Independent Broad-based Anti-corruption Commission

Annual Report 2012–13

ibac independent broad-based anti-corruption commission
Victoria

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This report covers IBAC's operations from 10 February 2013 to 30 June 2013. Due to transitional arrangements and the ongoing operation of the Office of Police Integrity, in some cases, data could not be disaggregated. This report includes some information related to legislative functions which were enacted prior to 10 February 2013. Where this occurs, this is stated in footnotes.

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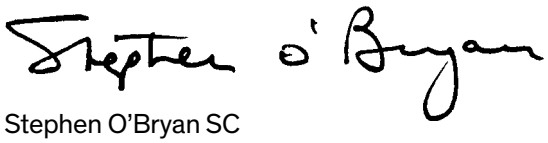
Accountable officer's declaration

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

Annual Report 2012–13

In accordance with the *Financial Management Act 1994* and the *Independent Broad-based Anti-corruption Commission Act 2011,* I am submitting the Independent Broad-based Anti-corruption Commission (IBAC) Annual Report for the year ended 30 June 2013.

Yours sincerely



Stephen O'Bryan SC
Commissioner

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Year in review

Our purpose

In May 2011, the Victorian Government announced its intention to establish an Independent Broad-based Anti-corruption Commission.

In November 2011, the Victorian Parliament passed the *Independent Broad-based Anti-corruption Commission Act 2011* (IBAC Act) which sets out the principal objectives and functions, as well as the corporate structure, of the Independent Broad-based Anti-corruption Commission (IBAC). In 2012, the IBAC Act was amended to grant IBAC certain investigative powers as well as define its main areas of jurisdiction. These amendments were proclaimed with effect from 10 February 2013, making IBAC fully operational.

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

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

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

Objectives and functions

The *Independent Broad-based Anti-corruption Commission Act 2011* established IBAC, which is headed by a Commissioner who is an independent officer of Parliament.

The IBAC Act sets out IBAC's functions, duties and powers which include:

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

IBAC has the authority to exercise entry, search and seizure powers, and conduct examinations. Authorised IBAC officers may possess, carry and use defensive equipment and firearms. In certain circumstances, IBAC can also exercise prosecutorial powers. A key element of the relevant legislation is in protecting the confidentiality of IBAC operations.

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

The Protected Disclosure Act broadens the operation of the previous whistleblowers' scheme to match the scope of the new integrity system and applies to disclosures about all public bodies and officers within IBAC's jurisdiction. Certain disclosures can only be made to the Victorian Inspectorate or presiding officers of the Parliament.

Various bodies may also make, or are required to make, notifications to IBAC about corrupt conduct, police personnel misconduct, and disclosures under the Protected Disclosure Act. IBAC acts as a central 'clearing-house' for complaints and protected disclosures, and is responsible for referring complaints and disclosures that engage its jurisdiction to other prescribed bodies for investigation or may investigate serious matters itself.

To determine the appropriate course of action, IBAC assesses all complaints and notifications on their merits. Where its jurisdiction is engaged, IBAC must:

- investigate serious corrupt conduct, or
- refer a complaint or notification to another appropriate body for action, or
- dismiss a complaint or notification (with reasons in the case of protected disclosures).

IBAC's 'clearing-house' role enables it to play a lead role in coordinating all integrity bodies in Victoria to whom referrals might be made. IBAC is able to conduct coordinated investigations with other prescribed bodies, monitor referred investigations and even recall them for investigation itself where appropriate.

IBAC also has important functions to educate the public sector and the community about the detrimental effects of corruption and the ways it can be prevented. This includes:

- assisting in the prevention of corrupt conduct
- facilitating the education of the public sector and the community about the detrimental effects of corrupt conduct on public administration, and ways to prevent corrupt conduct
- helping to improve the capacity of the public sector to prevent corrupt conduct.

IBAC's role is to identify, expose and investigate serious corrupt conduct in the public sector. IBAC also has a broad oversight role in relation to police personnel, and important corruption prevention and education functions. IBAC performs a coordinating or 'clearing-house' role under Victoria's new protected disclosure scheme.

Our strategic directions

Our priorities	Our actions
Exposing and investigating serious corrupt conduct and police misconduct	• Receive, assess and coordinate referrals, complaints and notifications • Investigate serious corrupt conduct and police personnel misconduct • Receive information, conduct research and collect intelligence
Preventing corrupt conduct and police misconduct	• Examine systems, practices and legislation across the public sector • Provide advice, training and education to the public sector and the community • Publish information and reports • Work with other agencies to ensure a cohesive integrity system for Victoria
Building our organisation	• Foster a capable and professional workforce, recognising achievement and innovation • Employ governance frameworks that support organisational objectives and outcomes • Comply with legislative and regulatory obligations • Monitor resources and performance to ensure best practice
Ensuring accountability	• Report to the Parliament of Victoria and the Victorian Inspectorate • Public reporting recognised for its contribution to public administration

Year in review

IBAC performance at a glance

	No.
Number of investigations carried over from Office of Police Integrity	31
Assessable disclosures/complaints made to IBAC	638
Assessable disclosures referred to IBAC by the Chief Commissioner of Police or other entities	29
Disclosures determined by IBAC to be protected disclosure complaints	131
Protected disclosure complaints endorsed for investigation by IBAC[1]	6
Protected disclosure complaints referred to another investigating entity	105
Protected disclosure complaints dismissed by IBAC	19
Disclosures that IBAC has been unable to investigate or refer to another investigating body	4
New investigations commenced	5
Technological support to another agency's investigations	11
Enquiries	495
Interpreter/translator-assisted enquiries	3
Corruption-prevention initiatives, including educational presentations[2]	72

1 As at 30 June 2013, one of the six endorsed investigations had not commenced.

2 Education initiatives were delivered by OPI and IBAC during the financial year.

Summary of legislation

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

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

Commissioner's report

This, the first annual report of IBAC, heralds a new era in Victoria's integrity system. IBAC is Victoria's first anti-corruption body with responsibility for identifying and preventing serious corrupt conduct across the whole public sector, including Members of Parliament, the judiciary, and state and local government. IBAC also has general oversight jurisdiction concerning the police.

The establishment of IBAC has been a phased process. The *Independent Broad-based Anti-corruption Commission Act 2011* was introduced in part on 1 July 2012 with IBAC's prevention and education functions enacted. Our investigative powers came into effect on 10 February 2013. Accordingly, most of this report reflects the period during which IBAC has been fully operational.

From July 2012 until my commencement on 1 January 2013, my colleague Mr Ron Bonighton AM led the establishment of IBAC with the support of a small project team. This team was focused on getting IBAC up and running as an organisation.

Setting up any new organisation is challenging. We have tried to balance our aspirations to establish an operational organisation as swiftly as possible with the need to give full and careful consideration to its complex and sensitive operational requirements.

We have been steadily growing our organisation under a strong leadership team since the commencement of my five-year term on 1 January 2013, and had our full executive and management team established by April. Recruitment to other positions from investigators to legal advisors, intelligence support, forensic experts, assessment and review officers, and strategic policy officers commenced and is expected to be fully completed by the end of the year.

Setting up any new organisation is challenging. We have tried to balance our aspirations to establish an operational organisation as swiftly as possible with the need to give full and careful consideration to its complex and sensitive operational requirements.

Building strong partnerships has been a key focus of our work as we build our capabilities. There has been ongoing collaboration with many organisations including, in particular, the Victorian Inspectorate, the Victorian Ombudsman, the Victorian Auditor-General, the Local Government Investigations and Compliance Inspectorate, Victoria Police, the Public Sector Standards Commissioner, the Public Interest Monitor and the Commissioner for Law Enforcement Data Security.

As an organisation we have been keen to build on lessons learned from other integrity agencies, and have been drawing on the advice and expertise of our interstate colleagues at the NSW Independent Commission Against Corruption, Queensland's Crime and Misconduct Commission and Western Australia's Crime and Corruption Commission.

Following on from a recommendation in the Proust Report and the practice in Queensland and Western Australia, we have facilitated establishment of an Integrity Consultative Committee consisting of heads of principal Victorian integrity bodies to provide a valuable forum for the exchange of ideas and information. We are also committed to joining the Australian Anti-corruption Commissioner's Forum, presently chaired by the head of the Australian Commission for Law Enforcement Integrity.

IBAC has an important 'clearing-house' role in assessing and reviewing all complaints, and has received 638 complaints to date.

The *Protected Disclosure Act 2012* provides for a new simplified test to determine whether a complaint is a protected disclosure, with IBAC as the 'clearing-house' for this new whistleblower regime. We have determined 131 protected disclosure complaints as at 30 June 2013.

In reality, many of these will be referred by IBAC to another entity for investigation or will be dismissed on grounds provided for in our legislation. A low percentage of complaints to IBAC will result in an investigation by IBAC; indeed, based on research from other jurisdictions, only a very small percentage of complaints result in investigation by any lead anti-corruption body itself.

Year in review

A number of investigations have carried over from the Office of Police Integrity (OPI) and a number of new investigations have commenced.

Of course, our complaints and investigative functions are only part of IBAC's work. Our important prevention and education work aims to build the public sector capacity including local government and police, to reduce the risks of corruption.

During the transition from OPI to IBAC, 72 education initiatives were delivered to audiences ranging from probationary constables to internal police discipline investigators, lawyers, protected disclosure coordinators, public servants and community groups. There has been strong interest from all sectors in the role and function of IBAC, with a consistent stream of requests for myself and senior IBAC staff to speak at external events.

Part of IBAC's corruption prevention and education function is to conduct and publish research about corruption, and best practice models for preventing it. In December 2012, in association with Australian National University, IBAC released the findings of a study into the prevalence and perception of corruption in Victoria.

The poll revealed that nearly 50 per cent of the 500 Victorians surveyed believed that corruption had increased over the last three years.

The university has also undertaken a series of surveys with the Victorian public sector on corruption, with the results to be finalised in the second half of 2013.

