

IBAC has used these results to connect with public sector agencies on the importance of clear policies and procedures that cover gifts, benefits and hospitality. Survey results will also guide future communication and engagement work across the public sector and business community in order to increase understanding of corruption and how to report it.

Guiding public sector agencies

Following improvements to the way we undertake reviews in 2014/15, this year we turned our focus to help public sector agencies improve their capacity to undertake internal investigations. This included:

- increasing the number and quality of recommendations from reviews and investigations
- increasing the variety of agencies we engage with more directly to explain issues with internal investigations.

In collaboration with the Victorian Ombudsman, we launched the 'Guide to conducting internal investigations' in June 2016. This resource aims to help public sector agencies conduct fair and thorough internal investigations of misconduct allegations – reducing the need for IBAC to review and recommend improvements.

Building strong partnerships

IBAC is working with integrity bodies and public sector agencies to achieve the best anti-corruption outcomes and help agencies retain primary responsibility for preventing corruption. We delivered an engagement program with senior leaders, including public sector boards and executive teams, to heighten awareness of IBAC's role and the importance of corruption prevention. In addition, IBAC's CEO met twice with the Victorian Secretaries' Board to discuss integrity in the public sector.

To support information sharing and cooperation between Victorian integrity agencies, our Commissioner chairs the Integrity Consultative Committee, with membership comprising the Victorian Auditor-General, Victorian Ombudsman, Victorian Inspector, Victorian Public Sector Commissioner, Chief Municipal Inspector, Freedom of Information Commissioner 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.

In September 2015, we partnered with the Institute of Public Administration Australia to host the Integrity in the Public Sector forum, attended by more than 200 public sector employees. Our Commissioner also participated in a panel of integrity agency heads from across Australia at the National Australia New Zealand Ombudsman Association in May 2016.

Tracking PTV's response to recommendations

In December 2015, Public Transport Victoria (PTV) reported on its program of procurement and cultural reforms, following IBAC's Operation Fitzroy exposing serious corruption. Finalised in June 2015, Operation Fitzroy investigated events at the former Department of Transport and PTV between 2006 and 2013. It resulted in multiple recommendations, while nine people and one company were charged with a range of fraud-related offences. PTV reported on the activities it took in response to IBAC's recommendations in improving:

- procurement and fraud prevention processes and systems
- staffing levels and training in key areas
- governance structure and risk auditing
- internal culture and staff awareness of corruption and fraud.

IBAC published PTV's reports in the interests of informing the community about the actions PTV advised they are taking. By sharing the lessons learned from this investigation, we also aimed to assist the public sector improve systems and processes to prevent corruption.

Engaging a bigger digital audience

While we are limited in what information we can share (for legal and operational reasons), we aim to produce high quality, active and relevant communications. We issue quarterly newsletters to an audience of more than 2000 people, connect with more than 1500 Twitter followers and release podcasts and other multimedia products. Through these avenues, we continue to develop interesting and engaging content to keep corruption on the public agenda and share information on how it can be prevented. As a result of our efforts, unique web visits grew by 15 per cent in the past year.

Identifying the red flags of corruption

In October 2015, we partnered with the Victorian Ombudsman to issue a warning about the risks of inadequate recruitment practices and information sharing between public sector agencies. Our two organisations pointed to the problems of 'recycling' of employees with problematic discipline, complaint or criminal histories, and urged the Victorian Public Service to strengthen probity in recruitment practices.

Public sector employees accused of misconduct or corruption often resign before an investigation concludes, avoiding disciplinary action. Unless specific probity checking arrangements exist between agencies, these problematic staff are re-employed elsewhere in the public sector with a clean record and can continue their ways.

Commissioner Stephen O'Bryan QC

To mark Fraud Awareness Week in November 2015, IBAC released a resource kit for government communicators about procurement corruption vulnerabilities. This included information sheets, a presentation, podcast, video and internal communication materials to help public sector employees recognise some of the warning signs that procurement processes may be corrupted. The kit was distributed (on request) to more than 70 public sector agencies, while also being made available on the IBAC website.

Outlook

Highlighting police trends and research

Due to competing priorities, some of IBAC's research projects due for release in 2015/16 were rescheduled while we increased staff numbers in this area. At time of printing, the projects below (and one other) are due for imminent release.

Victoria Police complaint handling

In the past year, we audited more than 400 complaints handled by Victoria Police at the regional level, looking at their timeliness, the impartiality of the investigation, the appropriateness of the investigative process and record keeping. From this project, we are identifying issues and areas for Victoria Police to improve its complaint handling systems.

Corruption and misconduct risks posed by Protective Services Officers

IBAC has undertaken a thematic intelligence assessment on the corruption and misconduct risks associated with transit PSOs. Such risks may include exceeding powers in relation to requests for personal information, use of excessive force, inappropriate use of information, inappropriate use of social media and predatory behaviour.

Police drink driving trends

In analysing drink driving trends among Victoria Police employees between 2000 and 2015, we are examining issues such as the number of drink driving incidents involving police officers, the average blood alcohol concentration readings detected, and whether the officer was driving a police or personal vehicle.

With additional resourcing to our strategic intelligence unit, the following research projects are also due for completion in 2016/17:

Use of force by and against Victoria Police

IBAC is using the Victoria Police Use of Force Register to identify trends and issues around when and how force is used by and against police officers. The data will assist in ongoing monitoring and will also help identify emerging issues that may inform more targeted reviews into use of force practices by Victoria Police.

Managing police officers with multiple complaints

IBAC is examining identified police officers with multiple complaints and the systems and processes that Victoria Police has in place to manage them. It follows analysis of the Victoria Police Register of Complaints Serious Incidents and Discipline database which showed:

- around five per cent of the total sworn workforce is responsible for more than 20 per cent of all complaints made against police
- five per cent of officers have accumulated nine or more complaints individually during their careers.

Keeping prevention top of mind

IBAC is set to launch a series of campaign and engagement activities to increase community, police and public sector understanding of corruption and improve reporting of corruption.

Our focus is on helping people to identify public sector corruption, and to report it when they suspect it is happening. At an organisational level, IBAC continues to support departments and agencies to strengthen their systems and policies, and to build cultures that resist corruption.

3

Building our organisation

Having a highly skilled and motivated workforce is integral to achieving our strategic goals. IBAC continually looks for ways to enhance our capabilities and gain efficiencies through advanced workforce planning. One of our fundamental aims is to provide a safe and healthy workplace that fosters a collaborative, positive culture underpinned by our values. Such an environment allows us to achieve quality outcomes in a supportive, rewarding and challenging environment. This chapter focuses on our workforce, organisational health and development, and workplace training.

Strategic goal	Building our organisation

Highlights

- Developed a tailored skills and behaviour statement to articulate the high standards we expect of our employees.
- Developed IBAC's Employee Value Proposition and Recognition Framework to be relevant to our environment, our people and potential candidates.
- Mobilised our workforce by enabling staff to access IBAC systems and information at any time and from any location, through delivery of key information technology projects.

Workforce Profile

Comparative workforce data (i) (ii)

Table 12: Full time equivalents (FTE) staffing trends

	2014	2015	2016
FTE	136.2	140.6	**133.9**

Table 13: Summary of employment levels in June

	Ongoing			Fixed term/casual	
	Employees (head count)	Full time (head count)	Part time (head count)	FTE	FTE
June 2014	124	113	11	120.0	16.2
June 2015	110	100	10	106.4	34.2
June 2016	106	96	10	102.5	31.4

Table 14: Details of employment levels

	June 2014			June 2015			June 2016		
	Ongoing		Fixed term/ casual	Ongoing		Fixed term/ casual	Ongoing		Fixed term/ casual
	Head count	FTE	FTE	Head count	FTE	FTE	Head count	FTE	FTE
Gender									
Male	65.0	64.4	7.6	52.0	51.6	17.6	**54.0**	**53.6**	**20.0**
Female	65.0	61.6	8.6	58.0	54.8	16.6	**52.0**	**48.9**	**11.4**
Age									
Under 25	3.0	3.0	1.0	0.0	0.0	1.0	**0.0**	**0.0**	**1.0**
25-34	34.0	33.0	5.4	33.0	32.4	14.6	**32.0**	**30.8**	**12.0**
35-44	47.0	44.9	3.8	35.0	32.9	10.6	**34.0**	**32.0**	**9.4**
45-54	36.0	35.1	6.0	37.0	36.1	6.0	**33.0**	**32.7**	**6.0**
55-64	9.0	9.0	0.0	4.0	4.0	2.0	**7.0**	**7.0**	**3.0**
Over 64	1.0	1.0	0.0	1.0	1.0	0.0	**0.0**	**0.0**	**0.0**
Classification									
VPS2	0.0	0.0	0.4	0.0	0.0	1.6	**0.0**	**0.0**	**1.0**
VPS3	25.0	23.1	5.0	27.0	25.5	2.0	**26.0**	**23.9**	**2.0**
VPS4	31.0	30.4	3.0	25.0	24.6	9.8	**30.0**	**29.6**	**5.0**
VPS5	37.0	36.0	4.8	37.0	35.8	11.8	**31.0**	**30.2**	**15.6**
VPS6	23.0	22.5	2.0	17.0	16.5	9.0	**15.0**	**14.8**	**7.8**
STS	8.0	8.0	1.0	4.0	4.0	0.0	**4.0**	**4.0**	**0.0**
Total	**124**	**120**	**16.2**	**110**	**106.4**	**34.2**	**106**	**102.5**	**31.4**

VPS/STS Employees have been correctly classified in the above workforce data collection. For Executive officer data, see page 54

Employees have been correctly classified in the above workforce data collection.

(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 2016 we had 106 ongoing staff with approximately 9.4 per cent of those people employed on a part-time basis. IBAC's workforce is almost evenly split between males and females, with the largest proportion of our people within the 35 to 44 age bracket.

Challenges

Embedding change

Following Machinery of Government changes, we were required to transfer to new payroll and leave recording systems from 1 July 2015. We minimised the impact on staff by accurately processing all the changes to employee records and payments. However, the loss of our online performance management and learning management systems impacted on our ability to track and monitor staff performance. We were able to mitigate this impact by sourcing and implementing a new learning and management system, iLearn, in January 2016 (page 44).

Recruiting a highly skilled workforce

Recruitment continues to be a challenge for IBAC, due to the highly technical and skilled roles we require – for example, candidates with contemporary investigations skills, lawyers with strong criminal or government knowledge, and IT specialists for our High Tech Crime team. At times we had to go back to market to find the right skills and experience.

