STRENGTHENING VICTORIA'S CORRUPTION RESISTANCE

ANNUAL REPORT 2016/17



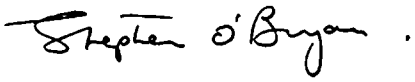
ibac

independent broad-based anti-corruption commission

Victoria

Responsible body's declaration

In accordance with the *Financial Management Act 1994*, the *Independent Broad-based Anti-corruption Commission Act 2011* and the *Protected Disclosure Act 2012*, I am pleased to present the Independent Broad-based Anti-corruption Commission's annual report for the year ending 30 June 2017.



Stephen O'Bryan QC
Commissioner
Independent Broad-based Anti-corruption Commission
1 September 2017

Authorised and published by the Independent Broad-based Anti-corruption Commission
Level 1, 459 Collins Street
Melbourne, Vic 3000
September 2017

We value your feedback

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

Contact us on 1300 735 135 or communications@ibac.vic.gov.au if you need the annual report in a different format.

This document can also be found at www.ibac.vic.gov.au

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ABOUT THIS REPORT

This annual report outlines IBAC's work in 2016/17 towards achieving our vision of a corruption-resistant Victoria. It details our operational and financial performance, highlights achievements, reflects on challenges, and looks at how we plan to expose and prevent corruption and misconduct in the year ahead.

This report is a key accountability document and the principal way in which we report on our activities and outcomes to our stakeholders: the Parliament of Victoria, Victoria Police and public sector leaders and employees, the Victorian community, and our oversight bodies (page 60).

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

The report's theme: 'Strengthening Victoria's corruption resistance' embraces the work IBAC has done in the past year to improve the Victorian community and public sector's understanding of corruption and how to report it, and the actions taken by public sector bodies to prevent it in response to our investigation and research findings and recommendations.

The structure of this report is based on that of IBAC's three-year Corporate Plan (page 17). Each chapter focuses on a strategic goal and reports on:

- IBAC's performance
- the challenges we faced and the opportunities presented
- the improvements made
- what we are planning in the year ahead.

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

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

ACHIEVEMENTS

Page	
20	Assessed 94 per cent of complaints and notifications within 45 days, exceeding the 90 per cent target.
22	Opened 26 new investigations (among 46 active investigations for the year) an increase of more than one-third (35 per cent) compared to 2015/16.
22	Finalised 18 investigations, with six special reports being tabled before Parliament.
37	As a result of investigations, made 47 recommendations to public sector agencies aimed at preventing public sector corruption and police misconduct – more than double last year's number.
42	Released three public research reports examining corruption and misconduct risks within Victoria Police, resulting in 14 recommendations.
37	Delivered 93 corruption prevention initiatives, including our first anti-corruption community education campaign.
43	Held regional corruption prevention and integrity insight forums in Mildura and Wangaratta.

CHALLENGES AND OPPORTUNITIES

Page	
54	Implementing changes to our powers and processes following legislative change, including the introduction of mandatory reporting for principal officers and the expansion of our jurisdiction to include the offence of Misconduct in Public Office.
33	Responding to advances in communication encryption technology.
45	Ensuring Protected Disclosure Coordinators have accessible information and communication resources that best assist them to support and protect whistleblowers.
45	Growing our data holdings and access, and building appropriate analytical skills and tools to support our expository and preventative functions.
54	Recruiting staff who are highly skilled and experienced in their professional disciplines, and whose personal values align with those of IBAC.

LOOKING AHEAD

Page	
41	Continuing our independent oversight of Victoria Police, including publicly reporting on investigations that will be completed into a range of serious and systemic matters, and the findings of our further audits of police handling of complaints/incidents.
34	Strengthening our operational capacity, and our capacity to review matters investigated by other agencies (in particular Victoria Police), by establishing another multi-disciplinary investigation team.
34	Tabling the Operation Lansdowne special report following public examinations in June/July 2017.
46	Publishing key research and strategic intelligence reports including on corruption risks associated with the corrections and health sectors.
46	Convening a major Corruption Prevention and Integrity Conference in October 2017.
46	Developing our new three-year Corporate Plan, for 2018–21

CONTENTS

04 The year in review

11 About us

19 Investigating and exposing

35 Preventing and informing

47 Building our organisation

59 Ensuring accountability

69 Financial report

118 Disclosure index

121 Glossary and index

THE YEAR IN REVIEW

COMMISSIONER'S REPORT



As I approach the final months of my term, it is timely to reflect on the significant achievements of the organisation over its first years' operation. From my appointment in early 2013, I have been pleased to see IBAC grow from being Australia's newest anti-corruption agency to one which, in my view, can be proud of what it has achieved. These have not been my own achievements, but those of the people who are IBAC, who are the energy of an organisation that has demonstrated diligence, perseverance, courage and professionalism in working to expose and prevent corruption and to build our State's corruption resistance.

It was pleasing to see the changes to Victoria's integrity system legislation came into effect this year. With most introduced on 1 July 2016, the changes strengthen IBAC's ability to detect and investigate allegations of public sector corruption and misconduct, including misconduct in public office. They also help inform IBAC decisions to investigate by introducing preliminary inquiries, and seek to protect the identity and rights of witnesses and other people involved in our investigations.

During the year, major achievements included our work identifying and exposing serious corruption in the Department of Education and Training. We used our powers to examine the treatment of vulnerable people in police custody and identify illicit drug use by Victoria Police. We also held public examinations and launched a successful community education campaign to raise awareness of public sector corruption and its impacts.

Exposing public sector corruption

Our special report on Operation Dunham reported on our major investigation into allegations of serious corrupt conduct concerning the Department of Education and Training's failed Ultranet project (page 26). The investigation revealed evidence of process corruption, improper diversion of funds, conflict of interest and mismanagement at senior levels of the department, resulting in the waste of millions of dollars of public money.

In that report I commented on the enthusiasm in the Department for the Ultranet platform and its perceived school education benefits, and how this seems to have fostered a disturbing view among some senior personnel in the department that the ends justified the means. So-called 'noble cause' corruption can never be tolerated or excused. This thinking, in part, led some senior officers to overlook or downplay the importance of serious probity breaches and other conduct inconsistent with public sector values and standards.

The Victorian community invests considerable trust in our public sector and rightly expects state and local government employees to always act in the public interest and with the utmost integrity in allocating scarce public resources.

Operation Dunham is our second major investigation into the Department of Education and Training, with the findings from Operation Ord involving corruption of the 'banker school' system tabled before Parliament in early 2016.

The exposure of serious and entrenched corruption through these major IBAC investigations has prompted swift action from the departmental Secretary and across the public sector to strengthen systems and practices to prevent corruption.