As with any new and complex legislation, it is not until it is applied in practice over time that areas for improvement are best identified. I am confident that the IBAC Act provides a solid initial framework for Victoria's new integrity regime and that, as with any such legislation, it will transform over time. Certainly, if elements of the Act fall short of what is needed to carry out most effectively its objectives and purposes, I have publicly stated that I will seek appropriate amendment.

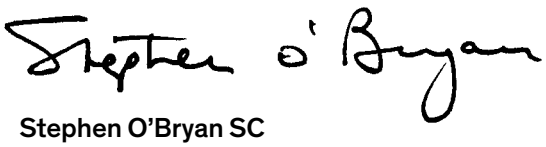
The poll revealed that nearly 50 per cent of the 500 Victorians surveyed believed that corruption had increased over the last three years.

As this report provides only a brief snapshot of our operations, and we are committed to being open and accountable to the people of Victoria within the constraints of our legislation, IBAC plans to publish a special report before the end of this year regarding a number of matters dealt with since taking full jurisdiction.

I would like to acknowledge and thank Ron Bonighton AM who acted as Commissioner prior to my appointment and has continued to provide wise counsel as an advisor to IBAC. Mr Bonighton also continued to serve as acting Director of the OPI, allowing him to lead the transition between the two bodies' functions.

Andrew Kirkham AM RFD QC was appointed Deputy Commissioner in April 2013 and works on a sessional basis. He brings considerable and diverse experience from Victoria's legal profession, which is proving to be of considerable benefit to IBAC.

I would also like to thank my Chief Executive Officer, Alistair Maclean, for his steadfast operation of a new organisation and all the challenges that come with it, and also IBAC's executive team, which has provided strong leadership and direction. Finally, I would like to thank the staff of IBAC who have been patient, supportive and worked tirelessly to build what we plan will become one of Australia's leading integrity agencies.



Stephen O'Bryan SC
Commissioner

Our performance

Establishing a new organisation

The *Independent Broad-based Anti-corruption Commission Act 2011* was introduced on 1 July 2012 and provided for the orderly establishment of IBAC, including transition to Victoria's new integrity system by ensuring continuity of oversight of Victoria Police.

The Act transferred OPI investigations, assets, liabilities, court proceedings and records to IBAC, although these were not transferred in full until 10 February 2013. Accordingly, this report reflects the period from 10 February to 30 June 2013.

On 28 June 2012, Mr Ron Bonighton AM was appointed Acting Commissioner for IBAC. The Acting Commissioner appointed an interim team of staff seconded from other government agencies to undertake work to support the establishment of IBAC.

A key focus of this team was to support organisational establishment and recruitment of the IBAC Commissioner, CEO and executive team. The team provided advice on IBAC's operating model, organisational design and structure, and developed a transition plan to support the transfer of OPI functions and employees to IBAC.

The team also supported the setting up of IBAC's contact centre, as well as providing public information and advice on the role and functions of IBAC.

The Education and Prevention Advisory Group was established in partnership with OPI, the State Services Authority, Ombudsman Victoria, the Victorian Auditor-General's Office and Local Government Investigations and Compliance Inspectorate, to guide prevention and education initiatives.

On 1 January 2013, the first IBAC Commissioner, Stephen O'Bryan SC, was appointed. This was followed by the appointment of the CEO, Alistair Maclean, on 8 April and Deputy Commissioner Andrew Kirkham AM RFD QC, on 16 April. The executive team was progressively recruited, with all senior positions filled on an ongoing basis by 27 May 2013.

A key priority for the IBAC executive has been establishing the organisational structure and budget, robust governance arrangements, policies and procedures, and accountability mechanisms including an independent audit and risk management committee. An ongoing focus will be on recruitment and bedding down a positive, high-performing organisational culture.

Corrupt conduct

Corrupt conduct is defined by section 4 of the IBAC Act. Broadly speaking, 'corrupt conduct' falls into five categories:

- conduct adversely affecting the honest performance of a public officer's or public body's functions
- conduct that involves the dishonest performance of a public officer's or public body's functions
- conduct of a public officer or public body that involves knowingly or recklessly breaching public trust
- the misuse of information or material acquired by a public officer or public body
- conduct that could constitute a conspiracy or an attempt to engage in any of the conduct referred to above.

Complaints and investigations

Under the IBAC Act, any person may make a complaint to IBAC about corrupt conduct. Heads of public sector bodies can also notify such conduct within their organisation. IBAC can commence an investigation after receiving a complaint or a notification, or on its own motion. However, it must be reasonably satisfied that the conduct to be investigated is 'serious corrupt conduct'. While 'serious' is undefined, it is taken as giving IBAC a degree of discretion over what matters involving possible corrupt conduct it might investigate.

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

When IBAC receives a properly-made complaint or a notification, it must dismiss, investigate or refer the complaint or notification to another body to consider.

IBAC has a range of investigative powers, including in relation to search warrants, telephone intercepts, carrying and using defensive equipment and firearms, and summoning witnesses. IBAC also has the power to hold examinations and to regulate the procedures at such examinations as it thinks appropriate. Such examinations will generally be held in private and IBAC may give directions as to who may or may not be present.

After completing an investigation, IBAC may:

- make recommendations about matters arising out of the investigation to the relevant principal officer of a body, the responsible Minister, or the Premier, and request a response
- transmit a special report to each house of parliament
- advise a complainant in relation to the results of the investigation
- determine to make no finding or take no action following the investigation.

IBAC also has the power to bring criminal proceedings for an offence in relation to any matter arising out of an investigation, or to refer any matter under investigation to a prosecutorial body such as the Director of Public Prosecutions.

Complaints

Complaints, notifications and information IBAC receives are carefully assessed, with investigation being just one of the options open to IBAC. Such matters may also be referred back to the relevant public authority for action, referred to other agencies if they are outside IBAC's jurisdiction or used as the basis for corruption prevention work with the relevant public authority

Following a complaint or notification about suspected corrupt conduct, IBAC will:

- register the matter
- acknowledge receipt of the matter
- ask the complainant for more information if necessary
- if the matter engages IBAC's jurisdiction, compile a report for an assessment panel to consider and decide on a course of action.

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

- refer the matter to either the agency that is the subject of the complaint, or to another integrity agency, to investigate and, in appropriate cases, report back to IBAC
- conduct assessment enquiries, for example, to establish whether the agency involved or another integrity body has already dealt with the matter. Depending on these enquiries, IBAC may decide to take no further action, refer it to another agency or undertake an investigation
- commence an investigation if the matter constitutes serious corrupt conduct
- develop corruption prevention advice for the organisation concerned and the broader public sector if the matter raises systematic issues
- decide to take no action for one or more prescribed reasons or other relevant considerations.

IBAC will not normally provide reasons regarding its decision to the complainant. Nevertheless, where a protected disclosure is dismissed, reasons must be given.

This year, total of 638 assessable disclosures/complaints were made direct to IBAC[3]. An additional 495 enquiries were received.

Under the Protected Disclosure Act, a single, staged test is applied by IBAC to disclosures made or notified to IBAC to assess whether the matter qualifies as a protected disclosure.

One hundred and thirty-one protected disclosures were assessed by IBAC to be protected disclosure complaints. Six protected disclosure complaints were endorsed to be investigated by IBAC. One hundred and five protected disclosures were referred to another investigating entity and 19 protected disclosure complaints were dismissed[4]. More detailed information on protected disclosures can be found on page 35.

The only entities which can investigate protected disclosures under the protected disclosure scheme are IBAC, the Victorian Ombudsman, the Chief Commissioner of Police and the Victorian Inspectorate.

In future years, a more detailed breakdown of complaints will be available as IBAC develops its data collection and key performance measures.

[3] Assessable disclosures were recorded for the period 1 January to 30 June 2013 and account for a transitional period where IBAC was in establishment, as well as transition between the *Whistleblowers Protection Act 2001* and the *Protected Disclosures Act 2012*.

[4] Numbers take into account changes in IBAC processes early in implementation of the legislation, protected disclosures changed from being recorded from a case-by-case to allegation-based determination.

Investigations

Thirty-one investigations were carried over from OPI. Of these, the Commissioner determined, in consultation with an experienced assessment panel, that under IBAC's operation:

- 12 investigations should be closed
- seven should continue to be investigated
- six required no further action
- three should be resumed to facilitate closure
- two should be referred to Victoria Police
- one should be deferred.

Of the 11 OPI matters which were continued, all were ongoing as at 30 June 2013.

In addition to the above OPI matters, five new investigations commenced relating to allegations of corruption in local government and the public sector as well as misconduct by police. These investigations are all ongoing.

As all investigations are ongoing, no public reports on the outcomes of these investigations were published by IBAC during the reporting period.

IBAC's technical capability to support investigations was established and a new reporting model to enhance information sharing across the organisation was developed. Training was provided to physical surveillance and investigation officers. IBAC also provided specialist training to an external agency and was highly commended by the external agency for the professionalism and expertise demonstrated by its operatives.

IBAC's Forensic Services Unit, which is focused on high-technology crime, forensic accounting and financial investigations, has been establishing and developing relationships across the financial sector and with other relevant law enforcement and integrity agencies. Some assistance has also been provided to external agencies seeking advice or assistance on forensic matters.

IBAC's Intelligence Unit also supports investigations and plays an important role in analysing and assessing complaints to identify broader issues or trends.

IBAC has been actively liaising with a number of bodies including Victorian Government agencies, Commonwealth agencies and the commercial sector to ensure that it has the appropriate information sources to allow it to conduct its central investigative, and prevention and education functions. Building a strong relationship with the Commonwealth Attorney-General's Department has also been a key priority.

Prevention and education

Education

IBAC's prevention and education functions came into effect under the IBAC Act on 1 July 2012. A total of 72 initiatives were delivered during the financial year[5]. In excess of 1,200 people attended seminars, courses or speaking engagements. Audiences ranged from probationary constables to lawyers, police discipline investigators, public sector agencies and community organisations.

Of the education initiatives which were practical to evaluate, there was a 98.9 per cent satisfaction rating. IBAC plans to build upon and develop new education initiatives in the next 12 months.