IBAC applies merit and equity principles when appointing staff, ensuring applicants are assessed and evaluated fairly and equitably on the basis of the key selection criteria and other accountabilities without discrimination.

Achievements

Attracting and retaining the best people

We conducted a series of staff focus groups to help us understand why our staff joined IBAC and why they are motivated to stay. Their feedback helped us develop an Employee Value Proposition to prospective and current employees at three different stages: 'Joining us', 'Developing you' and 'Recognising you'.

In the past year, we worked with staff to develop a consistent approach to acknowledging their achievements and performance and recognising efforts which go above and beyond what is expected in performing their duties. This contributed to a continued retention rate of 81 per cent.

Setting high expectation of skills and behaviours

Our new skills and behaviours statement articulates the professional skills and behaviours expected of IBAC officers. This draws from both IBAC and Victorian Public Sector (VPS) values and is designed to support staff and managers to be most effective in their roles. The statement has been incorporated into IBAC's 2016/17 performance development process and will further influence professional development programs, career development and succession planning.

In July 2015, we reviewed all position descriptions to ensure they accurately detailed role requirements. In turn, this provided a strong platform for the 2015/16 performance year, allowing us to offer staff development opportunities through secondments to other business units, acting-up and project-based positions. This recognised our top talent and provided pathways for employees to build careers at both IBAC and the wider VPS.

Succession planning exercises identified:

- critical roles, capabilities and individuals
- emerging talent
- career development opportunities
- cross-functional project opportunities.

In addition, the exercise presented the opportunity to forecast future requirements in a developing work environment. From this work we developed mitigation strategies to reduce potential risks of unfilled critical roles and reduced capabilities.

Achievements (cont)

Negotiating employee terms and conditions

For the first time since our establishment, we were able to examine terms and conditions of employment through the Victorian Public Service Enterprise Agreement 2016. Appendix 10 of the enterprise agreement now provides specific employment information for IBAC officers that reflect our operating environment.

IBAC employees participated in negotiations, providing an opportunity for management and employees to progress our operational need for flexibility.

Reflecting our values

In the past year we continued to embed our values and increase their profile in our policies and practices around recruitment, induction, training, staff recognition, change management and assessment of staff performance.

To improve staff awareness of our values, we also developed new posters and screensavers which featured staff quotes reflecting on how they practically apply the values to their job.

Developing our people

All staff have an annual performance development plan (PDP). People managers were this year provided with new, set measures of success for their PDP. This created a shared understanding that they were expected to:

- effectively drive and manage change
- lead, plan and direct an effective, values driven and collaborative unit
- proactively lead, collaborate and consult to ensure occupational health and safety (OH&S) is considered in all aspects of the business
- strengthen employee engagement.

Supporting staff

IBAC has a range of work/life balance options to help employees balance the demands of work and their personal commitments. Discussion about appropriate working arrangements and flexibility in the way work can be performed is encouraged. Our employees have reasonable access to:

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

We have taken all practical measures to comply with our obligations under the *Carers Recognition Act 2012*. These include:

- a range of leave options in accordance with the Victorian Public Service Enterprise Agreement 2016
- considering the carer relationships principles set out in the Act when setting policies and providing flexibility
- offering our staff and their families an Employee Assistance Program, a confidential and free counselling service to help staff with personal or work-related issues.

We also provided lunchtime seminars on self-management skills and work-related topics such as positive psychology in the workplace.

I most associate with our value of Fairness. I appreciate that we take a balanced and objective view of each case.

IBAC employee

Achievements (cont)

iLearn

Supporting staff to undertake vital workplace training at their own pace, IBAC launched a new online, interactive learning management system. Called iLearn, the system provides a place for employees to take a short online training course, apply for learning and development events, schedule internal workshops, or take an induction course.

A requirement from our Audit and Risk Management Committee (page 55), all staff undertook six tailored, compulsory learning modules covering important topics such as Conflict of interest, OH&S, manual handling, Charter of Human Rights, privacy and data protection and our Code of Conduct. All six modules now form part of the IBAC induction program.

Learning and development program

Our Learning and Development Plan supports staff in building personal capability and developing new skills. This year we spent $337,066 (excluding approved membership fees) on training and professional development, and we supported staff to attend industry seminars, professional development forums and conferences. Eleven employees received study assistance.

We continued our focus on developing employee's knowledge and skills to enhance their capability and capacity to deliver on IBAC's strategic objectives. To achieve this, targeted group training was provided to relevant teams on topics such as:

- defensive driving
- search warrants
- investigative interviewing
- project management
- risk management
- change management
- supervisory/people management training/ coaching
- advanced/intermediate Excel and Tableau
- first aid.

Supporting staff in their work

A flexible, mobile workforce

To specifically support flexibility and mobility, IBAC accelerated delivery of key information technology programs in the past year. This included installing office Wi-Fi to allow employees the ability to keep connected to their systems while roaming the office. This is complemented by our new client virtualised environment which:

- allows employees to access IBAC systems and information at any time and from any location
- provides the flexibility of working from workstations, laptops, tablets or phone
- is highly secure and safeguarded by triple-factor authentication process (higher than best practice).

IBAC also implemented a new system for secure and auditable transfer of information between internal and external locations. This was successfully used to transfer exhibits during the public examinations for Operations Dunham and Ross.

Table 15: Information and communication technology (ICT) expenditure

	$ million
Business as usual (BAU ICT expenditure (total)	$3.63
Non-BAU ICT expenditure (total=operational expenditure and capital expenditure)	$0.65
Operation expenditure	$0.32
Capital expenditure	$0.33

For the 2015/16 reporting period, IBAC had a total ICT expenditure of $3.63 million. ICT expenditure refers to IBAC's costs in providing business enabling ICT services. It comprises BAU ICT expenditure and non-BAU ICT expenditure. Non-BAU ICT expenditure relates to extending or enhancing IBAC's current ICT capabilities. BAU ICT expenditure is all remaining ICT expenditure which primarily relates to ongoing activities to operate and maintain the current ICT capability.

Information management

This year we commenced a three-year program to improve how we manage and share information in a secure environment. Complementing our existing records management system HP TRIM, the SharePoint document management system will be

upgraded from being solely a corporate intranet to include collaborative project and team sites, and provide improved and automated business administration processes.

Sharing news and information

We have a range of ways to communicate and engage with staff. Our fortnightly staff newsletter supplements monthly all-staff meetings and regular updates from the CEO, and we undertake annual surveys around communication and information sharing.

The 2015 survey found a significant improvement in staff satisfaction with internal and leadership communication – 93 per cent of staff were satisfied/very satisfied they were given the information they need to do their job in 2015, compared to 53 per cent in 2013.

[Internal communication] has made a huge difference in how much I know and interact with my colleagues – there's been a big shift in how we work between teams.

IBAC officer

Social connections

IBAC's active Social Committee promotes staff interaction and engagement through regular social events. To demonstrate appropriate use of public funds, IBAC staff events are entirely funded and organised by the Social Committee through the proceeds of social events, workplace initiatives, voluntary payroll deductions and honesty-based snack kiosks.

Disability Action Plan

Our Disability Action Plan helps us remove barriers that prevent people with a disability from participating in our activities, accessing our services and from gaining and keeping employment. Planning in this area also considers how changing practices may result in discrimination and actions that can be taken to remove these barriers. IBAC complies with the *Disability Act 2006* through:

1. **Reducing barriers to accessing services and facilities**
   - Our office meets disability access standards and we are responsive to reasonable requests to modify programs and services to accommodate people's needs.
   - We refined internal processes for people making complaints through the National Relay Service.
   - We provide audio devices at public examinations for people with hearing impairments, while private examination facilities have audio amplification for hearing impaired staff or witnesses.
   - We provide public reports in accessible HTML on our website, and (on request) in large print or audio format.
   - We accompany online multimedia products with captions or transcripts.
2. **Reducing barriers to obtaining and maintaining employment**
   - Staff undergo compulsory training around our Respect in the Workplace policy and related guidelines.
   - We maintain a merit-based recruitment and selection framework that is fair and equitable.
   - We provide a link to JobAccess information on our website.
3. **Promoting inclusion and participation**
   - We have established frameworks, policies and guidelines based on IBAC's core values of fairness, professionalism, courage, respect and trust.
   - We mark complaints/notifications involving particular concerns regarding the treatment of a person with a disability for review.
   - Part of our police oversight role, we ensure police officers have regard to the Charter of Human Rights.
4. **Achieving tangible changes in attitudes and practices which discriminate against persons with a disability**

   We incorporated questions into the 2016 People Matter survey (page 48) to gather information about staff attitudes towards disability. This information will be used to assess the need for additional training for IBAC staff about disability awareness.

Occupational health and safety

IBAC seeks to provide and maintain a healthy, safe working environment for our people and visitors in accordance with the *Occupational Health and Safety Act 2004* and associated regulations. During the 2015/16 financial year, IBAC improved the health and safety of our people through our OH&S strategy, and audited our management system and legal compliance.

OH&S Strategy

Our two-year strategy details our health and safety priorities, strategic objectives and key performance indicators that help us monitor and improve our work environment.

OH&S Committee

Our OH&S Committee is an advisory committee to the Executive that meets quarterly to discuss the health, safety and wellbeing concerns of staff and other people in the workplace. The Director Corporate Services is the executive sponsor of the committee. The committee is comprised of both management and Health and Safety Representatives from six designated work groups.

Health and safety representatives

All Health and Safety Representatives have completed WorkSafe-approved training and represent the views and concerns of their colleagues.

IBAC works to prevent work-related illness and injuries occurring. 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 16: OH&S information

		2013/14	2014/15	2015/16
Incidents	Number of incidents	9	3	**16**
Claims	Number of standard claims (i)	1	0	**1**
	Number of lost time claims (i)	0	0	**0**
	Number of claims exceeding 13 weeks (i)	0	1	**1**
Fatalities	Fatality claims	0	0	**0**
Claim costs	Average cost per standard claim (i)	$4595	$68,545	**$60,828**
Management commitment	Evidence of OH&S policy statement, OH&S objectives, regular reporting to senior management of OH&S, and OH&S plans (signed by CEO)	Completed	Completed	**Completed**
	Evidence of OH&S criteria in purchasing guidelines (including goods, services and personnel)	Completed	Completed	**Completed**
Consultation and participation	Evidence of agreed structure of designated workgroups, health and safety representatives and issue resolution procedures	Completed	Completed	**Completed**
	Compliance with agreed structure on designated workgroups, health and safety representatives and issue resolution procedures	Completed	Completed	**Completed**
Risk management	Percentage of internal audits/ inspections conducted as planned	100%	100%	**100%**
	Percentage of issues identified actioned arising from:			
	• health and safety representative provisional improvement notices	0	0	**0**
	• WorkSafe notices	0	0	**0**

(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.