Legislative change

A new legislative requirement for heads of public sector bodies to notify IBAC of suspected corruption came into effect on 1 December 2016 (page 33). Part of a raft of measures to strengthen the state's integrity system (the majority coming into effect on 1 July 2016), this new requirement recognises that our public sector leaders have the main responsibility for detecting, reporting and preventing corruption. While primarily ensuring that agencies act on corruption concerns, mandatory notifications will also contribute significantly to broader prevention efforts. Mandating and centralising reports to IBAC will enhance our ability to detect patterns of conduct and trends that may better inform our investigations, direct our prevention efforts and alert the public sector on its corruption vulnerabilities.

Independent police oversight

Debate continues on the most efficient and effective police oversight model, with the IBAC Parliamentary Committee commencing an inquiry into the issue. In Victoria, the current model is similar to that of other Australian jurisdictions, with IBAC assessing all police complaints, received directly or via mandatory notifications from Victoria Police, and retaining the most serious or systemic matters that we have the capacity to handle for investigation. The remaining matters are referred to Victoria Police to investigate.

In 2016/17, just under half of IBAC's active investigations were into alleged serious misconduct by Victoria Police. This included the treatment of vulnerable people at Ballarat Police Station (Operation Ross) (page 25) and illicit drug use by police officers (Operations Apsley, Yarrowitch and Hotham). Operation Apsley was one of IBAC's most intensive and complex investigations of Victoria Police personnel misconduct, utilising a broad range of IBAC's

investigative and other powers and exposing evidence of multiple police officers involved in the use, possession and trafficking of illicit drugs (page 31)

In addition to investigations, IBAC reviewed 73 internal Victoria Police investigations to ensure they were managed appropriately and fairly, and publicly reported on three strategic research and prevention projects to highlight key trends, issues and areas for improvement (page 42).

Impact of corrupt conduct

In June 2017, IBAC commenced public examinations as part of our Operation Lansdowne investigation into allegations of serious corrupt conduct at South West Institute of TAFE, Bendigo Kangan Institute and V/Line (page 34). I consider public examinations to be an important investigative tool and means of informing the public sector and the community about the risks and impact of corruption. Public examinations can also encourage credible complaints about misconduct and corruption, and drive timely reform in the public sector.

IBAC conducts the vast majority of its examinations in private to protect the integrity of our investigations and those involved. In order to hold a public examination I am required under the IBAC Act to consider, on reasonable grounds, that the public interest in doing so outweighs the risks to the reputation, safety and wellbeing of the individuals involved. I must also be satisfied that there are exceptional circumstances for invoking a process which involves abrogation by Parliament of the accusatorial system of criminal justice. As such, I have decided to hold public examinations in just five of the more than 50 investigations IBAC has completed.

When an investigation is concluded, IBAC may produce a public report that is tabled before Parliament. Before such reports are tabled, IBAC is obliged to give affected persons and entities a reasonable opportunity to be heard and respond to adverse comment or opinion. This is known as the 'natural justice' process or the 'duty to act fairly' (page 65). In 2016/17, IBAC responded to a large volume of concerns raised by public entities and individuals who may have been subject to adverse comment in an IBAC report. The substance of those concerns was either fairly set out in the report or amended to ensure accuracy.

Prosecutions arising from IBAC investigations (including Operations Fitzroy and Liverpool) have continued to expose the impact of corrupt conduct in the public sector and the consequences for people involved (page 32). It can be tempting to measure the success of an anti-corruption body solely on the number of charges and convictions it secures, but this is only one performance indicator. Our performance across the key areas of core operational functions, legislative obligations and internal business management show the impact we are having against our legislated functions of preventing, investigating and exposing public sector corruption and police misconduct in Victoria, and the effectiveness and efficiency of our internal operations.

Looking ahead

Protected Disclosure Coordinators play a vital role in supporting and protecting potential whistleblowers to speak out about wrongdoing in the public sector. In June 2017, the IBAC Parliamentary Committee tabled before Parliament a report following its review of the PD Act. The report recommended amendments to the PD Act, some of which would clarify and simplify the PD Act and others that would substantively alter or expand its scope, focusing on enhanced protections against retributive actions. The report also recommended non-legislative actions to raise public awareness of the PD scheme. In 2017/18, IBAC will closely monitor expected amendments to the PD legislation and continue to improve accessibility to the regime.

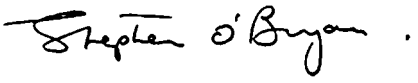
I am delighted that IBAC is hosting Victoria's Corruption Prevention and Integrity Conference in Melbourne in October 2017. Specifically designed to meet the needs of Victoria's public sector, this conference is being delivered in partnership with the Victorian Ombudsman, Victorian Auditor-General's Office and the Institute of Public Administration Australia (Victoria). We appreciate the support of these partners and other stakeholders in bringing together a substantial program of eminent local and international leaders in integrity and corruption prevention (page 46).

End of term

The role of IBAC Commissioner is a fixed-term five year position, with my term concluding in December 2017. I am pleased to have been involved in establishing and growing the agency to the point where we can confidently fulfil our legislated functions of preventing, informing, investigating and exposing Victorian public sector corruption and police misconduct.

Thank you to IBAC's executive team and employees for their hard work and commitment to strengthening corruption resistance in Victoria.

Finally, on behalf of IBAC, I thank former Deputy Commissioner Geoffrey Horgan QC whose three-year commission ended in September 2016. He presided over a number of private examinations and participated in some important reviews.



Stephen O'Bryan QC
Commissioner

THE YEAR IN REVIEW (CONT)

CHIEF EXECUTIVE OFFICER'S REPORT



IBAC is now known for investigating serious corruption and misconduct in the Victorian public sector. Our public examinations in a number of serious and systemic matters, in particular, have established our effectiveness in exposing such conduct.

Our public examinations also highlight that our work to *prevent* public sector corruption and police misconduct is equally important to our investigative role.

We publish audits, strategic intelligence and research as well as recommendations and findings as a result of our investigations. Together these reports, along with our investigations, expose the nature and impacts of corruption. In particular, they help inform the public sector about what can be done to strengthen resistance to corruption risks and vulnerabilities

IBAC has been encouraged by the response of many public sector agencies to our work. Many organisations are using the information provided by IBAC to assess corruption risks and to improve their systems, practices, policies and controls. While some agencies are required to respond to formal IBAC recommendations following our investigations, other responses are voluntary. It is evident there is a willingness to learn from the 'red flags' exposed across all of our work, to help maintain community confidence in the integrity of our public sector.

There is still more work to do to develop resistance to corruption in Victoria. We encourage every Victorian public sector agency to review IBAC recommendations and findings to assess how they can improve their resistance to corruption. Of course, it is up to each agency - and individual public sector employees - to be accountable for their own actions and behaviours. As our work has underlined, no agency is immune from corruption risks.