During the year, IBAC's website was launched to provide key information about reporting corruption and police misconduct. Since 1 January 2013, 24,282 people have visited the site (36,444 visits), with reporting of corruption and contacting IBAC the most common activities undertaken.

Under the *Protected Disclosure Act 2012,* IBAC is required to issue guidelines for procedures to facilitate the making and handling of protected disclosures as well as for the protection of persons from detrimental action. During the year, IBAC issued guidelines for the management of the welfare of persons who make protected disclosures or who are otherwise affected by protected disclosures.

During the next reporting period, IBAC will commence a review of the procedures established by the public sector (other than those established by the Victorian Inspectorate and the Victorian Ombudsman) and the implementation of those procedures.

To support implementation of the new protected disclosures regime, IBAC ran a series of seminars in metropolitan areas to support protected disclosure coordinators in the public sector and local government to meet their legislative obligations. As at 30 June 2013, 102 participants had attended.

A self-rated assessment of knowledge pre-and-post seminars showed a strong improvement in knowledge.

Research

Part of IBAC's corruption prevention and education function is to conduct and publish research about corruption and best practice models for preventing it.

In July 2012, IBAC engaged the Transnational Research Institute on Corruption (TRIC) at the Australian National University (ANU) to undertake a research project identifying corruption risks within Victoria. The project aims to establish a baseline of current corruption risks and challenges and to help inform a range of education and prevention initiatives to be delivered by IBAC.

The project consists of three components:

1. an environmental scan of existing data and research of other integrity bodies
2. a focus group with the community and perceptions surveys of the Victorian community and senior Victorian public servants
3. a review of the internal integrity frameworks for a selection of Victorian public sector departments, agencies and entities.

The first two components of the research have been completed. In December 2012, in conjunction with the ANU, IBAC released the findings of an ANU poll of community perceptions of corruption in Victoria.

The survey revealed that nearly 50 per cent of the 500 Victorians polled believed that corruption had increased over the last three years. A similar percentage did not know to whom or where to report suspected or observed corrupt activity.

The final component of the research – a review of the integrity frameworks of a selection of public sector departments, agencies and entities – will be completed in 2013–14.

[5] These initiatives were delivered by OPI and IBAC. They are reported together under the Victorian Government's Budget Paper No. 3 performance measures.

Outstanding recommendations from OPI reviews

Following proclamation of the *Independent Broad-based Anti-corruption Commission Amendment (Investigative Functions) Act 2012* (Vic), any outstanding recommendations that OPI made to Victoria Police transferred to IBAC. Under section 161 of the IBAC Act, the Chief Commissioner of Police must adopt a recommendation made by IBAC or take the requested action, or provide a report to IBAC stating the reasons for adopting the recommendation or taking the requested action.

OPI maintained a recommendations register to monitor and manage the progress of recommendations arising from various reviews into systems and practices, and own motion investigations. IBAC reviewed OPI's recommendations register to identify where matters remain outstanding. This review identified that OPI made a total of 311 recommendations. By far, the majority are finalised requiring no further action, and a small number are still listed as active. IBAC is now working with Victoria Police to reconcile and finalise all outstanding OPI recommendations.

Ensuring regard to human rights

Under the IBAC Act, IBAC is required to ensure that, in relation to police personnel misconduct, members of the police force have regard to the human rights set out in the *Charter of Human Rights and Responsibilities Act 2006* (Vic) (Charter Act).

In monitoring Victoria Police's human rights compliance, IBAC is required to have the capacity to monitor all areas of policing. In developing and implementing its case management system, IBAC will ensure there is capacity to effectively detect and monitor all matters that have human rights significance.

Unlike its functions related to police personnel misconduct, IBAC does not have a specific statutory function to ensure that, in relation to corrupt conduct, public officers and public bodies have regard to the human rights in the Charter Act. However, corrupt conduct has the capacity to infringe on various rights, both directly and indirectly. As a result, IBAC regards identifying and monitoring the adverse human rights impacts that flow from corrupt conduct as being a function incidental to those statutory functions that are expressly set out in the IBAC Act.

As a public authority, IBAC is also required to give proper consideration to human rights when making decisions. Whilst recognising these obligations, IBAC observes that human rights are not absolute and may be subject under law to reasonable limits that can be demonstrably justified in a free and democratic society based on human dignity, equality and freedom.

In performing its functions, IBAC recognises that it will, from time to time, be required to limit the enjoyment of citizens' rights. IBAC is committed to balancing the private interests of the individual concerned with the public interest in ensuring that serious corrupt conduct and police personnel misconduct is identified, exposed, investigated and prevented.

IBAC has developed, and continues to develop, relevant processes and procedures that recognise the human rights implications of its functions and powers.

Nassir Bare v Small & Ors

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

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

In 2010, Mr Bare filed proceedings in the Supreme Court of Victoria claiming that police had discriminated against him and treated him in a cruel, inhuman and degrading way in breach of sections 8 and 10(b) of the Charter Act.

In a seven-day hearing in May 2012 before Justice Williams, Mr Bare's legal advisers contended that there is an implied procedural right within the Charter Act to have any claim alleging a breach of section 10(b) of the Charter investigated 'effectively'. It was argued that to be 'effective', an investigation into such a claim must be conducted by a body that is hierarchically, institutionally and practically independent from Victoria Police. That is, in this case, OPI should have investigated the complaint. In the course of the hearing, the court also heard arguments that OPI's assessment of the complaint was flawed.

As at 30 June 2012, the court had reserved its decision. Following the abolition of OPI in February 2013, IBAC became the substituted second defendant to the proceeding.

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

In April 2013 Mr Bare filed an appeal against the decision with the Court of Appeal. A date for the hearing of the appeal was not fixed as at 30 June 2013.

Organisational support

The establishment of a new organisation means a large part of IBAC's work has focused on establishing sound corporate governance and systems and procedures.

A new organisational structure was put in place and recruiting employees has been a key priority. Following the finalisation of IBAC's strategic and corporate plans, a staff performance development system will be put in place next year.

A suite of financial policies were developed and an internal control system implemented to ensure compliance with the *Financial Management Act 1994*. A 2013–14 budget was developed based on expected future activity. Given this is the first year of IBAC operations, expenditure will be closely monitored to identify emerging trends and predict future resource requirements. A five-year financial plan will also be developed.

Information Technology focused on ensuring strong information technology security standards are in place. Identifying which applications and systems are required for ongoing IBAC operations has been an important task to ensure continuity of work. Future information system and technology planning is underway to establish resource requirements for 2013–14.

Because IBAC operates within a complex regulatory environment, information handled by IBAC must be managed to maintain integrity, availability and appropriate levels of confidentiality. During the reporting period work commenced on a policy framework to ensure IBAC's people, information and assets are protected, and that information is managed in a manner that supports business objectives, complies with statutory obligations, and maintains public confidence and trust.

Work in 2013–14 will focus on developing and implementing IBAC's information management strategy including management of legacy data.

During the reporting period, IBAC processed 2,086 items of correspondence and received 2,580 visitors.

A risk management framework is being developed to support IBAC in achieving its legislative functions and compliance requirements for management of risk.

In 2013–14, key priorities will be to:

- build a capable and professional workforce, recognising achievement and innovation
- employ a governance framework and infrastructure that supports the effective management of organisational outcomes and compliance with legislation and regulatory frameworks
- monitor performance and resources to support organisational priorities.

IBAC's regulatory compliance

Telecommunication interceptions

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

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

The Commonwealth Ombudsman inspects IBAC's exercise of powers with respect to stored communications. An inspection by the Commonwealth Ombudsman did not occur during this reporting period.

Surveillance devices

IBAC reports the exercise of its powers under the Victorian *Surveillance Devices Act 1999* to the Victorian Attorney-General, who then tables the Commissioner's report in the Parliament. The Victorian Inspectorate inspects IBAC's records to determine compliance with the Act. The Victorian Inspectorate conducted one inspection in relation to IBAC's surveillance device records during this reporting period.

Assumed identities

IBAC has powers to acquire and use assumed identities under the Victorian *Crimes (Assumed Identities) Act 2004.* The Act has stringent record-keeping and auditing provisions. The Commissioner must review the records annually and report certain matters to the Victorian Attorney-General, who then tables the Commissioner's report in the Parliament. IBAC is to submit a report to the Victorian Attorney-General in the second half of 2013.

Controlled operations

The *Crimes (Controlled Operations) Act 2004* allows IBAC to authorise, conduct and monitor controlled operations for the purpose of obtaining evidence that may lead to the prosecution of persons for offences. These operations may involve law enforcement officers participating in conduct for which they would otherwise be criminally liable.

Consistent with similar legislation, the Act imposes stringent record-keeping requirements in relation to applications and authorisations for controlled operations. IBAC's compliance with these requirements is monitored by the Victorian Inspectorate pursuant to section 42 of the Act.

One inspection in relation to IBAC's controlled operations was undertaken by the Victorian Inspectorate in the reporting period.

Overseeing Victoria Police regulatory compliance

Sex Offenders Registration Act 2004

Part 4 of the *Sex Offenders Registration Act 2004* requires the Chief Commissioner of Police to establish and maintain a Register of Sex Offenders. The legislation specifies information which must be included and who can access it. People registered under the Act are entitled to obtain a copy of information held about them and may have that information corrected if it is found to be incorrect. IBAC's role is to monitor compliance by the Chief Commissioner with these provisions.

An IBAC inspection of the register took place in this reporting period.

Drugs, Poisons, Controlled Substances Act 1981

The *Drugs, Poisons, Controlled Substances Act 1981* provides that IBAC must carry out an inspection, at least once each financial year, of the certificates of health and safety destruction or disposal as well as the related reports held by the Chief Commissioner of Police. The results of inspections must be reported to the Minister for Police and Emergency Services. The circumstances in which the certificates and reports are required to be completed by Victoria Police are limited to certain drug seizures without a warrant.

IBAC's inspection of Victoria Police's certificates of health and safety destruction or disposal is to take place in the next reporting period.