The increase in the number of incidents in 2015/16 is due to improved communication and advice to staff and growing awareness of employee reporting responsibilities.

Promoting health and wellbeing

Ensuring the health and safety of our staff and others involved in our work is a foremost priority. An area that has come under recent scrutiny concerns the welfare of people involved in IBAC investigations.

We recognise that our investigations can (and do) place people under stress, particularly when they are persons of interest in alleged serious corruption or police misconduct. As a result, IBAC has a range of measures in place to mitigate the associated risks.

This year, for example, we experienced an incident of possible attempted self-harm by a person involved in an IBAC investigation. IBAC notified the appropriate agencies of this incident and subsequently reviewed our risk assessment, security and examination policies and procedures, and made some minor amendments. An independent assessment of our facilities has also been undertaken.

Through almost three-and-a-half years of full operations, IBAC has established a sound track record of ensuring the health and safety of those involved in our investigations. We remain responsive to any opportunities to further strengthen our systems and practices in this critical area.

To support our staff, our health and wellbeing program this year offered a range of activities, such as:

- flu vaccinations
- walking groups
- participation in events like Movember and RUOK?Day
- quit smoking assistance
- ergonomic assessments
- Employee Assistance Program (EAP).

We also provided a new incentive for staff to take part in charity sporting events by offering a $100 discount on entry fees.

A healthy, sustainable office

IBAC continued to roll out its office refurbishment program, with the aim of achieving a 4.5 to 5-star NABER Energy rating. We will be reassessing our rating when the refurbishment is complete in 2016/17.

Energy and water efficiency

We minimise use of electricity and water through:

- as-needs washing of IBAC vehicles
- installing energy efficient office equipment, such as printers and photocopiers
- pool printing and power saving measures on all computers
- highly energy efficient lighting which turns off in unstaffed areas
- installation of dual-flush toilets

Waste management and recycling

IBAC changed to a more sustainable paper for all photocopiers and we encourage staff to print double-sided and only when necessary in order to reduce our paper use. We provide paper recycling bins in every business area and recycle ink cartridges and computer equipment.

Building Act

IBAC does not own or control any government buildings and consequently is exempt from notifying its compliance with the building and maintenance provisions of the *Building Act 1993.*

Outlook

Launching a new source of information

We have engaged a supplier to redevelop our corporate intranet, 'the Source', to improve internal communication and collaboration opportunities. Integrated with our records management system, the Source will streamline internal processes and improve how we share and source information.

Tracking staff sentiment

In May 2016, IBAC participated in its second People Matter survey with 74 per cent of staff responding. Feedback from our people will enable us to develop appropriate workplace initiatives in 2016/17 and set benchmark measures for new questions around learning and development, wellbeing and change management.

4

Ensuring accountability

As an integrity body, we aim to model exemplary standards of accountability. We are subject to external scrutiny to demonstrate how we use our powers responsibly, comply with our various legal obligations and effectively manage risk. Through strong leadership and governance, we regularly audit and review our operational, administrative and financial performance and decisions. We also seek independent advice regarding the efficiency of our core systems and processes – all to ensure Victorians can have confidence that we are using our powers and resources appropriately.

Strategic goal	Ensuring accountability and independence

Highlights

- Achieved compliance with external reporting requirements and all legislated obligations, including around use of our powers.
- Tabled three special reports on investigation and prevention activities to Parliament.
- Finalised a comprehensive business resilience framework, ensuring IBAC is prepared for any interruption to our business.
- Developed a more comprehensive corporate compliance framework, endorsed by our Audit and Risk Management Committee.
- Underwent a comprehensive internal audit program which resulted in 111 recommendations, with all actions endorsed.

Oversight

For legal and operational reasons, a lot of our work cannot be reported publicly. Consequently, it is essential for us to have robust reporting and external oversight in place to demonstrate we are exercising our powers responsibly. IBAC complied with its legislated obligations in the past year – both in external reporting and in the use of our powers. We also engaged with our various oversight bodies that consider IBAC's performance and decisions.

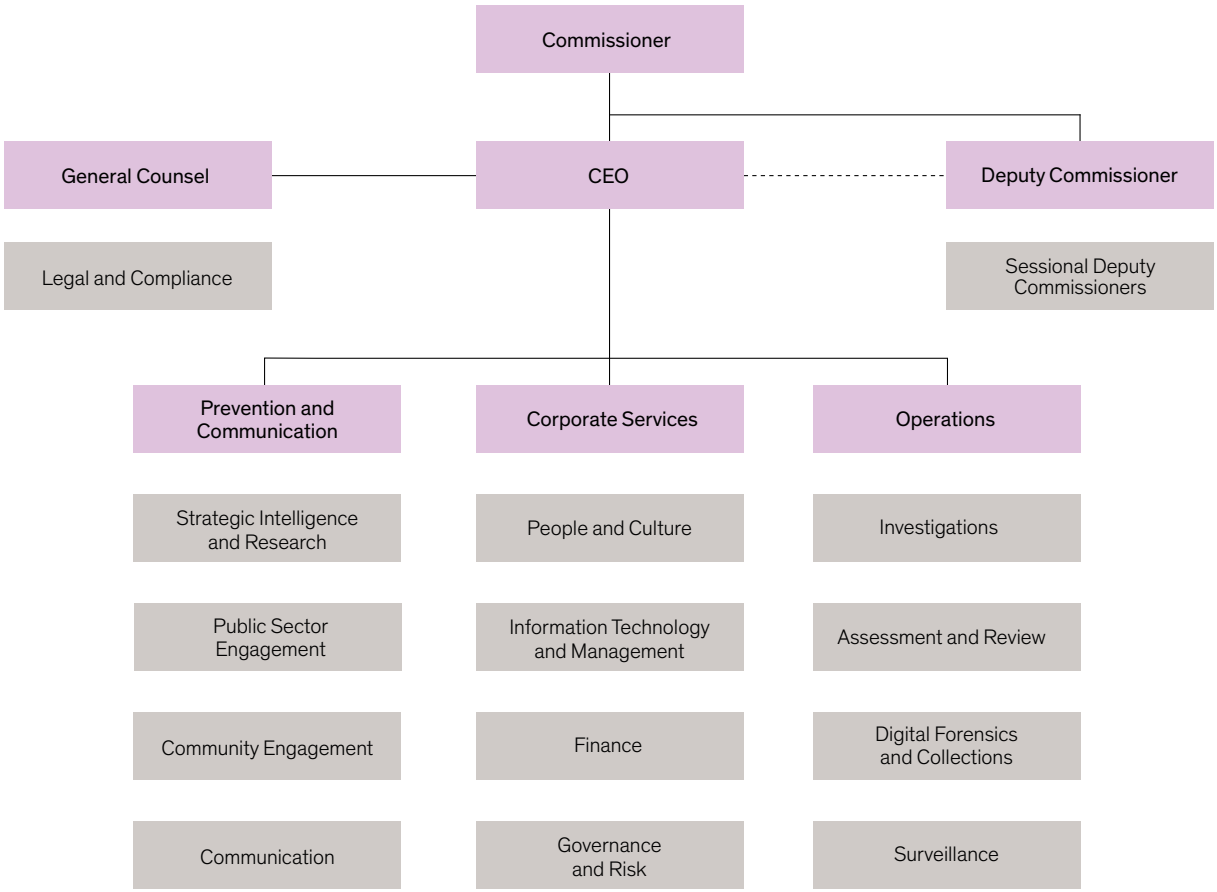
Table 17: Oversight activity

Body	Role	2015/16 activity
IBAC Parliamentary Committee	• Monitors and reviews our performance and functions • Examines reports published by IBAC	In 2015/16, the Committee conducted two inquiries related to IBAC's functions and legislation, specifically examining: • the State Government's proposed changes to Victoria's integrity legislation, as detailed in the Committee's final report, 'Strengthening Victoria's integrity system?' • operation of, and potential improvements to, Victoria's protected disclosure regime. Transcripts of IBAC's testimony before the Committee's hearings are available at www.www.parliament.vic.gov.au The Committee also considered the three reports we tabled to Parliament regarding our operational and prevention activities: • Operation Ord special report (page 24) • Operation Darby special report (page 20) • Special report concerning police oversight (page 35).
Victorian Inspectorate	• Monitors our compliance with the IBAC Act and other laws • Oversees our performance under the Protected Disclosure Act • Receives and investigates complaints about IBAC	We submitted two reports* setting out statistical data on IBAC's controlled operation activity, under the *Crimes (Controlled Operations) Act 2004*. As required, the Victorian Inspectorate also conducted two inspections to ensure records relating to surveillance devices, interception warrants and controlled operations were legally compliant and kept securely. IBAC also participated in a monitoring program initiated by the Victorian Inspectorate to gain a better understanding of our structure and how we perform our functions.
Victorian Special Minister of State	Receives reports on telecommunications interception warrants	As required by the *Telecommunications (Interception) (State Provisions) Act 1988*, we submitted reports* on our use of information obtained by interceptions under warrant, as well as communication of that information outside of IBAC.
Victorian Attorney-General	Receives reports on: • telecommunications interception warrants • surveillance device warrants • assumed identities	We provided annual reports* detailing statistical data and complying with our obligations under the: • *Crimes (Assumed Identities) Act 2004* • *Telecommunications (Interception) (State Provisions) Act 1988* • *Surveillance Devices Act 1999.*
Public Interest Monitor	Reviews our applications for surveillance device and telecommunications interception warrants	The Public Interest Monitor appeared at hearings for these IBAC applications to test the content and sufficiency of the information relied on and the circumstances of the applications.
Supreme Court Magistrates' Court	Receives reports on IBAC surveillance device warrants	The issuing judge or magistrate for all IBAC surveillance device warrants received reports* setting out details relating to each warrant issued to IBAC.
Commonwealth Ombudsman	Inspects IBAC's use of stored communications warrants and telecommunications data	The Ombudsman inspected IBAC's telecommunications data records to ensure compliance with Chapters 3 and 4 of the *Telecommunications (Interception and Access) Act 1979.*
Commonwealth Attorney-General	Receives reports on IBAC's telecommunications interception warrants, telecommunications data authorisations and stored communications warrants	Under the *Telecommunications (Interception and Access) Act 1979* we submitted an annual report* setting out statistical data and other details as required.