A strong and stable organisation

As IBAC enters its fifth year of operation, we have strengthened our capacity and developed a robust organisation. Our establishment phase is complete and I believe this report demonstrates we are an effective and efficient organisation with significant achievements both this year and over the past four years in exposing and preventing public sector corruption and police misconduct. Next year, we will prepare a new three-year Corporate Plan to guide the organisation as we enter our next phase of operations with a firm focus on further building the state's corruption resistance.

This annual report shares our achievements in exposing corruption via our investigations, reports on the findings of these investigations and actions taken by Victorian public sector bodies, including Victoria Police, in response to our recommendations. We also report on our research to inform the public sector about corruption risks and what can be done to address them, and outline our work to build community understanding of corruption, including our first community education campaign.

Launched in December 2016 (page 40), the campaign: *When something's not right – report it*, has proved to be a valuable way of informing the community and other key stakeholders about public sector corruption and its impacts.

The campaign was one of more than 90 corruption prevention initiatives delivered in 2016/17. We continued our prevention activity in regional Victoria with two corruption prevention and integrity insight forums (page 43) and held our fourth annual Protected Disclosure Coordinator forum (page 45).

Mandatory notifications

A new legislative requirement for relevant principal officers (heads of public sector bodies) to notify IBAC of suspected corruption came into effect on 1 December 2016. These changes were among several recent measures that strengthened the state's integrity system.

To support principal officers to understand their obligations, IBAC held several well-attended information sessions. We also worked with the sector to develop resources to help principal officers meet the new mandatory reporting obligation.

IBAC has received an increase in notifications since 1 December, however a significant proportion of allegations were dismissed or referred back to the agency. In some of these instances, the agency had already taken corrective action or was dealing with the matter. IBAC will continue to work with public sector bodies to help principal officers meet their statutory obligations under the IBAC Act (page 33).

Accountability and governance

In 2016/17, IBAC assessed almost 5000 allegations of suspected corruption or police misconduct, resulting from complaints and notifications. Pleasingly, 94 per cent of the allegations were reviewed within the set 45-day period. IBAC undertook 46 active investigations into alleged serious public sector corruption and police misconduct, an increase of more than one-third on the previous year.

As an integrity body, IBAC takes seriously the need to model exemplary standards of accountability and integrity. In 2016/17, we continued to comply with external reporting requirements and all legislated obligations, including use of our powers. The Commonwealth Ombudsman commended IBAC on our controls to support compliance and comprehensive procedures on accessing telecommunications data (page 65).

We tabled before Parliament six special reports on operational and prevention activities and established a new governance framework, which articulated the principles and elements in a whole-of-organisation approach to governance (page 54).

We also updated internal policies, including our Gifts, Benefits and Hospitality policy, to reflect changes across the public service (page 65).

Key role of technology

At IBAC, we use technology as a fundamental tool for our complaints handling, investigations, prevention and external communications, as well as to help manage risk and compliance, streamline processes and increase efficiency across the organisation.

A new case management system will be implemented in 2017/18 to provide central information that automates data exchanges between other systems, including our core information stores – HP Records Manager and SharePoint.

In 2017/18, we will also finalise implementation of new governance, risk and compliance software, as well as a Human Resources information and management system. Additionally, we are planning new software solutions to assist our Audit and Risk Management Committee and internal governance committees (page 55).

Looking ahead

The next financial year will see the development of our new three-year Corporate Plan, for 2018–21. Learnings from the past three years will inform this work.

We will also expand our community engagement efforts with activities targeting the legal and business sectors. This will include engagement across the legal sector to identify opportunities to share information and strengthening engagement with the business sector (page 46). We are also hosting Victoria's Corruption Prevention and Integrity Conference in Melbourne in October (page 46).

We are building our operational capacity by establishing another multi-disciplinary investigation team within the Operations Division (page 34) and strengthening our reviews of matters investigated by other agencies, in particular Victoria Police.

IBAC's financial position is strong. We have been prudent and responsible in managing our budget allocations, and are well placed to respond to increased or additional demands on our resources, including with the addition of a new investigations team.

This is the final year of a fixed five-year term for our Commissioner, Mr Stephen O'Bryan QC. The recruitment of his replacement is being managed by the Department of Premier and Cabinet, independently of IBAC. I would like to take this opportunity to commend to Victorians the Commissioner's contribution to IBAC. He has left a remarkable legacy with his commitment to exposing and preventing corruption in Victoria, and we are indebted to him for his focus, consistency and guidance.

Finally, I thank IBAC's executive team and all our employees for their dedication and efforts. We look forward to continuing to work with the public sector and the community to strengthen corruption resistance in Victoria in the year ahead.



Alistair Maclean
Chief Executive Officer

FINANCIAL REPORT SUMMARY

IBAC's financial position remains strong. Revenue, expenditure and equity are up and we are well placed to respond to financial challenges. IBAC is still growing and revenue and expenditure are forecast to further increase in 2017/18 in particular with an additional investigation team. The office refurbishment project (managed by the Department of Treasury and Finance) was completed in 2017 and has resulted in modern and refreshed open-plan offices.

Financial performance

IBAC's net financial result for the year was a surplus of $0.13 million compared to a surplus of $0.55 million in 2015/16. These surpluses are due to accounting adjustments.

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

Table 1: Financial summary 2013–17

	2013/14 $m	2014/15 $m	2015/16 $m	2016/17 $m
Financial performance				
Total income	27.682	31.547	32.580	36.372
Total expenditure	27.335	31.285	31.992	36.372
Net result from transactions	0.347	0.262	0.588	-
Comprehensive result	0.367	0.241	0.554	0.132
Financial position				
Total assets	21.727	25.558	27.138	27.418
Total liabilities	4.714	5.827	6.923	7.092
Total equity	17.013	19.731	20.215	20.326
Cash flow				
Net cash flow from operating activities	1.073	1.606	1.915	1.459

Detailed information related to IBAC's financial performance is included in the full financial report on page 69.

Income

IBAC is funded through parliamentary appropriations.

Income or grant funding increased by 12 per cent in 2016/17 which was due to a corresponding increase in expenditure.

Expenditure

IBAC's expenditure increased by 14 per cent in 2016/17, with 62 per cent spent on employees. A number of staff movements and appointments late in 2015/16 resulted in an increase in staff. The financial impact of these appointments affected 2016/17 when these staff received their remuneration for the full 12-months.

Employee expenditure is expected to further increase in 2017/18 as IBAC is recruiting an additional investigations team and auxiliary staff.

The implementation of IBAC's corruption prevention strategy and associated community education campaign resulted in an $0.82 million increase of expenditure compared to last year.

Financial position

IBAC's financial position remains strong with total assets of $27.42 million, liabilities of $7.09 million and equity of $20.33 million. During 2016/17, $1.10 million was spent on capital works. This was mainly for asset replacements. For 2017/18, IBAC is planning additional capital investments to ensure our systems are up to date and fit for purpose.