Melbourne City Link Act 1995

Section 168 of the IBAC Act provides that IBAC must monitor compliance by Victoria Police in relation to their use and disclosure of restricted tolling information. Prior to the establishment of IBAC, this function was vested in the office of the Victorian Ombudsman. IBAC's inspection of Victoria Police records is to take place in the next reporting period.

Terrorism (Community Protection) Act 2003

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

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

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

Witness Protection Act 1991

Where the Chief Commissioner decides to terminate a witness' participation in the Victoria Police Witness Protection Program, the person may appeal to IBAC for a review of the decision. Appeals must be lodged by the person concerned within three days of notification by the Chief Commissioner.

The *Witness Protection Act 1991* also provides for IBAC to investigate complaints about matters relevant to the Act (s.12(4)) and gives protected witnesses the right to complain to IBAC about police conduct in relation to matters covered by its memorandum of understanding with the Chief Commissioner (s. 5(3)).

In this reporting period, no such appeals were made to IBAC.

Structural changes

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

This report of operations presents the full year performance of the output received through the administrative restructure, for which IBAC was responsible at the end of the financial year.

Operational and budgetary objectives and performance against objectives

The following section details the outputs provided by IBAC, including performance measures and costs for each output, and the actual performance results against budgeted targets by output for IBAC over the year ending 30 June 2013.

The objective of IBAC's performance measures are to prevent public sector corruption and to educate the public sector and community at large about corruption and its detrimental impact.

IBAC also has functions and powers to expose and investigate allegations of serious corrupt conduct of public bodies or officers, and to investigate allegations of police personnel misconduct.

Output performance measures

Anti-corruption and public sector integrity	Unit measure	2012/13 target	2012/13 actual
Quantity			
Corruption prevention initiatives delivered by IBAC	number	70	72
Quality			
Recipients of corruption prevention initiatives satisfied	per cent	90.0	98.9
Timeliness			
Statutory and other agreed timeframes met	per cent	100.0	100.0

Financial summary

	2013 ($m)
Grants from Department of Justice	13.335
Total income from transactions	27.141
Total expenses from transactions	13.675
Net result from transactions	13.466
Net cash flow from operating activities	4.531
Total assets	21.586
Total liabilities	4.934

Current year financial review

Overview

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

Financial performance and business review

As this is the first year of operation for IBAC, comparative figures are not available.

The main driver for IBAC's comprehensive result for the year ended 30 June 2013 was the receipt of trust income from the Department of Justice and the Department of Premier and Cabinet for the establishment of IBAC. Further detail can be found in Note 2 of the financial statements.

Capital projects

IBAC does not have any capital projects.

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

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

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Governance & organisational structure

Structure

Senior Executive

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

Commissioner

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

Deputy Commissioner

Andrew Kirkham AM RFD QC was appointed Deputy Commissioner of IBAC on 16 April 2013. He works on a sessional basis at IBAC.

Chief Executive Officer

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

Director Strategic Services

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

Director Operations

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

Director Specialist Services

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

Director Legal

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

Director Corporate Services

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

Corporate governance arrangements

To ensure effective corporate governance, IBAC has implemented a committee structure to support sound executive decision-making, and to advise on operational and strategic issues. IBAC's internal governance committee structure currently consists of three key decision-making committees, and two advisory committees. The committee structure will be reviewed as IBAC evolves.

The decision-making committees include the Strategic Committee, focused on the strategic direction and performance of the organisation; the Executive Committee, responsible for developing and monitoring strategic priorities and business outcomes of the organisation; and the Operations and Prevention Committee, responsible for developing and monitoring strategic priorities and business outcomes of the organisation.

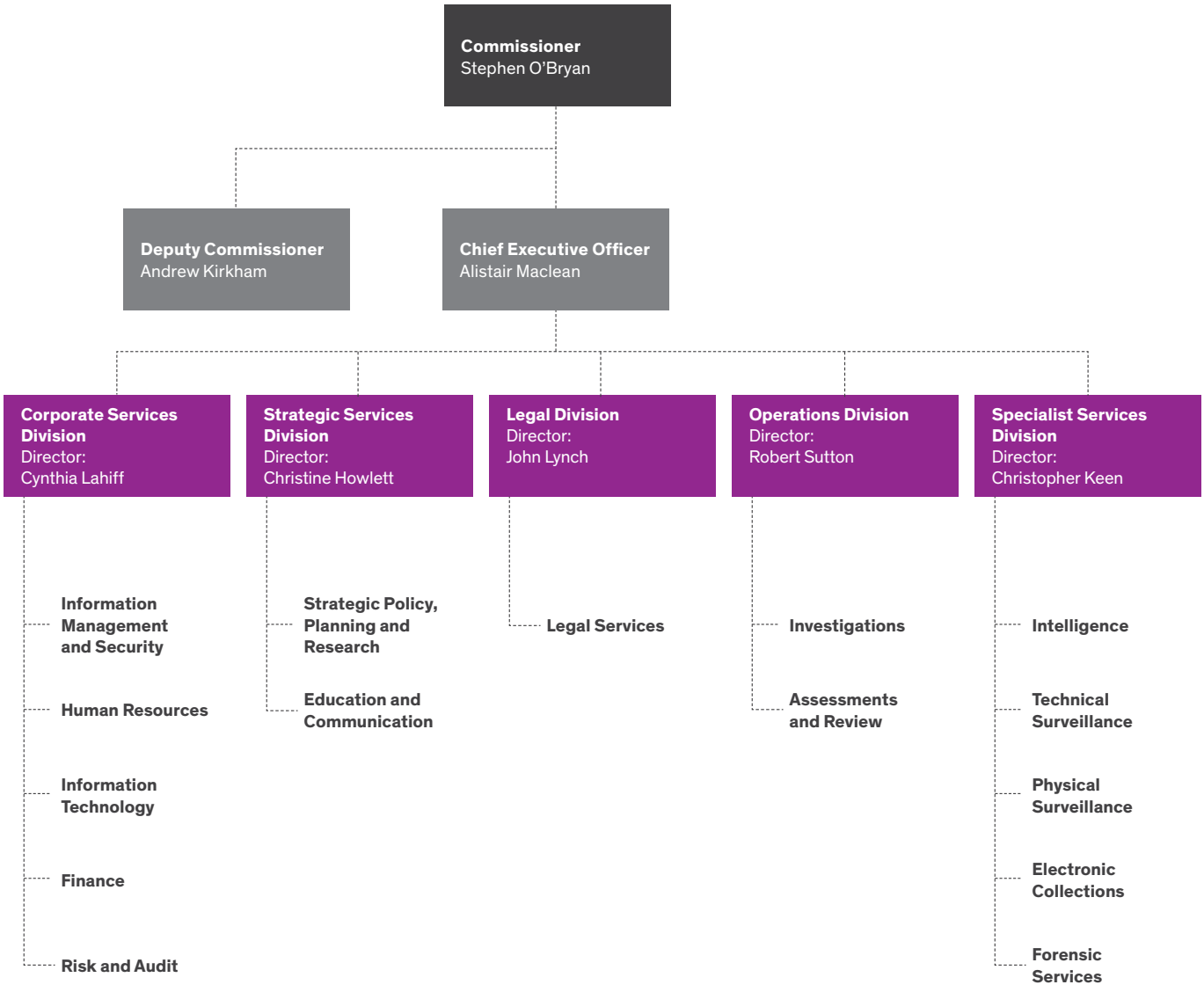
Advisory committees providing assistance to the executive will include an Audit and Risk Management Committee and an Occupational Health and Safety Committee.

Audit committee membership and roles

IBAC's Audit and Risk Management Committee was being established as at 30 June 2013.

Governance & organisational structure

Organisation chart as at 30 June 2013



Oversight

The *Victorian Inspectorate Act 2011* creates the Victorian Inspectorate and vests it with functions to monitor IBAC's compliance with relevant laws, assess IBAC's policies and procedures, and investigate and assess complaints against IBAC and IBAC personnel. Information about the Victorian Inspectorate is available at www.vicinspectorate.vic.gov.au.

The IBAC Act also establishes an IBAC Parliamentary Committee to monitor and review IBAC's performance of its functions and duties, examine any reports made by IBAC, and report to both houses of Parliament on any matters connected with the exercise of its functions that require the attention of Parliament.

Human resource management

Safety and wellbeing

IBAC is committed to providing and maintaining a healthy and safe working environment for employees, contractors and visitors, and adheres to the *Occupational Health and Safety Act 2004* to provide a healthy and safe work environment for all. During the year an incident reporting system was established and first aid officers and fire wardens appointed. The incident reporting process enables IBAC to respond immediately to incidents and near misses, and modify processes/ practices as required.

IBAC staff have access to a confidential employee assistance program through an external provider.

During the year staff participated in a range of health and wellbeing initiatives including:

- flu vaccinations
- Club Red (blood donations)
- lunchtime health and wellbeing activities
- Global Corporate Challenge.

Employees are also encouraged to access a range of external services, publications and toolkits.

Compliance reporting

IBAC managed two standard WorkCover claims that did not result in lost time.

IBAC did not record any prohibition notices in this period.

Incident management

There were six incidents recorded during the reporting period where there was a hazard, near miss or injury to a staff member.

OHS performance indicators

KPI	2012–13
No. of incidents	6
No. of standard claims	2
No. of lost time claims	–
No. of claims exceeding 13 weeks	–
Fatality claims	–
Average cost per standard claim	$738

Workforce data

Workforce data

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

Consistent with the establishment of a new public sector agency, IBAC introduced a suite of detailed employment policies. Where IBAC policies have not yet been developed, as an interim arrangement, IBAC adopted Department of Justice's human resource policies, guidelines and procedures.

Employment and conduct principles

IBAC is committed to applying merit and equity principles when appointing staff to ensure applicants are assessed and evaluated fairly and equitably, on the basis of the key selection criteria and other accountabilities without discrimination.

Former OPI staff were treated in accordance with the Public Administration Act and the Victorian Public Services (VPS) Workplace Determination 2012. Accordingly, some OPI staff were matched to positions in IBAC, or applied for new positions and were appointed based on merit.