* Due to necessary legal restrictions, the content of these reports cannot be detailed.

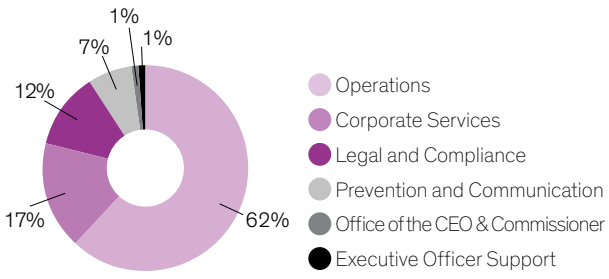
Corporate structure and leadership

Figure 5: Our organisational structure



There were no structural changes in 2015/16.

Figure 6: Divisional staffing as at 30 June



The highest proportion of staff is in our Operations division, which is responsible for assessing all complaints and notifications, reviewing external investigations, and investigating alleged serious corruption and misconduct. It also delivers a range of technical support functions, such as surveillance, high tech crime and electronic collections. The division features multi-disciplinary investigation teams that include analysts, forensic accountants and lawyers.

(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*.

Corporate structure and leadership (cont)

Our Commissioner

Commissioner Stephen O'Bryan QC

IBAC's Commissioner is an independent officer of Parliament and is responsible for our strategic leadership.

Mr O'Bryan was appointed as the first Commissioner on 1 January 2013. He brings 30 years of legal experience to IBAC. 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. Mr O'Bryan's qualifications include a Bachelor of Laws and a Master of Laws from Melbourne University.

Our Deputy Commissioners assist and advise the Commissioner by exercising delegated operational powers. This includes issuing summonses and confidentiality notices and presiding at some examinations.

Deputy Commissioner Simon Heath

Mr Heath was appointed the full-time Deputy Commissioner on 13 August 2013. He has been practising law for more than 30 years and was previously a partner in private practice specialising in litigation, administrative law, insurance and insolvency. Mr Heath holds 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 is a member of the Law Institute of Victoria.

Deputy Commissioner Andrew Kirkham AM RFD QC

Mr Kirkham was appointed a Deputy Commissioner on 16 April 2013 for a three-year term (now completed). He had 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 President of the Australian Bar Association. Mr Kirkham holds a Bachelor of Laws from Melbourne University and was appointed a Member of the Order of Australia in 2006 for exceptional services in the field of military law.

Deputy Commissioner Geoffrey Horgan QC

Mr Horgan was appointed a Deputy Commissioner on 24 September 2013 for a three-year term and performs like duties to Mr Kirkham on a sessional basis. Mr Horgan practised as a barrister for 38 years, as well as two years as a magistrate, and became Senior Council in 2000. 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. Mr Horgan holds bachelor degrees in Jurisprudence and Laws from Monash University.

Our Executive

Led by the CEO, our Executive team comprises the head of each of IBAC's four divisions. This senior management group provides leadership and direction, and ensures we meet our strategic goals and legislative responsibilities in a way that is accountable and responsible.

CEO Alistair Maclean

Our Chief Executive Officer is responsible for the general conduct and the effective, efficient and economical management of the functions and activities of IBAC.

Mr Maclean 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. He fulfilled various roles in Canberra, including as a senior advisor to the Prime Minister. Mr Maclean holds a Bachelor of Arts (Honours) degree from the University of Melbourne and a Master of International Law degree from the Australian National University. He is a graduate of the Australian Institute of Company Directors.

General Counsel Dr John Lynch PSM

Our General Council leads the in-house legal unit, providing legal services on a broad range of matters, such as Counsel Assisting for examinations, litigation support, compliance services and investigations support.

Dr Lynch joined IBAC in April 2013. He has extensive experience in legal practice and policy development. Between 2005 and 2012, he held the prerogative office of Crown Counsel providing high-level legal and policy advice to the Attorney-General. Dr Lynch holds degrees in Law and Arts and a Master of Laws from Melbourne University, and a PhD from the La Trobe University law school. In 2013, he was awarded the Public Service Medal for outstanding service to the justice system in Victoria.

Director Prevention and Communication Christine Howlett

Our Director Prevention and Communication leads the delivery of IBAC's corruption prevention mandate, including our strategic intelligence, research, engagement and communication functions.

Ms Howlett joined IBAC in January 2013. She has substantial executive experience across state and federal government agencies, primarily in the justice and human services sectors. Ms Howlett 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.

Director Corporate Services Sharon Kelsey

Our Director Corporate and Services leads the finance, information technology and management, risk audit and governance (including corporate planning), and human resources teams.

Ms Kelsey joined IBAC in September 2015. She has significant experience as a CEO and executive in local government, and the private sector. She is admitted as a barrister and solicitor and has previously served as a police officer. Ms Kelsey holds a Bachelor of Laws (with Honours) from University of Adelaide, a Master of Comparative Law from University of Adelaide/ Mannheim University (Germany) and a Graduate Diploma in Occupational Hazard Management from the University of Ballarat. She has been a board member with numerous peak bodies and was company secretary for the Great South Coast Group.

Corporate structure and leadership (cont)

Director Operations Robert Sutton

Our Director Operations is responsible for leading IBAC's investigations unit and support services function as well as the assessment and review function, which manages receipt of complaints and notifications.

Mr Sutton joined IBAC in February 2013. He 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 investigations at the Wood Royal Commission and the Police Integrity Commission in NSW and held senior investigative roles at the Kennedy Royal Commission and the Corruption and Crime Commission in WA. Mr Sutton has completed a number of national and international leadership and management courses focused on the conduct and oversight of serious and complex investigations.

Director Specialist Services Christopher Keen

The former Specialist Services division merged with Operations in June 2015.

Mr Keen worked with IBAC from January 2013 to September 2015. He has more than 30 years' experience in law enforcement and security intelligence and holds a Bachelor of Arts from Adelaide University and completed the Public Sector Management Course. Mr Keen 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 State Manager, Queensland. He is an experienced manager, intelligence analyst and security intelligence operational officer.

Table 18: Executive officer data

	Male		Female		Vacancies
	Number	Variance from 2014/15	Number	Variance from 2014/15	Number
EO1	1	–	–	–	–
EO2	2	[1]	2	1	–
EO3	5	1	2	1	3
Other	–	–	–	[2]	–
Total	**8**	**–**	**4**	**–**	**3**

(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.*

Corporate governance

We recognise that people expect IBAC to have exemplary corporate governance and we are working hard to achieve this.

We have robust internal processes in place to ensure we comply with our stringent reporting and legislative obligations, and meet stakeholder expectations.

Governing business decisions

With strategic direction provided by our Commissioner and CEO, we have two key decision-making committees made up of senior staff to drive improvements to our business and processes. In the past year, we introduced new quarterly reporting requirements from all business areas, ensuring the committees maintain oversight of major projects and business-as-usual activity.

- The **Executive Committee** met fortnightly to monitor delivery of our Corporate Plan, and organisational capacity and capability. This year, the committee endorsed the 2015-2018 Corporate Plan (page 13), a new internal budget and business planning process, and considered multiple major projects and procurement activities.
- The **Operations and Prevention Committee** met fortnightly to manage operational matters, including complaint outcomes, and prevention and engagement activities. Beyond this, the committee also considered our organisational preparedness for legislative change and endorsed intelligence and research projects.

IBAC has a transparent business planning process that allows input from across the organisation. This ensures all staff understand and share responsibility for our organisational outcomes. This year, IBAC started preparing for the mid-term evaluation of our three-year Corporate Plan, including how we are performing against our strategic goals.

Managing risk

Risk management is an integral part of IBAC's decision-making, planning and service delivery. Risk is managed through our internal Risk Management Framework and associated processes, with additional oversight by our Audit and Risk Management Committee. Our risk management is aligned to the AS/NZ International Standard (ISO) 31000:2009 (Risk Management) and the Victorian Government Risk Management Framework.

Audit and Risk Management Committee

IBAC's Audit and Risk Management 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 met four times throughout the year, and ensured we:

- complied with our legislative obligations under the Financial Management Act
- appropriately identified and managed organisational risks
- tested, evaluated and recommended improvements to our internal control systems
- complied with legislative compliance requirements
- complied with OH&S requirements
- maintained appropriate levels of insurance
- were financially responsible.

The committee comprises one internal member and four external independent members, with remuneration totalling $32,276 (ex GST) for 2015/16. External membership is:

- Mr Don Challen AM
- Mr Peter Moloney
- Mr Ron Bonighton AM
- Ms Julianne Byron.

Risk management actions

Our Risk Management Framework consists of our Risk Management Strategy, Policy Statement, Appetite Statement, and our material and divisional risk registers. This framework was independently reviewed in 2015/16, and as a result, we developed an operational level risk management procedure. We also improved how the framework aligns with international standards and the Victorian Government Risk Management Framework, and modified our material risk register.

Corporate governance (cont)

Identifying, managing and treating organisational risk is built in to IBAC processes and systems. With risks spanning safety, financial, reputational, legal and functional considerations, we have the following checks in place:

- We review IBAC's strategic and divisional risk registers and organisational risk appetite statement every quarter.
- We apply operational risk management procedures to key operational activities (for example, executing a search warrant).
- All new staff are cleared through high-level security vetting, with ongoing requirements for employees to declare changes in circumstance, conflicts of interest and declarable associations.
- We have established corruption prevention measures, including a fraud and corruption prevention policy, and a gifts, benefits and hospitality register.
- Our extensive Annual Internal Audit Plan, part of a rolling three-year Strategic Audit Plan, focuses on testing controls in high-risk areas.

In the past year, we reported against the framework twice to the Audit and Risk Management Committee. The committee once again expressed confidence that we place sufficient resources into assessing and mitigating risk, provide for proactive management of risk, and review registers at least every quarter.

Internal audit program

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

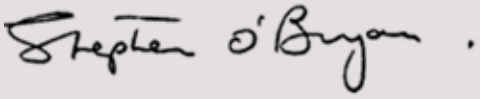
IBAC reports quarterly to the Audit and Risk Management Committee on the Internal Audit Plan, including:

- a summary of the audit completed within that quarter, the key findings and agreed management actions to address the findings. Once endorsed by the committee these management actions are then placed on a rolling Audit Summary Report that is updated monthly by managers with regards to their achievement against agreed management actions
- a summary of the scope for the next audit
- an update on the audit summary report. Completed management actions are reviewed before removal, and updates provided on any outstanding actions.