Consistent with Victorian Government reporting requirements, we are including the following disclosures:

Table 2: Compliance with financial policies and model report requirements

Advertising	One advertising campaign had a media spend of $100,000 or greater. Name of advertising campaign: *When something's not right. Report it.* Start date: 16 December 2016 End date: 30 June 2017 **Details of campaign expenditure for the reporting period (ex GST)** Advertising (media spend) - $375,000 Creative and campaign development - $69,090 Research and evaluation - $15,400 Print and collateral - $258,437 Other campaign costs - $106,910 Total (ex GST) - $824,837
Consultancies ($>10,000)	IBAC contracted three consultancies at a total expenditure of $190,865 (excluding GST). Details of individual consultancies can be viewed at www.ibac.vic.gov.au
Consultancies ($<10,000)	IBAC contracted two consultancies at a total expenditure of $10,122 (excluding GST).
Ex-gratia payments	We have not made any ex-gratia payments in 2016/17.
Major contracts	IBAC did not award any major contracts greater than $10 million during 2016/17.
National Competition Policy	IBAC is compliant with the *National Competition Policy,* including compliance with the requirements of the Department of Treasury and Finance's *Competitive Neutrality Policy*.
Victorian Industry Participation Policy Act 2003	The Victorian Industry Participation Policy must be applied in all procurement activities valued at $3 million or more in metropolitan Melbourne and for statewide projects, or $1 million or more in regional Victoria. IBAC did not commence or complete any such procurement activities in 2016/17.

62%

of expenditure spent on employees

$0.13M

surplus for 2016/17, compared to a $0.55 million surplus in 2015/16

BP3 PERFORMANCE MEASURES

IBAC's performance measures are set out in 2016/17 *State Budget Paper No. 3 Service Delivery* detailed below. Brief notes on major variances are included, and page references are provided for more detailed analysis of our performance.

Table 3: Budget Paper No. 3 performance measures

	Unit of measure	2016/17 target	2016/17 actual	Notes	Page
(a) Quality					
Corruption prevention initiatives delivered by IBAC	Number	70	93	Exceeded our target by delivering initiatives to support the introduction of legislative changes requiring heads of public sector bodies to notify IBAC of suspected corruption (mandatory reporting) and initiatives in the corruption prevention strategy, including an anti-corruption community campaign.	37
(b) Quality					
Satisfaction rating with IBAC's prevention and education initiatives delivered to stakeholders	per cent	90%	99%	Continued to exceed our target, reflecting ongoing improvements to corruption prevention initiatives including the regional outreach program, annual Protected Disclosure forum and supporting tools.	37
(c) Timeliness					
Complaints or notifications assessed by IBAC within 45 days	per cent	90%	94%	Exceeded our target by continuing to strengthen our case management and assessment processes. We have also focused resources on assessments required to meet impacts associated with changes in legislation and community engagement initiatives.	20
Proportion of IBAC investigations completed within 12 months	per cent	70%	71%	Completed fewer investigations within the 12-month period (71 per cent in 2016/17 compared to 86 per cent in 2015/16), primarily due to the complexity and protracted nature of the allegations subject to investigation.	22

93

corruption prevention initiatives delivered

99%

satisfaction rating with prevention and education initiatives

ABOUT US

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

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

History and legislation

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

- the role of the Commissioner
- the Parliamentary Committee to oversee IBAC
- IBAC's prevention functions. In 2012, the IBAC Act was amended to grant IBAC certain investigative powers as well as define its main areas of jurisdiction.

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

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

In May 2016, the IBAC Act was amended to enhance the organisation's investigative functions and abilities. Most of these amendments became effective on 1 July 2016. The changes strengthen IBAC's ability to detect and investigate allegations of public sector corruption and misconduct, including misconduct in public office. They also help inform IBAC decisions to investigate by introducing preliminary inquiries, and seek to protect the identity and rights of witnesses and other people involved in our investigations. Since 1 December 2016, the heads of state government agencies and council chief executives (among other 'principal officers') are required to notify IBAC if they suspect corruption is occurring.

Our values

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

Professionalism – We are responsive and accountable for our actions. We strive for excellence and take pride in our work.

Courage – We are committed and tenacious in realising our purpose.

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

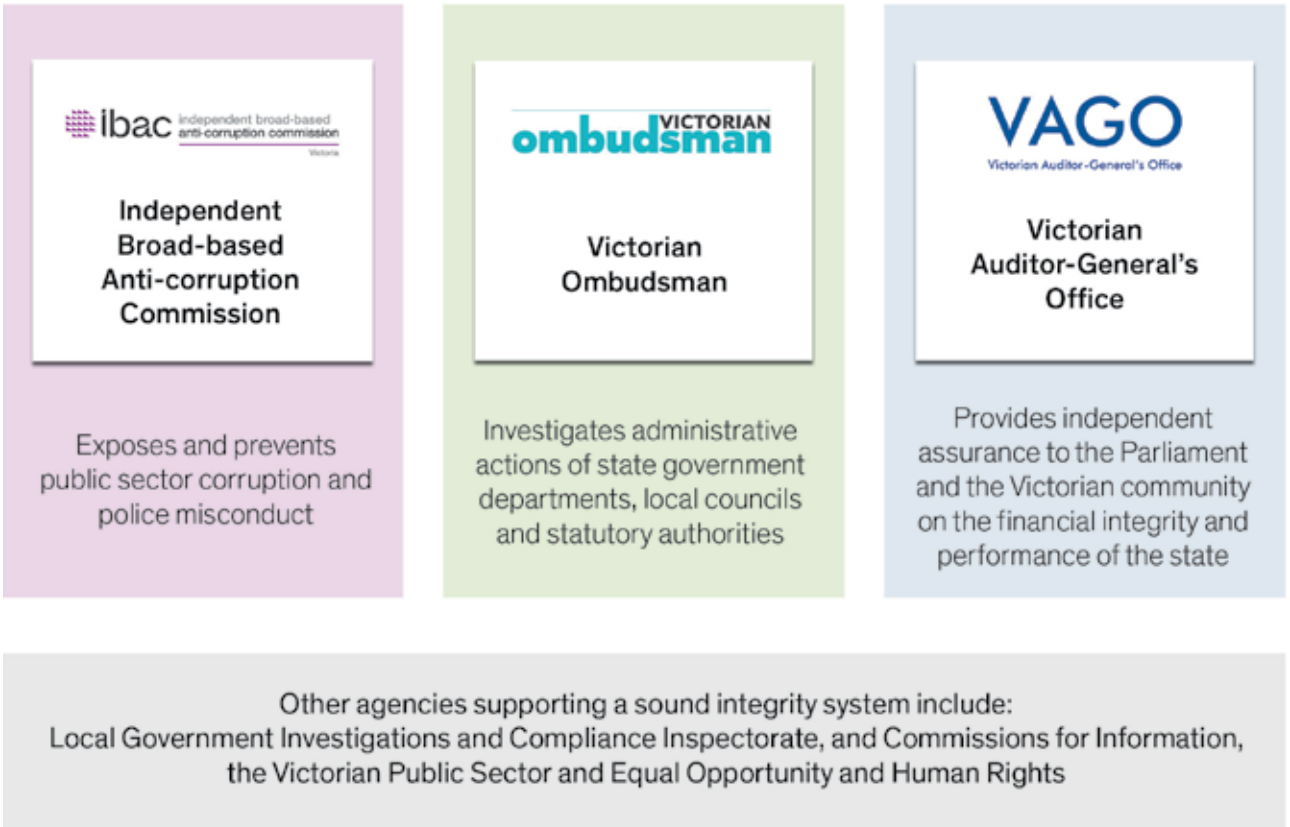
Trust – We promote and sustain public confidence through the quality of our work. We implicitly trust the competence of the people we work with.