In 2013–14, a comprehensive recruitment and selection policy and manual will be implemented, along with training in recruitment and selection techniques.

Graduate recruitment and development scheme

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

Aboriginal employment

IBAC is yet to develop Aboriginal employment programs or initiatives.

People and culture

IBAC's adoption of the VPS Employment Capability Framework provides a common platform to support learning and development.

IBAC has a centralised learning and development function which has focussed on preparing a comprehensive five-phase induction program and supporting systems that include pre-service, on-boarding, orientation, on-the-job learning and formal off-the-job learning.

IBAC employees are encouraged to acquire appropriate and relevant skills and knowledge through a range of professional development activities. During the reporting period, seven staff were supported with either paid study leave and/or financial assistance towards the cost of course fees and ten staff across legal and specialist services attended conferences.

Future initiatives will focus on strengthening organisational values and implementing a structured leadership and management development program.

Comparative workforce data

Summary of employment levels as at 30 June 2013

Ongoing				Fixed term & casual
Employees (Head count)	Full time (Head count)	Part time (Head count)	Full time equivalent (FTE)	Full time equivalent (FTE)
98	89	9	95	10.4

Details of employment levels as at 30 June 2013

Ongoing			Fixed term & casual
	Head count	FTE	FTE
Gender			
Male	52	51.8	2.4
Female	46	43.2	8
Age			
Under 25	2	2	0
25–34	28	27.4	5
35–44	34	32.3	2
45–54	25	24.3	3
55–64	8	8	0
Over 64	1	1	0.4

Details of employment by classification as at 30 June 2013

Ongoing			Fixed term & Casual
Classification	Employees (Head count)	Employees (FTE)	Employees (FTE)
VPS 1	0	0	0
VPS 2	2	2	2
VPS 3	24	22.5	1
VPS 4	19	18.8	1
VPS 5	29	28.2	2
VPS 6	9	8.5	3
STS	9	9	1
Executives	6	6	0.4
Other	0	0	0

Notes: All figures reflect active employees in the last pay period of June each year. The figures exclude those persons on leave without pay or absent on secondment, external contractors/consultants, temporary staff employed by employment agencies. 'Ongoing employee' means people engaged on an open-ended contract of employment and executives engaged on a standard executive contract who were active in the last pay period of June. Statutory appointments are not included.

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Other disclosures

Other disclosures

Victorian Industry Participation Policy

The Victorian Industry Participation Policy (VIPP) applies to all government projects with a value of more than $3 million in metropolitan Melbourne and more than $1 million in regional Victoria. All short-listed bidders who fall within the VIPP guidelines are required to complete a statement outlining the level of local content, and possible skills and technology transfers the project could create. If two or more bidders are found to offer equivalent value for money in the tender evaluation phase, the policy statements are used to identify the bidder with the best outcomes for Victorian industry.

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

Major contracts

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

Summary of consultancies

Consultancies with a value less than $10,000

In 2012–13, there were no consultancies with individual values less than $10,000 (exclusive of GST).

Consultancies with a value greater than $10,000

In 2012–13 there were three consultancies with a value of greater than $10,000 (exclusive of GST).

Summary of consultancies

Business unit	Consultant	Project	Total project ($ ex GST)	Expenditure 2012–13 ($ ex GST)	Future expenditure ($ ex GST)
Corporate Services	Deloitte Private Pty Ltd	Provision of advice on change management, operations, technology and workforce planning	706,120	706,120	0
Corporate Services	James Walker and Associates Pty Ltd	Design of Information Confidentiality Framework	50,000	50,400	0
Strategic Services	Australian National University	Research into the integrity of the Victorian Public Sector	244,734	168,156	76,578

Other disclosures

Freedom of information

The *Freedom of Information Act 1982* (FOI Act) allows the public a right of access to certain documents held by IBAC. For the period 10 February 2013 to 30 June 2013, IBAC received two applications. Of these requests, one was determined as being excluded from freedom of information but IBAC exercised its discretion and chose to provide certain information outside the requirements of the Act. The other matter was carried forward.

Making a request

A person may make a request to IBAC for documents under the *Freedom of Information Act 1982,* although section 194 of the *Independent Broad-based Anti-corruption Commission Act 2011* excludes certain classes of documents in the possession of IBAC from the FOI Act.

Similarly, section 51 of the *Police Integrity Act 2008* (Vic) excluded certain classes of documents in the possession of OPI from the FOI Act.

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

Access to documents not excluded from the FOI Act may be obtained through written request to the Freedom of Information Officer, as detailed in section 17 of the FOI Act. Requests should:

- be in writing
- identify as clearly as possible which document is being requested
- be accompanied by the appropriate application fee (the fee may be waived in certain circumstances).

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).

The Freedom of Information Part II Information Statements available at www.ibac.vic.gov.au outline how IBAC is making information readily available to the public, reducing the need for members of the public to submit requests under the FOI Act. These statements include information about IBAC's organisation and functions, categories of documents created by IBAC, freedom of information arrangements, publications, rules, policies, procedures and report literature.

Full details about how to make a freedom of information request to IBAC can be found at www.ibac.vic.gov.au or by contacting the Freedom of Information Officer on 1300 735 135 or by mail:

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

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

Compliance with the *Building Act 1993*

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

National Competition Policy

IBAC complies with the requirements of the National Competition Policy.

Compliance with the *Protected Disclosures Act 2012*

The *Protected Disclosure Act 2012* enables people to make disclosures about improper conduct within the public sector without fear of reprisal. The Act provides certain protections for people who make disclosures, and creates certain obligations of confidentiality preventing the disclosure of the identity of the person who has made a disclosure and the content of the disclosure, unless it is done under certain specified circumstances. Disclosure of either the identity of a discloser, or the content of their disclosure that is not covered by any of those specified exceptions, is a criminal offence.

Under the Act, IBAC has a key role in receiving, assessing and investigating disclosures about improper conduct and detrimental action taken in reprisal for a disclosure by public bodies or public officers.

Other disclosures

Investigating entities are required to include specified information about investigations and about protected disclosures relating to them in their annual reports. Public bodies are also required to include information about protected disclosures relating to them in their annual reports.

Public bodies that can receive disclosures are required to establish and publish procedures about making, handling and notifying disclosures. All public bodies will be required to establish and publish procedures about protecting people from reprisals. These must be in place by 10 August 2013. IBAC will then be able to review the procedures of a public body.

As the 'clearing-house', IBAC was required to issue guidelines for those procedures. It was also required to issue guidelines for protecting the welfare of people who make protected disclosures or are affected by a disclosure.

IBAC published *Guidelines for making and handling protected disclosures* and *Guidelines for protected disclosure welfare management* in June 2013 to assist public bodies to interpret and comply with the new protected disclosure regime. These guidelines were established under Part 9 of the Protected Disclosure Act and can be found on the IBAC website www.ibac.vic.gov.au.

A series of information sessions was also held in 2013 for protected disclosure coordinators to inform them about the Act and their organisation's obligations.

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

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

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

Protected disclosures[6]

Assessable disclosures made direct to IBAC	638
Assessable disclosures referred to IBAC by the Chief Commissioner of Police or other entities	29
Protected disclosures determined by IBAC to be protected disclosure complaints	131
Protected disclosure complaints endorsed for investigation by IBAC	6
Protected disclosure complaints referred to another investigating entity	105
Protected disclosure complaints dismissed by IBAC	19
Disclosures that IBAC has been unable to investigate or refer to another investigating body	4
Recommendations by IBAC to other entities following a review of protected disclosure procedures[7]	Nil
Action taken by other entities resulting from IBAC recommendations following a review of protected disclosure procedures[8]	N/A

6 Data covers the period 1 January to 30 June 2013 as a small number of matters were notified to either OPI or IBAC prior to 10 February and were transitioned to IBAC once in full operation on 10 February 2013. Data is not able to be added as one allegation may contain multiple protected disclosures. There are some variances with the data due to changes in IBAC processes early in implementation of the legislation that changed the protected disclosure test from a case-by-case to allegation-based determination.

7 Protected disclosure procedures were not reviewed by IBAC as procedures are not required to be in place until 10 August 2013.

8 Actions taken by other entities are not applicable for the same reason as cited in the above footnote.

Other disclosures

Disability and cultural diversity

Disability Action Plan

In 2013–14, IBAC will develop its Disability Action Plan outlining the organisation's approach to disability-related issues.

People who are deaf, or have a hearing or speech impairment, can contact IBAC through the National Relay Service (NRS):

- TTY users phone 1800 555 677 then ask for 1300 735 135
- Speak and Listen users phone 1800 555 727 then ask for 1300 735 135
- Internet relay users connect to the NRS then ask for 1300 735 135.

Cultural Diversity Plan

In 2013–14, IBAC will develop its Cultural Diversity Plan for promoting inclusion in IBAC for Victorians from culturally and linguistically diverse (CALD) backgrounds.

Translation and interpreting services

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

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

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

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

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

Office-based environmental impacts

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

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 to the relevant ministers, Members of Parliament and the public on request (subject to any freedom of information requirements that are applicable):

a. Publications tabled in Parliament or released publicly by the former Office for Police Integrity in 2012–13. This information is available at www.ibac.vic.gov.au

b. A statement of declarations of private interests has been duly completed by all relevant officers.

Further enquiries should be directed to:

Manager Education and Communication
Independent Broad-based Anti-corruption Commission
GPO Box 24234
Melbourne VIC 3001

Attestation

ibac independent broad-based anti-corruption commission Victoria

Risk Attestation 2012-13

Independent Broad-based Anti-corruption Commission (IBAC)

The IBAC 2012-2013 attestation is supported by:

a. progress towards a divisional risk management framework, processes, policy and templates

b. divisional and business unit validation of key controls and treatment strategies, and

c. progress towards the implementation of risk reporting to key governance and accountability functions

The recently established IBAC Audit and Risk Management Committee will play an important role in guiding the organisational approach to risk management and helping to ensure that systems for identifying and monitoring risks are operating as intended.