In 2015/16, we undertook five thorough internal audits focusing on information management, financial controls and handling of other agencies' data. These audits resulted in 111 recommended actions. All actions were endorsed by both the Executive and the Audit Committee. These actions cannot be detailed as they would reveal IBAC's operational processes and systems.

Risk attestation

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
Commissioner
2 September 2016

Challenges

External oversight

In the past year, the IBAC Parliamentary Committee showed great interest in the performance and functions of IBAC, holding inquiries and hearings on the State Government's reform of the integrity system, and Victoria's protected disclosure regime. The Victorian Inspectorate also undertook a program of IBAC briefings to improve their understanding of IBAC's functions and performance, including our prevention program, operations, strategic intelligence and protected disclosure processes.

Such scrutiny has required greater reporting. However, we welcome any measures that help us strengthen our systems and practices, and inform the community on how we are fulfilling our important functions.

Achievements

Planning for emergencies

To prepare IBAC for both minor incidents and large-scale emergencies, this year IBAC finalised a comprehensive business resilience framework comprising a:

- Security Management Plan
- Incident Management and Response Plan
- Business Continuity Plan
- Crisis Communications Plan.

All business areas contributed in the development of the plans to ensure we are appropriately equipped to minimise both the impact and duration of any disruption. Based on data from the Business Continuity Institute, IBAC's Business Continuity Plan focuses on the key vulnerabilities for our organisation, defining contingency plans around loss of telecommunications, extreme weather, service failure, cyber-attack and data breach.

IBAC engaged extensively with other departments and agencies in developing the contingency plans, with specific plans addressing response to power outages and code red days in accordance with Department of Premier and Cabinet planning directions. IBAC tested elements of the Business Continuity Plan and incident response procedures through desktop scenarios.

Improving governance

Improving our internal governance processes is an ongoing focus for IBAC. As a result of reviewing our committee structure and governance systems, we introduced:

- a more streamlined committee structure, reducing duplication
- a governance calendar that forecasts all internal reporting requirements, including quarterly business unit reporting, monthly specialist reporting and other quarterly or sessional reporting
- better access to the Executive by managers and team leaders through formalised reporting requirements.

In the past year, we also audited our suite of organisational policies and procedures, focusing on making critical controls stronger, and conducted internal audits of key privacy and data protection requirements.

Outlook

Focusing on outcomes

IBAC reviewed its business planning and budgetary processes, to focus on demonstrating the impact our work has in the Victorian public sector and the wider community.

The reorientation of our business to focus on real and measurable outcomes will provide a clear link between outputs at a business unit level and how that delivers on the outcomes we expect from the organisation. This approach will be further developed for our new Corporate Plan cycle in 2018.

Centralising risk and compliance processes

In the past year, we developed a comprehensive system to identify and track our fulfilment of corporate compliance obligations. In 2016/17 we intend to build on this by introducing risk and compliance software which will centralise and streamline these two fundamental pillars of good organisational governance. Providing these on a central platform will allow for better visibility across the organisation, and ultimately a greater shared understanding of our risk areas and compliance requirements.

Freedom of Information

The *Freedom of Information Act 1982* allows the public a right of access to documents held by IBAC. However, access to a large portion of our documents and other information is limited under the IBAC Act. Any information about complaints or investigations is covered by exemptions and cannot be released under freedom of information.

Table 19: Freedom of Information applications

	2013/14	2014/15	2015/16
Number applications	3	6	6
Number acceded to	0	1	1
Number reviewed	0	0	1
Number appealed	0	0	1

Making a request

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

Access charges may also apply once documents have been processed and a decision on access is made for example, photocopying and search and retrieval charges. Further information regarding Freedom of Information can found at www.foi.vic.gov.au

Protected disclosures

The *Protected Disclosure Act 2012* encourages and assists people in making disclosures of improper conduct by public officers and public bodies. The PD Act provides protection to people who make disclosures in accordance with the Act and establishes a system for the matters disclosed to be investigated and rectifying action to be taken.

IBAC does not tolerate improper conduct by employees, nor the taking of reprisals against those who come forward to disclose such conduct. We are committed to ensuring accountability in our administrative and management practices and support the making of disclosures that reveal corrupt conduct, conduct involving a substantial mismanagement of public resources, or conduct involving a substantial risk to public health and safety or the environment.

IBAC will take all reasonable steps to protect people who make such disclosures from any detrimental action in reprisal for making the disclosure. We will also afford natural justice to the person who is the subject of the disclosure to the extent it is legally possible.

Table 20: Disclosures made by IBAC under the PD Act

	2013/14	2014/15	2015/16
Number of assessable disclosures made to the Victorian Inspectorate	0	0	0

Disclosures of improper conduct or detrimental action by IBAC or any of its employees and/or officers may be made to the:

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

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

Outlook (cont)

Additional information available on request

In compliance with the requirements of the Standing Directions of the Minister for Finance, details in respect of the items listed below have been retained by IBAC and are available on request, subject to the provisions of the *Freedom of Information Act 1982*:

a) a statement that declarations of pecuniary interests have been duly completed by all relevant officers

b) details of publications produced by IBAC about IBAC and places they can be obtained

c) details of any major research and development activities undertaken by IBAC

d) details of major promotional, public relations and marketing activities undertaken by IBAC to develop community awareness of IBAC the services it provides

e) details of assessment and measures undertaken to improve the occupational health and safety of employees

f) a general statement on industrial relations within IBAC and time lost through industrial accidents and disputes

g) a list of major committees sponsored by IBAC and the purposes of each committee and the extent to which the purposes have been achieved

h) details of all consultancies and contractors including consultant/contractors engaged services provided and expenditure committed for each engagement.

The information is available on request from:

Director Prevention and Communication
Phone: 1300 735 135
Email: communications@ibac.vic.gov.au

Financial Report

for the financial year ended 30 June 2016

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 Direction 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 2016 and financial position of IBAC as at 30 June 2016.

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 2 September 2016.



S O'Bryan QC
Commissioner
IBAC

Melbourne
2 September 2016

A Maclean
Accountable Officer
IBAC

Melbourne
2 September 2016

J Koops
Chief Finance and Accounting Officer
IBAC

Melbourne
2 September 2016

VAGO
Victorian Auditor-General's Office

Level 24, 35 Collins Street
Melbourne VIC 3000

Telephone 61 3 8601 7000
Facsimile 61 3 8601 7010

Website www.audit.vic.gov.au

INDEPENDENT AUDITOR'S REPORT

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

The Financial Report

I have audited the accompanying financial report for the year ended 30 June 2016 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.

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, my staff and I 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 2016 and its financial performance and 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*.

T McLeod

MELBOURNE
5 September 2016

for Dr Peter Frost
Acting Auditor-General

IBAC Financial Report

Comprehensive operating statement for the financial year ended 30 June 2016

	Note	2016 $'000	2015 $'000
Income from transactions			
Grants	2	**32,580**	31,547
Total income from transactions		**32,580**	**31,547**
Expenses from transactions			
Employee expenses	3(a)	**19,571**	19,741
Depreciation	3(b)	**2,228**	1,520
Interest expense	3(c)	**19**	18
Other operating expenses	3(d)	**10,174**	10,006
Total expenses from transactions		**31,992**	**31,285**
Net result from transactions (net operating balance)		**588**	**262**
Other economic flows included in net result			
Other loss from other economic flows	4	**(34)**	(21)
Total other economic flows included in net result		**(34)**	**(21)**
Net result		**554**	**241**
Comprehensive result		**554**	**241**

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

Balance sheet as at 30 June 2016

	Note	2016 $'000	2015 $'000
Assets			
Financial assets			
Cash and cash equivalents	17(a)	7,594	7,399
Receivables	5	6,843	5,986
Total financial assets		**14,437**	**13,385**
Non-financial assets			
Non-financial physical assets held for sale	6	27	32
Property, plant and equipment	7	12,091	11,238
Other non-financial assets	8	583	903
Total non-financial assets		**12,701**	**12,173**
Total assets		**27,138**	**25,558**
Liabilities			
Payables	9	2,055	1,281
Borrowings	10	1,081	1,027
Provisions	11	3,787	3,519
Total liabilities		**6,923**	**5,827**
Net assets		**20,215**	**19,731**
Equity			
Accumulated surplus		14,661	14,107
Contributed capital		5,554	5,624
Net worth		**20,215**	**19,731**
Commitments for expenditure	14		
Contingent assets and contingent liabilities	15		

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

IBAC Financial Report (cont)

Statement of changes in equity for the financial year ended 30 June 2016

	Accumulated surplus $'000	Contributed capital $'000	Total $'000
Balance at 1 July 2014	**13,866**	**3,147**	**17,013**
Net result for the year	241	–	**241**
Capital contribution	–	2,539	**2,539**
Net assets disposed	–	(62)	**(62)**
Balance at 30 June 2015	**14,107**	**5,624**	**19,731**
Net result for the year	554	–	**554**
Capital contribution	–	–	**–**
Net assets disposed	–	(70)	**(70)**
Balance at 30 June 2016	**14,661**	**5,554**	**20,215**

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 2016

	Note	2016 $'000	2015 $'000
Cash flows from operating activities			
Receipts and payments			
Receipts from government		31,814	30,737
Payments to suppliers and employees		(29,880)	(29,113)
Interest paid		(19)	(18)
Net cash flows from operating activities	17(b)	**1,915**	**1,606**
Cash flows from investing activities			
Purchases of non-financial assets		(1,761)	(6,522)
Proceeds from sales of non-financial assets		311	253
Net cash flows used in investing activities		**(1,450)**	**(6,269)**
Cash flows from financing activities			
Repayment of finance leases		(270)	(280)
Owner contributions by State Government – contribution for capital expenditure purposes		–	2,539
Net cash flows from /(used in) financing activities		**(270)**	**2,259**
Net increase/(decrease) in cash and cash equivalents		**195**	**(2,404)**
Cash and cash equivalents at beginning of financial year		7,399	9,803
Cash and cash equivalents at end of financial year	17(a)	**7,594**	**7,399**

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

IBAC Financial Report (cont)

Notes to the financial report

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Notes to the financial report for the financial year ended 30 June 2016

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 2016. 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, it is 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 22.

This annual financial report was authorised for issue by the Commissioner, Accountable Officer and the Chief Financial and Accounting Officer of IBAC on 2 September 2016.

(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 except for non-financial physical assets which, subsequent to acquisition, are measured at a revalued amount being their fair value at the date of the revaluation less any subsequent accumulated depreciation and subsequent impairment losses. Revaluations are made with sufficient regularity to ensure that the carrying amounts do not materially differ from their fair value.