IBAC's values were developed in consultation with staff and are in addition to the *Victorian Public Sector Code of Conduct for Special Bodies*. These values provide clear statements about how IBAC staff conduct their day-to-day business activities, the standards by which we treat stakeholders and colleagues, and how we behave as an organisation.

ABOUT US (CONT)

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

Figure 1: Victoria's integrity system



CORPORATE STRUCTURE

Figure 2: Our organisational structure

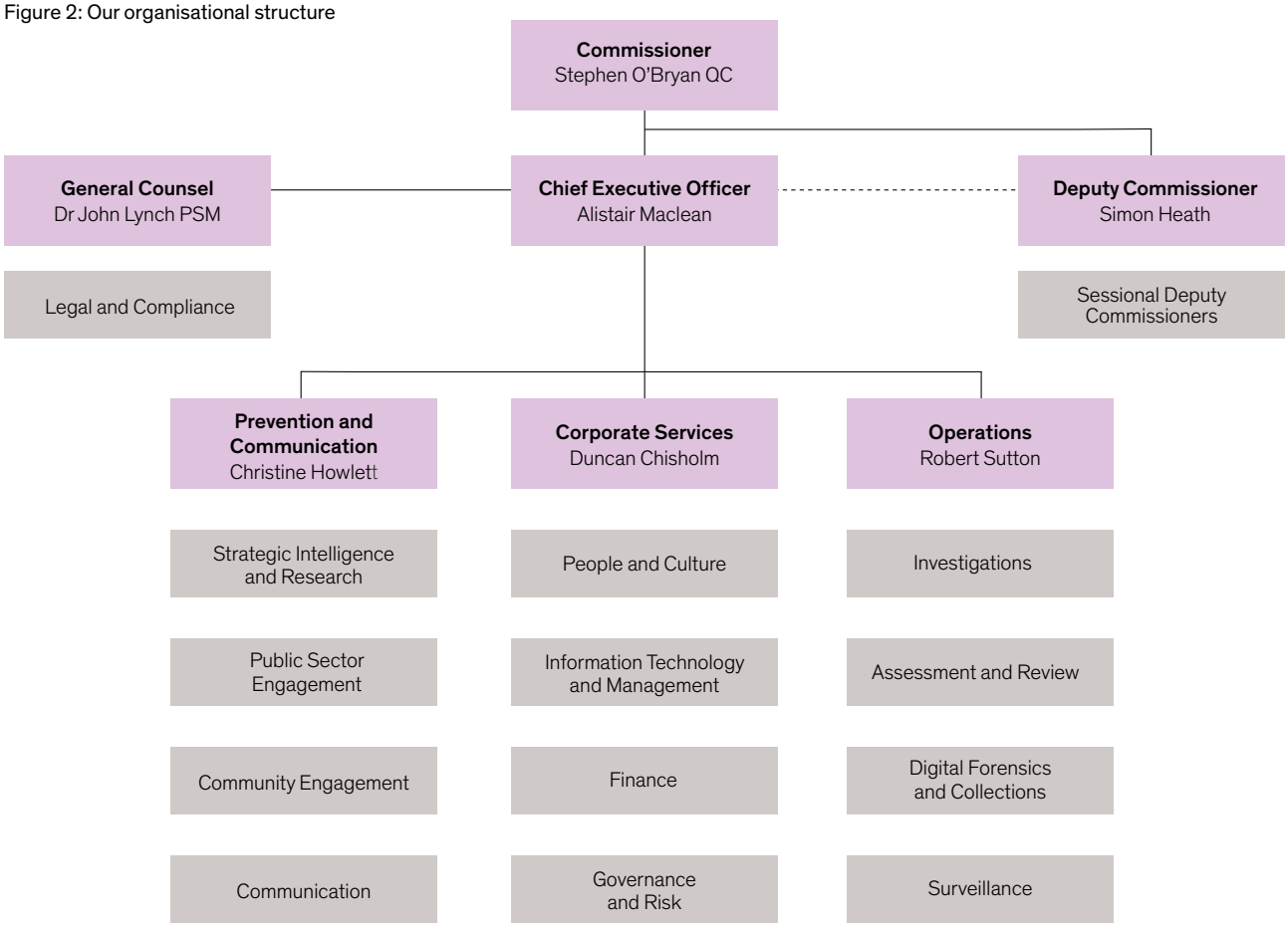
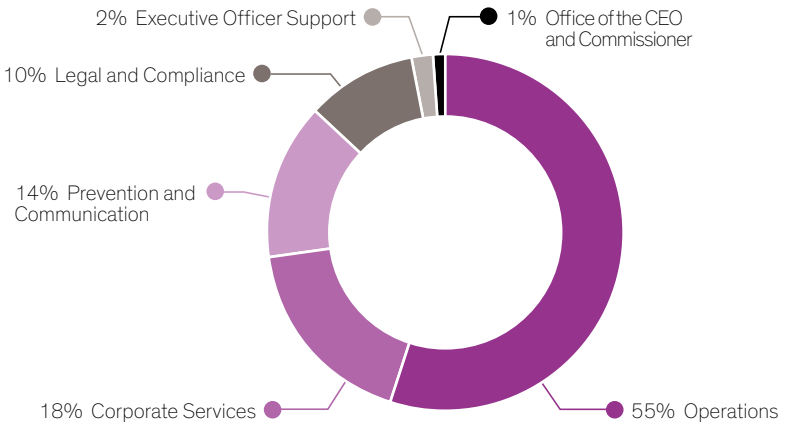


Figure 3: Divisional staffing as at 30 June 2017



The largest proportion of staff work in our Operations division. This division is responsible for assessing complaints and notifications, reviewing external investigations and investigating alleged serious corruption and misconduct.