Attestation

I, Stephen O'Bryan, certify that IBAC as a newly established organisation is progressing towards the implementation of risk management processes consistent with the Australian/New Zealand Risk Management Standard (AS/NZS ISO 31000:2009 or its successor) and an internal control system that enables the executive to understand, manage and control risk exposures.

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

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

Donald W. Challen AM

Chair
Audit and Risk Management Committee

Date: 10 | 9 | 2013

Stephen O'Bryan S.C.

Commissioner
IBAC

Date: 13 | 9 | 2013

Other disclosures

Disclosure index

The annual report of IBAC is prepared in accordance with all relevant Victorian legislation. This index has been prepared to facilitate identification of IBAC's compliance with statutory disclosure requirements.

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FRD 22C	Nature and range of services provided	14–21
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FRD 22C	Employment and conduct principles	30
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FRD 22C	Summary of the financial results for the year	23
FRD 22C	Significant changes in financial position during the year	N/A
FRD 22C	Major changes or factors affecting performance	N/A
FRD 22C	Subsequent events	N/A
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Other disclosures

Financial report

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Full report

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Note: FRD = financial reporting direction

Financial report

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

ibac independent broad-based anti-corruption commission
Victoria

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

In our opinion, the information set out in the comprehensive operating statement, balance sheet, statement of changes in equity, cash flow statement and accompanying notes, presents fairly the financial transactions during the year ended 30 June 2013 and financial position of IBAC as at 30 June 2013.

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

We authorise the attached financial statements for issue on 12 September 2013.

S O'Bryan SC
Commissioner
IBAC

Melbourne
12 September 2013

A Maclean
Accountable Officer
IBAC

Melbourne
12 September 2013

W Box
Chief Finance and Accounting Officer
IBAC

Melbourne
12 September 2013

Independent Auditor's report

VAGO
Victorian Auditor-General's Office

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INDEPENDENT AUDITOR'S REPORT

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

The Financial Report

The accompanying financial report for the year ended 30 June 2013 of the Independent Broad-based Anti-Corruption Commission which comprises the comprehensive operating statement, balance sheet, statement of changes in equity, cash flow statement, notes comprising a summary of significant accounting policies and other explanatory information, and the Commissioner's, Accountable Officer's and Chief Finance and Accounting Officer's declaration has been audited.

The Commissioner's Responsibility for the Financial Report

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

Auditor's Responsibility

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

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

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

Independent Auditor's report

Independent Auditor's Report (continued)

Independence

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

Opinion

In my opinion, the financial report presents fairly, in all material respects, the financial position of the Independent Broad-based Anti-corruption Commission as at 30 June 2013 and of its financial performance and its cash flows for the year then ended in accordance with applicable Australian Accounting Standards, and the financial reporting requirements of the *Financial Management Act 1994*.

Matters Relating to the Electronic Publication of the Audited Financial Report

This auditor's report relates to the financial report of the Independent Broad-based Anti-corruption Commission for the year ended 30 June 2013 included both in the Independent Broad-based Anti-corruption Commission's annual report and on the website. The Commissioner of the Independent Broad-based Anti-corruption Commission is responsible for the integrity of the Independent Broad-based Anti-corruption Commission's website. I have not been engaged to report on the integrity of the Independent Broad-based Anti-corruption Commission's website. The auditor's report refers only to the subject matter described above. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements. If users of the financial report are concerned with the inherent risks arising from publication on a website, they are advised to refer to the hard copy of the audited financial report to confirm the information contained in the website version of the financial report.

MELBOURNE
13 September 2013

for John Doyle
Auditor-General

Comprehensive operating statement
for the financial year ended 30 June 2013

	Notes	2013
		$'000
Continuing operations		
Income from transactions		
Grants	2(a)	13,335
Other income	2(b)	13,806
Total income from transactions		**27,141**
Expenses from transactions		
Employee expenses	3(a)	6,816
Depreciation and amortisation	3(b)	780
Interest expense	3(c)	22
Other operating expenses	3(d)	6,057
Total expenses from transactions		**13,675**
Net result from transactions (net operating balance)		**13,466**
Other economic flows included in net result		
Other gains from other economic flows	4	27
Total other economic flows included in net result		**27**
Comprehensive result		**13,493**

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

Balance sheet
as at 30 June 2013

	Notes	2013
		$'000
Assets		
Financial assets		
Cash	16(a)	30
Receivables	5	14,406
Total financial assets		**14,436**
Non-financial assets		
Property, plant and equipment	6	4,714
Other non-financial assets	7	2,436
Total non-financial assets		**7,150**
Total assets		**21,586**
Liabilities		
Payables	8	995
Borrowings	9	823
Provisions	10	3,116
Total liabilities		**4,934**
Net assets		**16,652**
Equity		
Accumulated surplus		13,493
Contributed capital		3,159
Net worth		**16,652**
Commitments for expenditure	13	
Contingent assets and contingent liabilities	14	

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

Statement of changes in equity
for the financial year ended 30 June 2013

	Notes	Accumulated Surplus	Contributed Capital	Total
		$'000	$'000	$'000
Balance at 1 July 2012		-	-	-
Net result for the year		13,493	-	13,493
Net assets disposed		-	(8)	(8)
Administrative restructure – net assets received	20	-	3,167	3,167
Balance at 30 June 2013		**13,493**	**3,159**	**16,652**

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

Cash flow statement
for the financial year ended 30 June 2013

	Notes	2013
		$'000
Cash flows from operating activities		
Receipts and payments		
Receipts from government		16,151
Payments to suppliers and employees		(11,598)
Interest paid		(22)
Net cash flows from operating activities	16(b)	**4,531**
Cash flows from investing activities		
Purchases of non-financial assets		(4,539)
Net cash flows (used in) investing activities		**(4,539)**
Cash flows from financing activities		
Proceeds from finance leases		146
Repayment of borrowings and finance leases		(108)
Net cash flows from financing activities		**38**
Net increase in cash and cash equivalents		**30**
Cash and cash equivalents at beginning of financial year		-
Cash and cash equivalents at end of financial year	16(a)	**30**

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

Financial statements

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Note 1. Summary of significant accounting policies

These annual financial statements represent the audited general purpose financial statements for the Independent Broad-based Anti-corruption Commission (IBAC) for the year ended 30 June 2013.

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

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

IBAC's full investigative powers did not commence until 10 February 2013 when the *Independent Broad-based Anti-corruption Commission Act 2011* was amended. During the year the *Protected Disclosure Act 2012* came into operation replacing the *Whistleblowers Protection Act 2001.* In accordance with Schedule 9 of the *Independent Broad-based Anti-corruption Commission Act 2011,* all assets and liabilities of the OPI become assets and liabilities of IBAC as detailed in Note 20. This is the first report for IBAC.

(A) Statement of compliance

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

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

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

To gain a better understanding of the terminology used in this report, a glossary of terms and style conventions can be found in Note 21.

These annual financial statements were authorised for issue by the Commissioner, Accountable Officer and the Chief Financial and Accounting Officer of IBAC on 12 September 2013.

(B) Basis of accounting preparation and measurement

The accrual basis of accounting has been applied in the preparation of these financial statements 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. The 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 statements 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)).

These financial statements are presented in Australian dollars, and prepared in accordance with the historical cost convention.

(C) Reporting entity

The financial statements cover IBAC as an individual reporting entity.

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

Its principal address is:
IBAC
Level 1, North Tower, 459 Collins Street
Melbourne VIC 3000

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

Objectives and funding

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

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

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

(D) Scope and presentation of financial statements

Comprehensive operating statement

Income and expenses in the comprehensive operating statement are classified according to whether or not they arise from 'transactions' or other economic flows. This classification is consistent with the whole of government reporting format and is allowed under AASB 101 *Presentation of Financial Statements.*

'Transactions' and other economic flows are defined by the *Australian System of Government Finance Statistics: Concepts, Sources and Methods 2005* and *Amendments to Australian System of Government Finance Statistics, 2005* (ABS Catalogue No. 5514.0) (the GFS manual) (refer to Note 21).

'Transactions' are those economic flows that are considered to arise as a result of policy decisions, usually interactions between two entities by mutual agreement. Transactions 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.

Other economic flows are changes in the volume or changes arising from market re-measurements. The only example of these is in the revaluation of long-service leave.

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

Balance sheet

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

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

Cash flow statement

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

Statement of changes in equity

The statement of changes in equity presents reconciliations of non-owner and owner changes in equity from opening balances at the beginning of the reporting period to the closing balances at the end of the reporting period.

Rounding

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

Figures in the financial statements may not equate due to rounding. Please refer to the end of Note 21 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.

Trust income

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

Services provided by the Department of Justice

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

(F) Expenses from transactions

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

Employee expenses

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

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

Superannuation

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

The Department of Treasury and Finance (DTF) in their Annual Financial Statements, 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 Statements for more detailed disclosures in relation to these plans.

Depreciation

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

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

The following are estimated useful lives for the different asset classes for current year.

Asset	Useful life
Leasehold improvements	over the life of the lease
Computer and communication equipment	4 years
Plant and equipment	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 21 for an explanation of interest expense items.

Other operating expenses

Other operating expenses generally represent the day-to-day running costs incurred in normal operations and include:

Supplies and services

Supplies and services costs are recognised as an expense in the reporting period in which they are incurred.

(G) Other economic flows included in the net result

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

Other gains/(losses) from other economic flows

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

(H) Financial instruments

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

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

The following refers to financial instruments unless otherwise stated.

Categories of non-derivative financial instruments

Loans and receivables

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

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

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 rate method (refer to Note 21).

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

(I) Financial assets

Cash

Cash comprises cash on hand.

Receivables

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

Contractual receivables are classified as financial instruments and categorised as loans and receivables (refer to Note 1(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

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 for 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.

Certain assets are acquired under finance leases.
Refer to Note 1(L) for more information.