Consistent with AASB 13 *Fair Value Measurement,* IBAC determines the policies and procedures for both recurring fair value measurements such as property,

Note 1. Summary of significant accounting policies (cont)

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.

AASB 2015-7 *Fair Value Disclosures of Not-for-Profit Public Sector Entities* is operative from 1 July 2016 and was early adopted by the State in the 2014/15 reporting period. The early adoption still applies to 2015/16.

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.

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 22), 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 22 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.

Note 1. Summary of significant accounting policies (cont)

(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 including wages and salaries, superannuation, 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 (refer to Note 1(R)).

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 22 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.

Services provided by the Department of Justice and Regulation, Department of Premier and Cabinet and Department of Parliamentary Services

IBAC was realigned with the Department of Premier and Cabinet (DPC) from the Department of Justice and Regulation (DJR) effective 1 January 2015 as a result of machinery of government changes. IBAC, however, continued to receive a number of resources and services from DJR for the year ended 30 June 2015, which included the use of DJR's financial and payroll systems. These services were not recognised in the financial report of IBAC in 2014/15 as DJR is centrally funded to provide these services and fair value of such services cannot be reliably determined.

As of 1 July 2015, payroll services are recognised in IBAC's financial report as they are now provided by the Department of Parliamentary Services at a fee for service. Services relating to the use of financial services and systems provided by DPC have not been recognised in IBAC's financial report as fair value of these services cannot be reliably determined.

(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) on non-financial assets includes realised and unrealised gains and losses as follows:

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.

Impairment of non-financial assets

All non-financial physical assets, except for non-financial physical assets held for sale, are assessed annually for indications of impairment (refer Note 1(J)).

If there is an indication of impairment, the assets concerned are tested as to whether their carrying value exceeds their recoverable amount. Where an asset's carrying value exceeds its recoverable amount, the difference is written off as other economic flow, except to the extent that the write down can be debited to an asset revaluation surplus amount applicable to that class of asset.

If there is an indication that there has been a reversal in the estimate of an asset's recoverable amount since the last impairment loss was recognised, the carrying amount shall be increased to its recoverable amount. The impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised in prior years.

It is deemed that, in the event of the loss or destruction of an asset, the future economic benefits arising from the use of the asset will be replaced unless a specific decision to the contrary has been made. The recoverable amount for most assets is measured at the higher of depreciated replacement cost and fair value less costs to sell. Recoverable amount for assets held primarily to generate net cash inflows is measured at the higher of the present value of future cash flows expected to be obtained from the asset and fair value less costs to sell.

Refer to Note 1(J) in relation to the recognition and measurement of non-financial assets.

Other gains/(losses) from other economic flows

Other gains/(losses) from other economic flows include the gains or losses from:

- the revaluation of the present value of long service leave liability and make good provision due to changes in bond interest rates.

Note 1. Summary of significant accounting policies (cont)

(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.

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 22).

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 profit or loss.

(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.

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.

For the accounting policy on impairment of non-financial physical assets, refer to impairment of non-financial assets under Note 1(G) *Impairment of non-financial assets.*

More details about the valuation techniques and inputs used in determining the fair value of non-financial physical assets are discussed in Note 7 *Property, plant and equipment.*

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.

Note 1. Summary of significant accounting policies (cont)

(K) Liabilities

Payables

Payables consist of:

- contractual payables, such as accounts payable. 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)).

(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.

On-costs related to employee expenses

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 asset 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.

Note 1. Summary of significant accounting policies (cont)

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 14) at their nominal value and exclusive 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 15) and, if quantifiable, are measured at nominal value. Contingent assets and liabilities are presented exclusive of GST receivable or payable respectively.

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

Income, expenses, 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 Premier and Cabinet (DPC) manage GST transactions on behalf of IBAC, the GST components of IBAC's receipts and/or payments are recognised in DPC's financial report. For the year ended 30 June 2015, the Department of Justice and Regulation (DJR) managed GST transactions on behalf of IBAC and the GST components of IBAC's receipts and/or payments were recognised in DJR's financial report.

Commitments and contingent assets and liabilities are stated exclusive 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 that are considered to be of material interest.

(R) Change in accounting estimates

Reassessment of estimated useful lives of assets

During the year ended 30 June 2016, the estimated useful life of all plant and equipment was reviewed. As a result of technological advancements, the estimated useful life of a number of individual assets were reduced. The net financial impact of this reassessment in the current financial year is an increase in depreciation expense for IBAC of $16,934.

Assuming the assets are held until the end of their useful lives, depreciation of IBAC's assets for the next four years in relation to these assets will be increased or decreased by the following estimates:

Year ending 30 June	Increase/ (Decrease) $'000
2016	100
2017	97
2018	89
2019	(22)

Changes in accounting estimates used in the calculation of long service leave (LSL) provision

During the financial year, IBAC reassessed its provision for long service leave liabilities by realigning the methodology applied and reassessing the assumptions use in discounting of future payments of leave liabilities to its present value. As a result of this reassessment, the net financial impact in the current financial year is an increase in LSL provision of $23,858. The effect on future periods cannot be determined as it is impracticable to estimate.

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

Certain new AASs have been published that are not mandatory for the 30 June 2016 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 2016, the following AAS had been issued by the AASB but are not yet effective. They become effective for the first reporting periods commencing after the stated operative dates as follows:

Note 1. Summary of significant accounting policies (cont)

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 2010-7 *Amendments to Australian Accounting Standards arising from AASB 9* (December 2010)	The requirements for classifying and measuring financial liabilities were added to AASB 9. The existing requirements for the classification of financial liabilities and the ability to use the fair value option have been retained. However, where the fair value option is used for financial liabilities the change in fair value is accounted for as follows: • The change in fair value attributable to changes in credit risk is presented in other comprehensive income (OCI); and • Other fair value changes are presented in profit and loss. If this approach creates or enlarges an accounting mismatch in the profit or loss, the effect of the changes in credit risk are also presented in profit or loss.	1 Jan 2018	The assessment has identified that the amendments are likely to result in earlier recognition of impairment losses and at more regular intervals. Changes in own credit risk in respect of liabilities designated at fair value through profit and loss will now be presented within other comprehensive income (OCI). Hedge accounting will be more closely aligned with common risk management practices making it easier to have an effective hedge.
AASB 2014-1 *Amendments to Australian Accounting Standards [Part E Financial Instruments]*	Amends various AASs to reflect the AASB's decision to defer the mandatory application date of AASB 9 to annual reporting periods beginning on or after 1 January 2018 as a consequence of Chapter 6 Hedge Accounting, and to amend reduced disclosure requirements.	1 Jan 2018	This amending standard will defer the application period of AASB 9 to the 2018-19 reporting period in accordance with the transition requirements.
AASB 2014-7 *Amendments to Australian Accounting Standards arising from AASB 9*	Amends various AASs to incorporate the consequential amendments arising from the issuance of AASB 9.	1 Jan 2018	The assessment has indicated that there will be no significant impact for the public sector.

Standard/Interpretation	Summary	Applicable for annual reporting periods beginning on or after	Impact on public sector entity financial report
AASB 16 *Leases*	The key changes introduced by AASB 16 include the recognition of most operating leases (which are currently not recognised) on balance sheet.	1 Jan 2019	The assessment has indicated that as most operating leases will come on balance sheet, recognition of lease assets and lease liabilities will cause net debt to increase. Depreciation of lease assets and interest on lease liabilities will be recognised in the income statement with marginal impact on the operating surplus. The amounts of cash paid for the principal portion of the lease liability will be presented within financing activities and the amounts paid for the interest portion will be presented within operating activities in the cash flow statement. No change for lessors.
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. 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 2015/16 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 2015/16 reporting period and is considered to have insignificant impacts on public sector reporting.

- AASB 1057 *Application of Australian Accounting Standards*
- AASB 2015-2 Amendments to Australian Accounting Standards – *Disclosure Initiative: Amendments to AASB 101* [AASB 7, AASB 101, AASB 134 & AASB 1049]
- AASB 2015-9 *Amendments to Australian Accounting Standards – Scope and Application Paragraphs* [AASB 8, AASB 133 & AASB 1057]
- AASB 2016-2 *Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107*

Note 2. Income from transactions

Grants	2016 $'000	2015 $'000
General purpose grants	32,580	31,547
Total income from transactions	**32,580**	**31,547**

Note 3. Expenses from transactions

(a) Employee expenses	2016 $'000	2015 $'000
Salaries, wages and long service leave	18,010	18,097
Defined contribution superannuation expense	1,494	1,371
Defined benefit superannuation expense	24	34
Termination benefits	43	239
Total employee expenses	**19,571**	**19,741**
(b) Depreciation		
Leasehold improvements	1,274	666
Computer and communication equipment	447	272
Plant and equipment	235	303
Motor vehicles	1	3
Motor vehicles under finance lease	271	276
Total depreciation	**2,228**	**1,520**
(c) Interest expense [i]		
Interest on finance leases	19	18
Total interest expense	**19**	**18**
(d) Other operating expenses [i]		
Contractors and professional services	2,560	3,134
Technology service costs	1,672	1,427
Communications and office expenses	581	854
Travel and transport	425	385
Marketing and promotion	117	128
Training	370	262
Auditors' remuneration	30	26
Other	1,337	904
Operating lease rental expenses - lease payments	3,082	2,886
Total other operating expenses	**10,174**	**10,006**

Note: [i] Prior year comparatives have been adjusted to appropriately reflect the transactions from the sales of non-financial assets (refer to Note 4) and certain expenses have been reclassified to reflect the nature of the expenditure.

Note 4. Other economic flows included in net result

Other gains/(losses) from other economic flows	2016 $'000	2015 $'000
Net loss arising from revaluation of annual leave and long service liability	(89)	(78)
Net gain arising from revaluation of make good provision	1	–
Net gain from sales of non-financial assets [1]	54	57
Total other gains/(losses) from other economic flows	**(34)**	**(21)**

Note: [1] The net gain from sales of non-financial assets which has been disclosed in prior year as other operating expenses has been reclassified to other economic flows to appropriately reflect the nature of the transactions.