LEADERSHIP

Our Commissioner

Commissioner Stephen O'Bryan QC

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

Mr O'Bryan was appointed as the first Commissioner on 1 January 2013. He brings 30 years of legal experience to IBAC. He joined the Victorian Bar in 1983 and became Senior Counsel in 2003. His career at the Bar included membership of both the Victorian Bar pro bono and the duty barrister schemes. Before that he was associate to former High Court Justices Sir Keith Aickin KBE and Sir Daryl Dawson KBE CB. Mr O'Bryan has extensive experience in administrative, commercial and regulatory law. He appeared in Royal Commissions, boards of inquiry and coronial inquests as well as various investigations and proceedings commenced by the Australian Competition and Consumer Commission and Australian Securities and Investments Commission. His experience as a lawyer includes matters involving the Victorian and Federal Police, the Office of Public Prosecutions and many Victorian government agencies, including local government. Mr O'Bryan's qualifications include a Bachelor of Laws and a Master of Laws from the University of Melbourne.

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

Deputy Commissioner Simon Heath

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

Deputy Commissioner Geoffrey Horgan QC

Mr Horgan was appointed Deputy Commissioner on 24 September 2013 for a three-year term (ending September 2016) and performed duties on a sessional basis during his term. Mr Horgan practised as a barrister for 38 years, as well as two years as a magistrate, and became Senior Counsel in 2000. For the past 17 years of his professional life, he was a Victorian Crown Prosecutor and then Senior Crown Prosecutor. Until he retired from that role in 2012, he was involved in many major homicide trials in Victoria. Mr Horgan holds bachelor degrees in Jurisprudence and Laws from Monash University.

Our Executive

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

CEO – Alistair Maclean

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

Mr Maclean joined IBAC in April 2013. He came to IBAC from PanAust Ltd, where he helped build the company into a significant ASX100 gold and copper producer. He was previously an Australian diplomat, serving as ambassador to Laos from 2004 to 2007, following postings to Washington DC and Bangkok. In between he fulfilled various roles in Canberra, including as a senior advisor to the Prime Minister. Mr Maclean holds a Bachelor of Arts (Honours) degree from the University of Melbourne and a Master of International Law degree from the Australian National University. He is a graduate of the Australian Institute of Company Directors.

General Counsel – Dr John Lynch PSM

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

Dr Lynch joined IBAC in April 2013. He brings more than 30 years' experience in legal practice and policy development to IBAC. Between 2005 and 2012, he held the prerogative office of Crown Counsel, providing high-level legal and policy advice to the Attorney-General. He was also part of the team that developed the legislation establishing IBAC and the Victorian Inspectorate. Dr Lynch holds degrees in Law and Arts and a Master of Laws from the University of Melbourne, and a PhD from the La Trobe University law school. He has also been awarded a Public Service Medal for outstanding service to the justice system in Victoria.

Director Prevention and Communication – Christine Howlett

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

Ms Howlett, who joined IBAC in January 2013, has substantial executive experience across state and federal government agencies, primarily in the justice and human services sectors. She holds a Master of Arts (Criminology by Research) and Bachelor of Arts (Combined Honours) from the University of Melbourne, as well as a Graduate Certificate of Management from the Australian Graduate School of Management. She has also been awarded a Churchill Fellowship and is an alumni of the Victorian Leadership Development Centre.

Director Corporate Services – Sharon Kelsey

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

Ms Kelsey joined IBAC in October 2015 (and left in June 2017. Duncan Chisholm is acting in the role). She has significant experience as a CEO and executive in local government, and the private sector. She is admitted as a barrister and solicitor and has previously served as a police officer. Ms Kelsey holds a Bachelor of Laws (with Honours) from the University of Adelaide, a Master of Comparative Laws from the University of Adelaide/Mannheim University (Germany) and a Graduate Diploma in Occupational Hazard Management from the University of Ballarat.

Director Operations – Robert Sutton

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

Mr Sutton, who joined IBAC in February 2013, has an extensive background in law enforcement and anti-corruption. He spent 20 years with Tasmania Police, most of those as a detective. He also worked in investigations at the Wood Royal Commission and the Police Integrity Commission in NSW and held senior investigative roles at the Kennedy Royal Commission and the Corruption and Crime Commission in WA. Mr Sutton has completed a number of national and international leadership and management courses focused on the conduct and oversight of serious and complex investigations.

LEADERSHIP (CONT)

Table 4: Executive officer data

	Male		Female		Vacancies
	No.	Variance from 2015/16	No.	Variance from 2015/16	No.
EO1	1	-	-	-	-
EO2	2	-	2	-	1
EO3	3	-2	4	+2	-
Other	2	+2	-	-	-
Total	**8**	**-**	**6**	**+2**	**1**

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

CORPORATE PLAN 2015–18

Endorsed by the Executive in July 2015, the Corporate Plan sets out how IBAC will achieve its purpose and objectives. The plan outlines IBAC's:

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

The next financial year will see the development of our new three-year Corporate Plan, for 2018–21. Learnings from the past three years will inform its development and implementation.

Figure 4: Corporate Plan 2015–18 snapshot

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

Our progress towards achieving our vision is covered from chapters one to four in this report, which are aligned with our strategic goals.

Corporate governance

In 2016/17, IBAC established a framework which articulates how we achieve good governance (pages 61). Elements include:

- accountability structures
- outcomes
- delegated authorities
- risk management
- planning and performance management
- compliance management system
- culture
- assurance mechanisms.

Accountability

IBAC is an independent statutory authority and reports to Parliament. To assure stakeholders that our conduct, actions and decisions are appropriate, various internal and external reporting processes are in place. IBAC is subject to external oversight from various state and federal bodies to ensure we make good decisions and uses its powers responsibly (page 60).

Setting directions

The Commissioner, CEO and Executive provide staff with direction in their work by setting desired outcomes, determining the risk appetite, and providing appropriate delegation to balance operational flexibility and internal control.

CORPORATE PLAN 2015–18 (CONT)

Monitoring progress

The Commissioner, CEO and Executive monitor progress against the outcomes detailed in the Corporate Plan (page 17). Progress against the Corporate Plan informs our annual business planning cycle and budget process, which in turn define the key projects to deliver each financial year to meet our objectives and outcomes.

Making good decisions

Internal management committees ensure IBAC makes appropriate decisions in day-to-day work and large-scale projects or procurements (page 61). To support staff decision-making and to help IBAC comply with all relevant legislation, policies and procedures are available on the intranet. In 2016/17, a major refresh of the intranet was completed, including functionality enhancements of policies and procedures.

Managing risks

IBAC's risk management approach is aligned with the *Victorian Government Risk Management Framework* and international risk management standards. A tiered approach is used to manage and monitor risks at strategic, divisional and business unit levels (page 62).