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

Leasehold improvements

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

Other non-financial assets

Prepayments

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

Rental security deposits

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

(K) Liabilities

Payables

Payables consist of:

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

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

Borrowings

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

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, salaries and annual leave

Liabilities for wages and salaries, including non-monetary benefits and annual leave are recognised in the provision for employee benefits, classified as current liabilities. Those liabilities which are expected to be settled within 12 months of the reporting period, are measured at their nominal values. Those liabilities that are not expected to be settled within 12 months are also recognised in the provision for employee benefits as current liabilities, but are measured at present value of the amounts expected to be paid when the liabilities are settled using the remuneration rate expected to apply at the time of settlement.

(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 statements 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-component that IBAC expects to settle within 12 months; and
- present value-component that IBAC does not expect to 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)).

Employee benefits on-costs

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

(L) Leases

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

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

Finance leases

IBAC as lessee

At the commencement of the lease term, finance leases are initially recognised as assets and liabilities at amounts equal to the fair value of the lease property or, if lower, the present value of the minimum lease payment, each determined at the inception of the lease. The lease asset is accounted for as a non-financial physical asset in the balance sheet and depreciated over the shorter of the estimated useful life of the asset or the term of the lease.

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

Operating leases

IBAC as lessee

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

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

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

(M) Equity

Contributions by owners

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

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

(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 13) at their nominal value and inclusive of the GST payable. In addition, where it is considered appropriate and provides additional relevant information to users, the net present value of significant individual projects are stated. These future expenditures cease to be disclosed as commitments once the related liabilities are recognised in the balance sheet.

(O) Contingent assets and contingent liabilities

Contingent assets and contingent liabilities are not recognised in the balance sheet, but are disclosed by way of a note (refer to Note 14) and, if quantifiable, are measured at nominal value. Contingent assets and liabilities are presented inclusive of GST receivable or payable respectively.

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

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

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

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

(Q) Events after the reporting period

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

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

Certain new AASs have been published that are not mandatory for the 30 June 2013 reporting period. DTF assesses the impact of all these new standards and advises IBAC of their applicability and early adoption where applicable.

As at 30 June 2013, the following AAS has been issued by the AASB but is not yet effective. It becomes effective for the first financial statements for reporting periods commencing after the stated operative dates as follows:

Standard/Interpretation	Summary	Applicable for annual reporting periods beginning on or after	Impact on public sector entity financial statements
AASB 9 *Financial Instruments*	This standard simplifies requirements for the classification and measurement of financial assets resulting from Phase 1 of the International Accounting Standard Board's (IASB) project to replace International Accounting Standard (IAS) 39 *Financial Instruments: Recognition and Measurement* (AASB 139 *Financial Instruments: Recognition and Measurement).*	1 Jan 2015	Subject to AASB's further modifications to AASB 9, together with the anticipated changes resulting from the staged projects on impairments and hedge accounting, details of impacts will be assessed.

In addition to the new standards above, the AASB has issued a list of amendments to standards that are not effective for the 2012–13 reporting period (as listed below). In general, these amendments to standards include editorial and references changes that are expected to have insignificant impacts on public sector reporting.

- AASB 2009-11 *Amendments to Australian Accounting Standards arising from AASB 9.*
- AASB 2010-7 *Amendments to Australian Accounting Standards arising from AASB 9* (December 2010).
- AASB 2011–4 *Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements.*
- AASB 2011–8 *Amendments to Australian Accounting Standards arising from AASB 13.*
- AASB 2011–10 *Amendments to Australian Accounting Standards arising from AASB 119* (September 2011).

Note 2. Income from transactions

		2013
		$'000
(a)	**Grants**	
	General purpose: Department of Justice	13,335
	Total grants	**13,335**
(b)	**Other income**	
(i)	Trust income	13,773
	Other	33
	Total other income	**13,806**
	Total income from transactions	**27,141**

Note:

(i) Of the $13.77 million trust income received, $12.70 million was from the Department of Justice (DOJ) for the establishment of IBAC. This trust was initially established in 2011–12 and was managed by DOJ during that year. The remaining trust income of $1.07 million was received from the Department of Premier and Cabinet.

Note 3. Expenses from transactions

(a)	**Employee expenses**	
	Salaries, wages and long service leave	6,337
	Post-employment benefits	
	Defined contribution superannuation expense	420
	Defined benefit superannuation expense	18
	Termination benefits	41
	Total employee expenses	**6,816**
(b)	**Depreciation and amortisation**	
	Leasehold improvements	359
	Computer and communication equipment	269
	Plant and equipment	38
	Motor vehicles	5
	Motor vehicles under finance lease	109
	Total depreciation and amortisation	**780**
(c)	**Interest expense**	
	Interest on finance leases	22
	Total interest expense	**22**
(d)	**Other operating expenses**	
	Supplies and services	
	Contractors and professional services	2,654
	Technology service costs	945
	Printing, communications and office expenses	395
	Travel and transport	164
	Training	72
	Auditors' remuneration	17
	Other	124
	Total supplies and services	4,371
	Operating lease rental expenses	
	Lease payments	1,686
	Total operating lease rental expenses	1,686
	Total other operating expenses	**6,057**

Note 4. Other economic flows included in net result

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

Note 5. Receivables

Current receivables	
Contractual	
Other receivables	38
Statutory	
Amounts owing from the Department of Justice	13,136
Total current receivables	**13,174**
Non-current receivables	
Statutory	
Amount owing from Department of Justice	1,232
Total non-current receivables	**1,232**
Total receivables	**14,406**

Note 6. 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 6.1: Gross carrying amount and accumulated depreciation

	Gross carrying amount	Accumulated depreciation	Net carrying amount
	2013	2013	2013
	$'000	$'000	$'000
Leasehold improvements at fair value	5,267	2,927	2,340
Computer and communication equipment at fair value	5,099	4,245	854
Plant and equipment at fair value	1,598	963	635
Motor vehicles at fair value	163	91	72
Motor vehicles under finance lease at fair value	1,107	294	813
	13,234	**8,520**	**4,714**

Table 6.2: Movements in carrying amounts

	Leasehold improvements at fair value	Computer and communication equipment at fair value	Plant and equipment at fair value	Motor vehicles at fair value	Motor vehicles under finance lease at fair value	Total
	2013	2013	2013	2013	2013	2013
	$'000	$'000	$'000	$'000	$'000	$'000
Opening balance	-	-	-	-	-	-
Additions	2,652	268	171	-	161	3,252
Disposals	-	-	(8)	-	(92)	(100)
Transfers from OPI	47	855	510	77	853	2,342
Depreciation and amortisation	(359)	(269)	(38)	(5)	(109)	(780)
Closing balance	**2,340**	**854**	**635**	**72**	**813**	**4,714**

Table 6.3: Aggregate depreciation and amortisation recognised as an expense during the year

	2013
	$'000
Leasehold improvements at fair value	359
Computer and communication equipment at fair value	269
Plant and equipment at fair value	38
Motor vehicles at fair value	5
Motor vehicles under finance lease at fair value	109
	780

Note 7. Other non-financial assets

	Current other assets	
(i)	Prepayments	2,405
	Rental security deposit	31
	Total current other assets	**2,436**
	Total other non-financial assets	**2,436**

Note:
(i) The Department of Treasury and Finance (DTF) manages the refurbishment of IBAC's leased office premises on behalf of IBAC. Prepayments include $2.1m made to DTF in relation to the project (refer to Note 13(a)).

Note 8. Payables

Current payables	
Contractual	
Supplies and services	987
Statutory	
FBT payable	8
Total current payables	**995**
Total payables	**995**

(a) Maturity analysis of contractual payables. Refer to Note 15 for the maturity analysis of contractual payables.
(b) Nature and extent of risk arising from contractual payables. Refer to Note 15 for the nature and extent of risks arising from contractual payables.

Note 9. Borrowings

	Current borrowings	
(i)	Lease liabilities	381
	Total current borrowings	**381**
	Non-current borrowings	
(i)	Lease liabilities	442
	Total non-current borrowings	**442**
	Total borrowings	**823**

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

(a) Maturity analysis of borrowings. Refer to Note 15 for the maturity analysis of borrowings.
(b) Nature and extent of risk arising from borrowings. Refer to Note 15 for the nature and extent of risks arising from borrowings.

Note 10. Provisions

		Notes	2013
			$'000
	Current provisions		
(i)	Employee benefits – annual leave:	10(a)	
(ii)	Unconditional and expected to settle within 12 months		607
(iii)	Unconditional and expected to settle after 12 months		106
			713
(i)	Employee benefits – long service leave:	10(a)	
(ii)	Unconditional and expected to settle within 12 months		542
(iii)	Unconditional and expected to settle after 12 months		309
			851
	Total employee benefits		**1,564**
	Provisions related to employee benefits on-costs:	10(a), (b)	
(ii)	Unconditional and expected to settle within 12 months		245
(iii)	Unconditional and expected to settle after 12 months		75
	Total employee benefits on-costs		**320**
	Total current provisions		**1,884**
	Non-current provisions		
(i), (iii)	Employee benefits – long service leave	10(a)	419
(iii)	Employee benefits on-costs	10(a), (b)	61
(iv)	Make-good provision	10(b)	752
	Total non-current provisions		**1,232**
	Total provisions		**3,116**

(a) Employee benefits and related on-costs

Current employee benefits	
Annual leave entitlements	713
Long service leave entitlements	851
Non-current employee benefits	**1,564**
Long service leave entitlements	419
Total employee benefits	**1,983**
Current on-costs	320
Non-current on-costs	61
Total on-costs	**381**
Total employee benefits and related on-costs	**2,364**

Notes:

(i) Provisions for employee benefits consist of amounts for annual leave and long service leave accrued by employees, not including on-costs.

(ii) The amounts disclosed are nominal amounts.

(iii) The amounts disclosed are discounted to present values.

(iv) In accordance with the lease agreement over the office accommodation at 459 Collins Street, IBAC must remove any leasehold improvements and restore the premises to its original condition at the end of the lease term.