Note 5. Receivables

Current receivables	2016 $'000	2015 $'000
Contractual		
Other receivables	288	197
Statutory		
Amount owing from Government	6,064	5,269
Total current receivables	**6,352**	**5,466**
Non-current receivables		
Statutory		
Amount owing from Government	491	520
Total non-current receivables	**491**	**520**
Total receivables	**6,843**	**5,986**

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

Non-current assets	2016 $'000	2015 $'000
Motor vehicles under finance leases held for sale	27	32
Total non-financial physical assets held for sale	**27**	**32**

Note 7. Property, plant and equipment

All property, plant and equipment are classified by purpose group as 'Public safety and environment'.
The table shows the gross carrying amount, accumulated depreciation and net carrying amount for each class of assets:

Table 7.1: Gross carrying amount and accumulated depreciation

	Gross carrying amount		Accumulated depreciation		Net carrying amount	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Leasehold improvements	9,349	7,816	2,510	2,127	6,839	5,689
Assets under construction at cost	1,957	1,824	–	–	1,957	1,824
Computer and communication equipment at fair value	4,679	4,950	3,720	3,618	959	1,332
Plant and equipment at fair value	2,752	2,725	1,523	1,385	1,229	1,340
Motor vehicles at fair value	149	149	89	88	60	61
Motor vehicles under finance lease	1,432	1,387	385	395	1,047	992
	20,318	**18,851**	**8,227**	**7,613**	**12,091**	**11,238**

Table 7.2: Movements in carrying amounts

	Leasehold improvements		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		Total	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000	2016 $'000	2015 $'000	2016 $'000	2015 $'000	2016 $'000	2015 $'000	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Opening balance	5,689	1,594	1,824	1,103	1,332	665	1,340	1,063	61	59	992	810	11,238	5,294
Additions	–	–	2,572	5,482	76	971	176	610	–	5	561	656	3,385	7,724
Disposals	(15)	–	–	–	(2)	(32)	(52)	(30)	–	–	(208)	(166)	(277)	(228)
Transfer in/out of assets under construction	2,439	4,761	(2,439)	(4,761)	–	–	–	–	–	–	–	–	–	–
Depreciation	(1,274)	(666)	–	–	(447)	(272)	(235)	(303)	(1)	(3)	(271)	(276)	(2,228)	(1,520)
Transfers to asset held for sale	–	–	–	–	–	–	–	–	–	–	(27)	(32)	(27)	(32)
Closing balance	**6,839**	**5,689**	**1,957**	**1,824**	**959**	**1,332**	**1,229**	**1,340**	**60**	**61**	**1,047**	**992**	**12,091**	**11,238**

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 the items are 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 disposes 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 2016.

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

Table 7.3: Fair value measurement hierarchy for assets as at 30 June 2015 and 2016

	Carrying amount as at 30 June 2016	Fair value measurement at end of reporting period using:		
2016	$'000	Level 1 [i] $'000	Level 2 [i] $'000	Level 3 [i] $'000
Computer and communications equipment at fair value				
Computer and communications equipment at fair value	959	–	–	959
Total computer and communications equipment at fair value	**959**	**–**	**–**	**959**
Plant and equipment at fair value				
Plant and equipment at fair value	1,229	–	–	1,229
Total plant and equipment at fair value	**1,229**	**–**	**–**	**1,229**
Motor vehicles at fair value				
Motor vehicles at fair value	60	–	–	60
Total motor vehicles at fair value	**60**	**–**	**–**	**60**

Note 7. Property, plant and equipment (cont)

	Carrying amount as at 30 June 2015	Fair value measurement at end of reporting period using:		
2015	$'000	Level 1 [i] $'000	Level 2 [i] $'000	Level 3 [i] $'000
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 at fair value				
Plant and equipment at fair value	1,340	–	–	1,340
Total plant and equipment at fair value	**1,340**	**–**	**–**	**1,340**
Motor vehicles at fair value				
Motor vehicles at fair value	61	–	–	61
Total motor vehicles at fair value	**61**	**–**	**–**	**61**

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

Table 7.4: Reconciliation of Level 3 fair value

	Computer and communications equipment at fair value	Plant and equipment at fair value	Motor vehicles at fair value
2016			
Opening balance	1,332	1,340	61
Purchases/(sales)	74	124	–
Transfers in/(out) of Level 3	–	–	–
Depreciation	(447)	(235)	(1)
Closing balance	**959**	**1,229**	**60**
2015			
Opening balance	665	1,063	59
Purchases/(sales)	939	580	5
Transfers in/(out) of Level 3	–	–	–
Depreciation	(272)	(303)	(3)
Closing balance	**1,332**	**1,340**	**61**

Table 7.5: Description of significant unobservable inputs to Level 3 valuations for 2016 and 2015

	Valuation technique	Significant unobservable inputs
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 significant unobservable inputs have remained unchanged from 2015.

Note 8. Other non-financial assets

Current other assets	2016 $'000	2015 $'000
Prepayments	552	872
Rental security deposit	31	31
Total current other assets	**583**	**903**
Total other non-financial assets	**583**	**903**

Note 9. Payables

Current payables	2016 $'000	2015 $'000
Contractual		
Supplies and services	2,027	1,265
Statutory		
FBT payable	28	16
Total current payables	**2,055**	**1,281**
Total payables	**2,055**	**1,281**

Maturity analysis of contractual payables. Refer to Note 16 for the maturity analysis of contractual payables.
Nature and extent of risk arising from contractual payables. Refer to Note 16 for the nature and extent of risks arising from contractual payables.

Note 10. Borrowings

	2016 $'000	2015 $'000
Current borrowings		
Finance lease liabilities [i]	535	563
Total current borrowings	**535**	**563**
Non-current borrowings		
Finance lease liabilities [i]	546	464
Total non-current borrowings	**546**	**464**
Total borrowings	**1,081**	**1,027**

Note: [i] Secured by assets leased. Finance leases are effectively secured as the rights to the leased assets revert to the lessor in the event of default.

Maturity analysis of borrowings. Refer to Note 16 for the maturity analysis of borrowings.
Nature and extent of risk arising from borrowings. Refer to Note 16 for the nature and extent of risks arising from borrowings.

Note 11. Provisions

	Note	2016 $'000	2015 $'000
Current provisions			
Current employee benefits – annual leave [i]	11(a)		
Unconditional and expected to settle within 12 months [ii]		966	832
Unconditional and expected to settle after 12 months [ii]		144	119
Current employee benefits – long service leave [i]	11(a)		
Unconditional and expected to settle within 12 months [ii]		288	606
Unconditional and expected to settle after 12 months [ii]		1,383	810
Total current employee benefits		**2,781**	**2,367**
Current provisions for on-costs	11(a), (b)		
Unconditional and expected to settle within 12 months [ii]		185	322
Unconditional and expected to settle after 12 months [ii]		177	160
Total current on-costs		**362**	**482**
Total current provisions		**3,143**	**2,849**
Non-current provisions			
Employee benefits [i], [ii]	11(a)	442	450
On-costs [ii]	11(a), (b)	49	70
Make-good provision [iii]	11(b)	153	150
Total non-current provisions		**644**	**670**
Total provisions		**3,787**	**3,519**

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.

(a) Employee benefits and on-costs

	2016 $'000	2015 $'000
Current employee benefits		
Annual leave entitlements	1,110	950
Long service leave entitlements	1,671	1,417
Total current employee benefits	**2,781**	**2,367**
Non-current employee benefits		
Long service leave entitlements	442	450
Total non-current employees benefits	**442**	**450**
Total employee benefits	**3,223**	**2,817**
Current on-costs	362	482
Non-current on-costs	49	70
Total on-costs	**411**	**552**
Total employee benefits and on-costs	**3,634**	**3,369**

(b) Movement in provisions

	Make-good	On-costs	Total
	2016 $'000	2016 $'000	2016 $'000
Opening balance	**150**	**552**	**702**
Additional provisions recognised	4	34	38
Increase/(Reduction) resulting from re-measurement	(1)	9	8
Reductions arising from payments/other sacrifices of future economic benefits	–	(184)	(184)
Closing balance	**153**	**411**	**564**
Current	–	362	362
Non-current	153	49	202
Total	**153**	**411**	**564**

Note 12. Superannuation

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

IBAC does not recognise any defined benefit liability in respect of the plan because the entity has no legal or constructive obligation to pay future benefits relating to its employees; its only obligation is to pay superannuation contributions as they fall due.

The Department of Treasury and Finance discloses the State's defined benefit liabilities in its disclosure for administered items.

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

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

	Paid contribution for the year		Contributions outstanding as at year end	
Fund	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Defined benefit plan				
State Superannuation Fund – revised and new	24	34	–	–
Defined contribution plans				
VicSuper	1,136	1,069	15	9
Other	338	291	5	2
Total	**1,498**	**1,394**	**20**	**11**

Note 13. Leases

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

	Note	Minimum future lease payments		Present value of minimum future lease payments	
		2016 $'000	2015 $'000	2016 $'000	2015 $'000
Finance lease liabilities payable					
Not longer than one year		567	595	535	563
Longer than one year but not longer than five years		560	479	546	464
Minimum future lease payments		**1,127**	**1,074**	**1,081**	**1,027**
Less future finance charges		(46)	(47)	–	–
Present value of minimum lease payments		**1,081**	**1,027**	**1,081**	**1,027**
Included in the financial statements as					
Current borrowings	10	535	563	535	563
Non-current borrowings	10	546	464	546	464
Total		**1,081**	**1,027**	**1,081**	**1,027**

Note 14. Commitments for expenditure

(a) Commitments

	2016 Nominal value $'000	2015 Nominal value $'000
Capital expenditure commitments [i]		
Leasehold improvements	112	–
Total capital expenditure commitments	**112**	**–**
Operating and lease commitments		
Office lease [ii]	13,791	15,239
Equipment	131	182
Total operating and lease commitments	**13,922**	**15,421**
Other commitments		
Outsourcing [iii]	160	320
Total other commitments	**160**	**320**

Notes: [i] The project of refurbishing IBAC's leased accommodation was still in progress as at 30 June 2016 with an estimated completion date of September 2016. As the project and contract are managed separately by the Department of Treasury and Finance (DTF), DTF discloses the capital expenditure commitments in its financial report.

[ii] The lease relates to 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.

[iii] This relates to an outsourcing arrangement for payroll services.

(b) Commitments payable

	2016 $'000	2015 $'000
Capital expenditure commitments		
Not longer than one year	112	–
Longer than one year but not longer than five years	–	–
Total capital expenditure commitments	**112**	**–**
Operating and lease commitments		
Not longer than one year	2,878	2,860
Longer than one year but not longer than five years	11,044	10,852
Five years or more	–	1,709
Total operating and lease commitments	**13,922**	**15,421**
Other commitments		
Not longer than one year	160	160
Longer than one year but not longer than five years	–	160
Total other commitments	**160**	**320**
Total commitments (exclusive of GST)	**14,194**	**15,741**

Note 15. Contingent assets and contingent liabilities

There were no contingent assets or liabilities as at 30 June 2016 (2014/15: $Nil).