Compliance and assurance

IBAC is subject to internal and external audits of compliance, processes and systems that support its work, and endeavours to quickly resolve any identified issues (page 62). We report publicly and, as required, confidentially, on our compliance with various laws in relation to our use of specialist investigative tools (page 60). Beyond these legal compliance requirements, we have strengthened our whole-of-organisation compliance management and will continue to develop this area in 2017/18 (page 63).

Culture

IBAC appreciates that the key to good governance is good people and appropriate behaviours. The desired leadership (modelling) and whole-of-organisation behaviours that underpin the organisation's work is defined in our professional skills and behaviour statement. The statement is made available to staff via the intranet, and is also part of their performance assessment.

INVESTIGATING AND EXPOSING

Investigations are an integral part of IBAC's work, for their role in exposing public sector corruption and police misconduct and their impact on deterring and preventing it. As Victoria's independent anti-corruption commission, IBAC works on information provided through complaints, notifications and protected disclosures – as well as our own intelligence – to identify public sector corruption and police misconduct. By analysing trends, unravelling complex networks and following financial trails, we work to uncover the evidence necessary to expose serious corruption and misconduct.

This chapter details our operational efforts, outlines our challenges and opportunities, and what we are planning in the year ahead.

STRATEGIC GOAL

Investigating and exposing corrupt conduct and police misconduct

HIGHLIGHTS

- Assessed 4990 allegations, with 94 per cent assessed within 45 days. Of these, 579 matters were assessed as protected disclosures.
- Opened 26 new investigations (among 46 active investigations for the year), an increase of more than one-third (35 per cent) compared to 2015/16.
- Commenced public examinations into allegations of serious corruption involving the Victorian vocational education and training, and transport sectors.
- Finalised 18 investigations, with six public reports being tabled before Parliament. Six of these investigations progressed to prosecutions, in which 23 people were charged with a total of 416 charges under various State and Commonwealth statutes.

CHALLENGES AND OPPORTUNITIES

- Continuing to increase public sector agency awareness of their legislative obligation to report all matters involving suspected corrupt conduct to IBAC, and in a timely manner.
- Responding to advances in communication encryption technology.
- Recruiting staff with contemporary investigative skills and values that align with IBAC's.

PERFORMANCE

Table 5: Allegations and outcomes

	2013/14	2014/15	2015/16	2016/17
Enquiries received	1023	1415	903	808
Complaints/notifications received	2567	2196	2041	2098
Allegations assessed	4860	4443	4576	4990
% allegations assessed within 45 days (target reduced from 60 days in 2015/16)	n/a	n/a	94%	94%
Referred to another entity	1783	1206	1523	1264
Investigated by IBAC	64	38	47	45
Dismissed*	1917	1818	2048	2730

* This includes matters that are withdrawn, have insufficient information, are too old, have already been investigated or are frivolous or vexatious. Other outcomes not included in the above table include 'noted' and 'returned'.

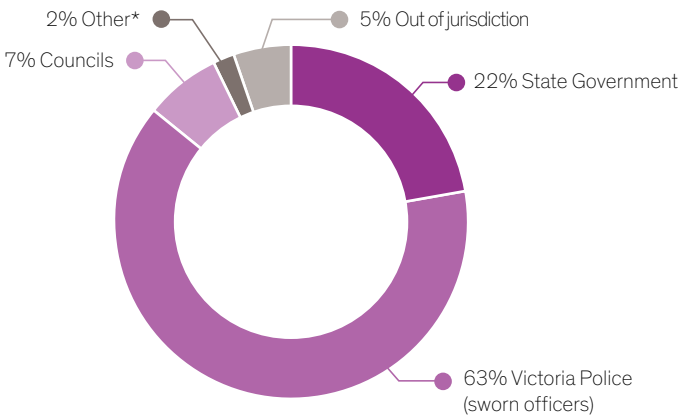
Note: A complaint may include multiple allegations, all of which are individually assessed.

In 2016/17, IBAC received a similar number of complaints and notifications to the previous year. However, we saw an increase in the number of allegations assessed from those complaints and notifications. This is likely the result of initiatives undertaken by IBAC, including our community education campaign and public examinations, and the introduction of mandatory reporting by public sector agencies.

These initiatives have raised public awareness of IBAC, but the increase in dismissed allegations indicates an ongoing need to educate the community on our role and functions, particularly what we can or cannot investigate and our remit regarding serious corruption and police misconduct. This opportunity will continue to be addressed in the coming year through our communication and engagement activities.

While most complaints and notifications are referred to Victoria Police or other agencies for appropriate action, this information continues to provide IBAC with intelligence which is used to identify corruption risks in Victoria Police and the public sector, and informs prevention initiatives. Intelligence also helps us identify serious and systemic issues for possible 'own motion' investigation.

Figure 5: Allegations by sector



* includes Members of Parliament and the judiciary

Most allegations related to police personnel are due, in part, to mandatory reporting requirements under the *Victoria Police Act 2013*. Mandatory notifications for public sector agencies commenced on 1 December 2016 (page 33).

Table 6: Protected disclosures and outcomes

	2013/14	2014/15	2015/16	2016/17
Matters assessed for protected disclosure status	314	210	653	579
Referred to Victorian Ombudsman, Chief Commissioner of Police or Victorian Inspectorate for investigation	230	171	597	424
Investigated by IBAC	43	14	24	17
Dismissed*	38	25	32	138
No. of disclosures IBAC was unable to investigate or refer	0	0	0	0

* This includes matters that are withdrawn, have insufficient information, are too old, have already been investigated or are frivolous or vexatious. Other outcomes not included in the above table include 'noted' and 'returned'.

Note: A complaint may include multiple allegations, all of which are individually assessed.

IBAC directly received 3856 allegations for assessment as potential protected disclosures under the *Protected Disclosure Act 2012* (PD Act), including 524 assessable allegations notified by Victoria Police and other public sector entities.

The increase in disclosures made directly to IBAC is consistent with the increase in allegations assessed this year. Some 424 allegations assessed as protected disclosures were referred to Victoria Police. This is because all complaints made by a police officer, about another police officer, are now required under the legislation to be deemed to be protected disclosures. The significant increase in dismissed protected disclosures, and subsequent decrease in referred protected disclosures, reflects the overall increase in dismissal rates of allegations assessed by IBAC, as discussed in table 6.

2098

complaints/notifications received

3856

allegations directly received by IBAC for assessment as potential protected disclosures

94%

of allegations assessed within 45 days

PERFORMANCE (CONT)

Table 7: Investigations

	2013/14	2014/15	2015/16	2016/17
Preliminary inquiries*	n/a	n/a	n/a	10
Investigations commenced	24	16	19	26
Investigations finalised	15	15	7	18
Open investigations at 30 June	13	14	27	28
Average investigation duration (days)	175	209	252	367

*As of 1 July 2016, IBAC may now conduct a preliminary inquiry to help us determine whether to dismiss, refer or investigate a complaint or notification. For more information, visit the IBAC website.