(b) Movement in provisions

	Make-good	Employee benefits on-costs	Total
	2013	2013	2013
	$'000	$'000	$'000
Opening balance	-	-	-
Additional provisions recognised	752	482	1,234
Reductions arising from payments/other sacrifices of future economic benefits	-	(101)	(101)
Closing balance	**752**	**381**	**1,133**
Current	-	320	320
Non-current	752	61	813
Total	**752**	**381**	**1,133**

Note 11. Superannuation

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

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

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

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

Fund	Paid contribution for the year 2013
	$'000
Defined benefit plan:	
State Superannuation Fund – revised and new	18
Defined contribution plans:	
VicSuper	361
Other	59
Total	**438**

Note 12. 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.

	Notes	Minimum future lease payments 2013	Present value of minimum future lease payments 2013
		$'000	$'000
Finance lease liabilities payable			
Not longer than one year		422	381
Longer than one year but not longer than five years		456	442
Minimum future lease payments		**878**	**823**
Less future finance charges		(55)	-
Present value of minimum lease payments		**823**	**823**
Included in the financial statements as:			
Current borrowings lease liabilities	9		381
Non-current borrowings lease liabilities	9		442
Total			**823**

Operating leases relate to office accommodation leased by IBAC with original lease terms between one and five years, with options to extend. All operating lease contracts contain 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.

	2013
	$'000
Non-cancellable operating lease payable	
Not longer than one year	2,809
Longer than one year but not longer than five years	5,893
Total	**8,702**

Note 13. Commitments for expenditure

(a) Capital commitments

As at 30 June 2013, IBAC is in the process of refurbishing its leased accommodation. Although no contract has been signed as at 30 June 2013, the project is in progress and targeted to be completed by 30 September 2014.

(b) Operating lease commitments

The finance lease and non-cancellable operating lease payable are disclosed in Note 12 Leases.

Note 14. Contingent assets and contingent liabilities

There were no contingent assets or liabilities as at 30 June 2013.

Note 15. Financial instruments

(a) Financial risk management objectives and policies

IBAC's principal financial instruments comprise:
- cash assets;
- receivables (excluding statutory receivables);
- payables (excluding statutory payables); and
- finance lease liabilities payable.

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

The main purpose in holding financial instruments is to prudentially manage IBAC's financial risks in 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 15.1: Categorisation of financial instruments

2013	Contractual financial assets-loans and receivables	Contractual financial liabilities at amortised costs	Total
	$'000	$'000	$'000
Contractual financial assets			
Cash	30	-	30
Receivables	38	-	38
Total contractual financial assets	**68**	-	**68**
Contractual financial liabilities			
Payables:			
Supplies and services	-	987	987
Borrowings:			
Finance lease liabilities	-	823	823
Total contractual financial liabilities	-	**1,810**	**1,810**

Table 15.2: Net holding gain/(loss) on financial instruments by category

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

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

Note 15. Financial instruments (continued)

(b) Credit risk

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

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

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

The carrying amount of contractual financial assets recorded in the financial statements, 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 2013, IBAC does not have any contractual financial assets that are past due or impaired.

(c) Liquidity risk

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

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

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

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

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

Table 15.3: Maturity analysis of contractual financial liabilities[(i)]

2013	Carrying amount	Less than 1 month	1–3 months	3 months – 1 year	1–5 years	5+ years	Nominal Amount
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
(ii) **Payables:**							
Supplies and services	987	987	-	-	-	-	987
Borrowings:							
Finance lease liabilities	823	61	47	314	455	-	877
Total	**1,810**	**1,048**	**47**	**314**	**455**	**-**	**1,864**

Notes:
(i) Maturity analysis is presented using the contractual undiscounted cash flows.
(ii) The carrying amounts disclosed exclude statutory amounts (e.g. GST payables).

(d) Market risk

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

Foreign currency risk

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

Interest rate risk

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

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

Table 15.4: Interest rate exposure of financial instruments

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

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

(e) Fair value

IBAC considers that the carrying amount of financial instrument assets and liabilities recorded in the financial statements 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 16. Cash flow information

(a) Reconciliation of cash and cash equivalents

		2013
		$'000
(i)	Total cash disclosed in the balance sheet	30
	Balance as per cash flow statement	**30**

Note:
(i) Due to the Department of Justice funding arrangements, IBAC does not hold a bank account.

(b) Reconciliation of net result for the period (net of transfer from OPI)

Net result for the period	**13,493**
Non-cash movements:	
Depreciation and amortisation of non-current assets	780
Other non-cash movements	(31)
Movements in assets and liabilities (adjusted for transfer of assets from OPI):	
Increase in receivables	(10,992)
Decrease in other non-financial assets	105
Increase in payables	245
Increase in provisions	931
Net cash flows from operating activities	**4,531**

Note 17. 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:

Minister responsible for the establishment of an anti-corruption commission	The Hon. Andrew McIntosh MP	01 July 2012 to 12 March 2013
Minister responsible for the Independent Broad-based Anti-corruption Commission *(i)*	The Hon. Andrew McIntosh MP	13 March 2013 to 15 April 2013
Acting Minister responsible for the establishment of an anti-corruption commission	The Hon. Robert Clark MP	14 July 2012 to 29 July 2012
Attorney-General	The Hon. Robert Clark MP	16 April 2013 to 30 June 2013
Acting Attorney-General	The Hon. Gordon Rich-Phillips MLC	29 June 2013 to 30 June 2013
Acting Commissioner	Ron Bonighton AM	01 July 2012 to 31 December 2012
Commissioner	Stephen O'Bryan SC	01 January 2013 to 30 June 2013
Interim Chief Executive Officer	Jo De Morton	11 December 2012 to 07 April 2013
Chief Executive Officer	Alistair Maclean	08 April 2013 to 30 June 2013

Note:
(i) On 16 April 2013, this ministerial position ceased to exist, and the Attorney-General became responsible for the administration of the Independent Broad-based Anti-corruption Commission Act 2011.

Remuneration

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

Income band	Total remuneration 2013 No.
$80,000–89,999	1
$100,000–109,999	1
$170,000–179,999	1
Total number of responsible persons *(i)*	**3**

Note:
(i) The remuneration for the interim CEO will be reported in the financial statements of the Department of Premier and Cabinet.

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

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

Note 18. Remuneration of executives and payments to other personnel (i.e. contractors with significant management responsibilities)

(a) Remuneration of executives

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

Income band	Total remuneration	Base remuneration
	2013	2013
	No.	No.
$110,000 – 119,999	1	1
Total number of executives	**1**	**1**
Total annualised employee equivalents (AEE) *(i)*	**0.42**	**0.42**
Total amount	**$113,840**	**$113,840**

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

Other than the executive officer whose remuneration is disclosed in the above table, there were also five appointments during the year, none of whom held office for the full reporting period. The total remuneration of these executive officers individually fell below the reporting threshold of $100,000.

(b) Payments to other personnel (i.e. contractors with significant management responsibilities)

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

During the year, payments have been made to one contractor with significant management responsibilities disclosed in the table below. This contractor was responsible for the planning, directing or controlling, directly or indirectly, of IBAC's activities.

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

Note 19. Remuneration of auditors

	2013
	$'000
Victorian Auditor-General's Office	
Audit of the financial statements	17
	17

Note 20. Establishment of Independent Broad-based Anti-corruption Commission (IBAC)

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

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

Full investigative powers did not commence until 10 February 2013 when the *Independent Broad-based Anti-corruption Commission Act 2011* was amended. The *Protected Disclosure Act 2012 also* came into operation replacing the *Whistleblowers Protection Act 2001.* In accordance with Schedule 9 of the *Independent Broad-based Anti-corruption Commission Act 2011,* all assets and liabilities of the OPI become assets and liabilities of IBAC as outlined below.

Net assets and equity: controlled

The following controlled net assets and equity of the former OPI became the net assets and equity of IBAC on 10 February 2013.

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

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

Note 21. Glossary of terms and style conventions

Amortisation

Amortisation is the expense which results from the consumption, extraction or use over time of a non-produced physical or intangible asset. This expense is classified as other economic flow.

Borrowings

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

Comprehensive result

The net result of all items of income and expense recognised for the period. It is the aggregate of operating result and other non-owner movements in equity.

Commitments

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

Depreciation

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

Effective interest method

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

Employee benefits expenses

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

Financial asset

A financial asset is any asset that is:

(a) cash; and

(b) a contractual or statutory right:

- to receive cash or another financial asset from another entity; or
- 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.

Financial statements

Depending on the context of the sentence where the term 'financial statements' is used, it may include only the main financial statements (i.e. comprehensive operating statement, balance sheet, cash flow statements, and statement of changes in equity); or it may also include the main financial statements and the notes.

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.

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 non-owner changes in equity'.

Net result from transactions/net operating balance

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

Net worth

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

Non-financial assets

Non-financial assets are all assets that are not 'financial assets'. It includes leasehold improvements, computer and communications equipment, and motor vehicles.

Other economic flows

Other economic flows are changes in the volume or value of an asset or liability that do not result from transactions. It includes gains and losses from disposals, revaluations and impairments of non-financial physical assets and non-financial liabilities.

In simple terms, other economic flows are changes arising from market re-measurements.

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.

The notation used in the tables is as follows:

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

Glossary of terms

Acronym	Full name
AAS	Australian Accounting Standards
AASB	Australian Accounting Standards Board
AEE	Annualised employee equivalents
ANU	Australian National University
CALD	Culturally and linguistically diverse
DOJ	Department of Justice
DPC	Department of Premier and Cabinet
DTF	Department of Treasury and Finance
EPAG	Education and Prevention Advisory Group
FMA	Financial Management Act
FRD	Financial Reporting Directions
FTE	Full-time equivalent
GST	Goods and Services Tax
IBAC	Independent Broad-based Anti-corruption Commission

Acronym	Full name
ISO	International Organization for Standardization
KPI	Key performance indicator
LSL	Long service leave
NRS	National Relay Service
OHS	Occupational health and safety
OPI	The Office of Police Integrity
PD	Protected Disclosure
SD	Standing Directions (of the Financial Management Act)
STS	Senior Technical Specialist
TIS	Translating and Interpreting Service
TRIC	Transnational Research Institute on Corruption
TTY	Teletypewriter
VIPP	Victorian Industry Participation Policy
VPS	Victorian Public Service



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