Note 16. Financial instruments

(a) Financial risk management objectives and policies

IBAC's principal financial instruments comprise:

- cash assets
- receivables (excluding statutory receivables)
- payables (excluding statutory payables)
- 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 16.1: Categorisation of financial instruments

2016	Note	Contractual financial assets- loans and receivables $'000	Contractual financial liabilities at amortised costs $'000	Total $'000
Contractual financial assets				
Cash and cash equivalents		7,594	–	**7,594**
Receivables	5	288	–	**288**
Total contractual financial assets		**7,882**	**–**	**7,882**
Contractual financial liabilities				
Payables				
Supplies and services	9	–	2,027	**2,027**
Borrowings				
Finance lease liabilities	10	–	1,081	**1,081**
Total contractual financial liabilities		**–**	**3,108**	**3,108**
2015				
Contractual financial assets				
Cash and cash equivalents		7,399	–	**7,399**
Receivables	5	197	–	**197**
Total contractual financial assets		**7,596**	**–**	**7,596**
Contractual financial liabilities				
Payables				
Supplies and services	9	–	1,265	**1,265**
Borrowings				
Finance lease liabilities	10	–	1,027	**1,027**
Total contractual financial liabilities		**–**	**2,292**	**2,292**

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

	2016 $'000	2015 $'000
Contractual financial liabilities		
Financial liabilities at amortised cost	**(19)**	(18)
Total contractual financial liabilities	**(19)**	**(18)**

Note 16. Financial instruments (cont)

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

- 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.

There have been no net holding gains or losses in respect of contractual financial assets.

(b) Credit risk

Credit risk arises from the contractual financial assets of IBAC, which comprise cash and cash equivalents 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 IBAC's debtors are mainly the Department of Premier and Cabinet and government agencies. Credit risks associated with government agencies 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 financial difficulties of the debtor, default on payments due, 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 2016, 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.

The Department of Premier and Cabinet manages IBAC's liquidity risk. For the year ended 30 June 2015, the Department of Justice and Regulation managed IBAC's liquidity risk.

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

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

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

Table 16.3: Maturity analysis of contractual financial liabilities[i]

	Carrying amount[ii] $'000	Less than 1 month $'000	1–3 months $'000	3 months – 1 year $'000	1–5 years $'000	Nominal Amount $'000
2016						
Payables						
Supplies and services	2,027	2,027	–	–	–	2,027
Borrowings						
Finance lease liabilities	1,081	129	95	343	560	1,127
Total	**3,108**	**2,156**	**95**	**343**	**560**	**3,154**
2015						
Payables						
Supplies and services	1,265	1,265	–	–	–	1,265
Borrowings						
Finance lease liabilities	1,027	177	47	370	480	1,074
Total	**2,292**	**1,442**	**47**	**370**	**480**	**2,339**

Notes: [i] Maturity analysis is presented using the contractual undiscounted cash flows.

[ii] The carrying amounts disclosed exclude statutory amounts.

(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.

Note 16. Financial instruments (cont)

Table 16.4: Interest rate exposure of financial instruments

			Interest rate exposure		
2016	Weighted average interest rate %	Carrying amount [i] $'000	Fixed interest rate $'000	Variable interest rate $'000	Non-interest bearing $'000
Financial assets					
Cash and cash equivalents	–	7,594	–	–	7,594
Receivables	–	288	–	–	288
Total financial assets		**7,882**	**–**	**–**	**7,882**
Financial liabilities					
Payables					
Supplies and services	–	2,027	–	–	2,027
Borrowings					
Finance lease liabilities	4.07	1,081	1,081	–	–
Total financial liabilities		**3,108**	**1,081**	**–**	**2,027**
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					
Finance lease liabilities	4.89	1,027	1,027	–	–
Total financial liabilities		**2,292**	**1,027**	**–**	**1,265**

Note: [i] The carrying amounts disclosed here exclude statutory amounts.

(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 17. Cash flow information

(a) Reconciliation of cash and cash equivalents

	2016 $'000	2015 $'000
Cash	230	35
Funds held in trust [i]	7,364	7,364
Balance as per cash flow statement	**7,594**	**7,399**

Note: [i] These funds represent the balance in IBAC trust funds at the end of each reporting period (see Note 21).

(b) Reconciliation of net result for the period [i]

	2016 $'000	2015 $'000
Net result for the period	**554**	**241**
Non-cash movements		
Depreciation of non-current assets	2,228	1,520
Other non-cash movements	(217)	(173)
Movements in assets and liabilities		
Decrease/(Increase) in receivables	(857)	(763)
Decrease/(Increase) in other non-financial assets	39	(26)
(Decrease)/Increase in payables	(8)	369
(Decrease)/Increase in provisions	176	438
Net cash flows from operating activities	**1,915**	**1,606**

Note: [i] Prior year comparatives have been adjusted to appropriately reflect the transactions from the sales of non-financial assets (refer to Note 4).

Note 18. Responsible persons

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

Names

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

Special Minister of State [i]	The Hon Gavin Jennings MP	1 July 2015	to	30 June 2016
Commissioner	Stephen O'Bryan QC	1 July 2015	to	30 June 2016
Chief Executive Officer [ii]	Alistair Maclean	1 July 2015	to	30 June 2016

Note: [i] The Hon Daniel Andrews MP acted in the office of the Special Minister of State in the absence of the Hon Gavin Jennings MLC.
[ii] Executives John Lynch and Sharon Kelsey acted in the office of the Chief Executive Officer in the absence of Alistair Maclean.

Remuneration

Remuneration received or receivable by the responsible person and accountable officer [i] in connection with the management of IBAC during the reporting period was in the following range.

	Total remuneration	
Income band	2016 No.	2015 No.
$400,000 – 409,999	–	1
$410,000 – 419,999	1	1
$420,000 – 429,999	1	–
Total number of responsible persons	**2**	**2**

Note: [i] The remuneration of executives acting as the accountable officer during the year has been included in Note 19.

Amounts relating to ministers are reported in the financial statements of the Department of Premier and Cabinet. For information regarding related party transactions of ministers, the register of members' interests is publicly available from: www.parliament.vic.gov.au/publications/register-of-interests.

Note 19. Remuneration of executives and payments to other personnel

(a) Remuneration of executives

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

	Total remuneration		Base remuneration	
Income band	2016 No.	2015 No.	2016 No.	2015 No.
Below $100,000	1	2	2	2
$100,000 – 109,999	1	–	1	–
$190,000 – 199,999	1	–	1	–
$200,000 – 209,999	–	1	–	1
$220,000 – 229,999	1	–	–	–
$230,000 – 239,999	–	–	–	1
$240,000 – 249,999	–	1	1	2
$250,000 – 259,999	1	1	–	–
$260,000 – 269,999	–	1	–	2
$280,000 – 289,999	–	2	1	–
$290,000 – 299,999	1	–	1	–
$310,000 – 319,999	2	–	1	–
$320,000 – 329,999	–	1	–	1
Total number of executives	**8**	**9**	**8**	**9**
Total annualised employee equivalents (AEE)[i]	**5.33**	**6.55**	**5.33**	**6.55**
Total amount	**$1,718,509**	**$1,902,430**	**$1,516,382**	**$1,810,798**

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

The number of executive officers was reduced from nine as at 30 June 2015 to six as at 30 June 2016, one due to an organisational restructure and two other upon completion of contract. This has had an impact on the remuneration and annualised employee equivalent figures.

(b) Payments to other personnel

During the year, no payment has been made to any contractor charged with significant management responsibilities (2014/15: $Nil).

Note 20. Remuneration of auditors

Victorian Auditor-General's Office	2016 $'000	2015 $'000
Audit of the financial statements	30	26
	30	**26**

Note 21. Trust account balances

Controlled trust	Opening balance as at 1 July 2014 $'000	Total receipts $'000	Total payments $'000	Closing balance as at 30 June 2015 $'000	Opening balance as at 1 July 2015 $'000	Total receipts $'000	Total payments $'000	Closing balance as at 30 June 2016 $'000
IBAC trust fund this trust account was created with a purpose being the establishment of IBAC [i].	9,773	–	(2,409)	7,364	7,364	–	–	7,364
Total controlled trust	**9,773**	**–**	**(2,409)**	**7,364**	**7,364**	**–**	**–**	**7,364**

Note: [i] No trust funds were used in 2016, in 2015 $2.409m was used for the refurbishment of IBAC's leased premises.

Note 22. 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.

Borrowings

Borrowings refer to interest-bearing liabilities raised from finance leases of motor vehicles.

Commitments

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

Comprehensive result

The comprehensive result is 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.

Current grants

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 of allocating 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

Note 22. Glossary of terms and style conventions (cont)

(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 – other comprehensive income'.

Net result from transactions/net operating balance

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

Net worth

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

Non-financial assets

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

Non-profit institution

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

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.

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 (e.g. assets provided/given free of charge or for nominal consideration) or where the final consideration is cash. In simple terms, transactions arise from the policy decisions of the government.

Style conventions

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

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

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IBAC's Annual Report is prepared in accordance with all relevant Victorian legislation and pronouncements. This index helps to identify IBAC's compliance with statutory disclosure requirements.

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Glossary

BAU	Business as usual
CEO	Chief Executive Officer
DET	Department of Education and Training
FTE	Full time equivalent
IBAC	Independent Broad-based Anti-corruption Commission
IBAC Act	*Independent Broad-based Anti-corruption Commission Act 2011*
ICT	Information and communication technology
NABER	NABER is a national rating system that measures the environmental performance of Australian buildings, tenancies and homes. It measures the energy efficiency, water usage, waste management and indoor environment quality of a building or tenancy and its impact on the environment.
OH&S	Occupational Health and Safety
OPI	(former) Office of Police Integrity
OPP	Office of Public Prosecutions
PD Act	*Protected Disclosure Act 2012*
PSO	Protective services officer
PTV	Public Transport Victoria
SOR	Sex Offender Registry
STS	Senior Technical Specialist
VPS	Victoria Public Service

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We value your feedback

We welcome feedback on our annual report, particularly about its readability and usefulness. Please send your feedback to communications@ibac.vic.gov.au

Contact us on 1300 735 135 or communications@ibac.vic.gov.au if you need this information in an accessible format. This document can also be found at www.ibac.vic.gov.au

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