In 2016/17, IBAC had 46 active investigations into alleged serious public sector corruption and police misconduct, an increase of 35 per cent compared to 2015/16. Seven of these investigations were 'own motion', while the rest were commenced as a result of complaints, notifications or protected disclosures

The year-on-year increase in the average duration of investigations and the significant improvement, from seven to 18, in the number of investigations finalised this reporting period is due to the change in definition of a 'finalised' investigation. Previously, an investigation was 'finalised' when any court proceedings were concluded, however for 2016/17 onwards a decision was made to class an investigation as 'closed' when investigative activity on that matter ceases, regardless of whether that matter proceeds to prosecution. This has resulted in the six investigations currently before the courts (some that commenced in 2013/14), now being classified as 'finalised' and included in the 2016/17 data.

Table 8: Investigation outcomes

Number of investigations that resulted in:	2013/14	2014/15	2015/16	2016/17
Formal recommendations	2	3	7	7
Criminal proceedings or brief of evidence to Office of Public Prosecutions	0	3	3	5
Reports to Parliament	1	1	2	6
No further action	7	6	3	6

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

In 2016/17, six cases progressed to prosecutions consisting of 23 people charged with a total of 416 charges under various State and Commonwealth statutes. Confiscation procedures relating to proceeds of crime were also commenced against people involved in two IBAC investigations.

Table 9: Examinations

	2013/14	2014/15	2015/16	2016/17
Number of hearing days (private)	n/a	52	81	22
Number of hearing days (public)	n/a	38	23	4
Number of witnesses called	58	105	144	37

46

active investigations into alleged serious public sector corruption and police misconduct

23

people charged with a total of 416 charges under various State and Commonwealth statutes

6

investigations currently before the courts

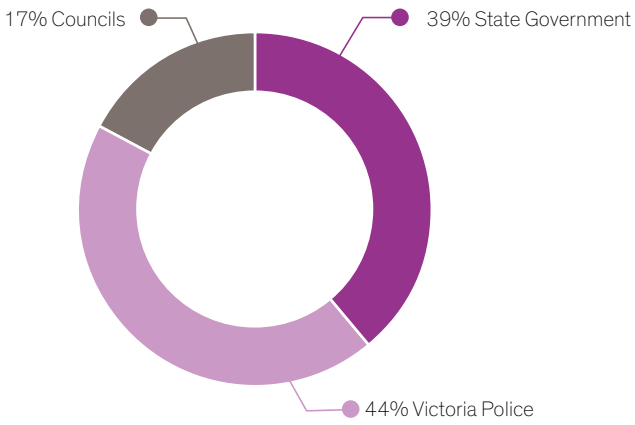
As part of an investigation, IBAC may hold private or public examinations to gather further information. Most examinations are held in private as required under IBAC legislation. In 2016/17, IBAC commenced public examinations for one investigation, Operation Lansdowne (page 34).

The number of public and private examinations has declined because examinations have not been deemed necessary to progress the particular matters under investigation.

Due to the nature of the alleged wrongdoing, other investigative powers have been utilised. These included:

- compelling the production of documents and objects
- entering and searching premises
- using surveillance devices
- intercepting telecommunications.

Figure 6: Investigations by sector



In 2016/17, just under half of IBAC's active investigations were into alleged serious corruption or misconduct by Victoria Police (47 per cent in 2015/16).

COMPLAINT OUTCOMES

IBAC can consider complaints about corruption and misconduct concerning:

- a public body or officer
- Victoria Police employees, including Protective Services Officers.

IBAC also receives mandatory notifications from principal officers of public sector agencies and Victoria Police.

We assess the information provided to decide whether to take one of three actions: refer it to another agency, dismiss or investigate the matter.

The following are three examples that illustrate the types of complaints and outcomes that IBAC manages.

Allegations referred to an external agency

Changes to the IBAC Act from 1 December 2016 require principal officers of public bodies to notify IBAC of conduct they suspect to be corrupt (page 33). In early December 2016, IBAC received a notification from a principal officer about a council's maintenance/cleaning staff rostered to perform duties at night who falsified timesheets to indicate they had worked when they had not.

The council advised they had commenced an investigation and was considering speaking to several staff identified. Because the council was taking appropriate action, IBAC determined not to investigate the matter but referred it to the council, requesting the council report back to IBAC on the outcomes of its investigation. While the matter is ongoing, the council has reported to IBAC on action it has taken. A number of staff were dismissed from employment, and others have been required to demonstrate why their employment should not be terminated.

Complaint investigated by IBAC

IBAC received a complaint made by a mother on behalf of her son alleging police used excessive force when arresting him, resulting in injuries including a broken rib. Evidence was provided in support of the complaint including CCTV footage of the incident.

IBAC determined to investigate the matter considering the alleged excessive force used by police, injuries sustained by the complainant's son and the availability of corroborative evidence, particularly the CCTV footage. On conclusion of the investigation, a brief of evidence was prepared for consideration of criminal charges against the police officers involved.

Complaint closed with no further action

IBAC often receives complaints relating to matters that do not demonstrate misconduct by police and are more appropriately dealt with at court. IBAC dismisses these matters and takes no further action.

In August 2016, a person complained to IBAC about police 'unlawfully' issuing them with an infringement notice after being intercepted for driving their car with a faulty brake light. The complainant received the infringement notice four weeks after being intercepted by police. Information provided by the complainant did not demonstrate why they believed the infringement was issued unlawfully or why they were alleging wrongdoing by police. As a result, IBAC dismissed the complaint and the complainant was able to contest the infringement notice in court.

ACHIEVEMENTS

Investigations are an important tool, not only for exposing public sector corruption and police misconduct in Victoria but also for deterring and preventing it.

Once the investigation is complete, IBAC may:

- bring criminal proceedings for an offence relating to any matter arising out of the investigation
- refer any matter under investigation to the Office of Public Prosecutions (OPP)
- refer matters to another entity (including the public body which was the subject of the investigation) for consideration of disciplinary or other action
- 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
- publish public reports and produce key risk and prevention resources.

As part of our corruption prevention function, IBAC also publishes an agency's response to the recommendations on our website, when it is appropriate to do so. Sometimes it may not be in the public interest to share responses, for confidentiality or operational reasons.

By sharing the lessons learned from the investigation or other work, we aim to assist the public sector to strengthen policies, systems and practices to prevent corruption and police misconduct.

The following are examples of some investigations finalised in 2016/17.

Operation Ross: investigation exposes serious police misconduct and missed opportunities to address systemic problems at Ballarat police station

In March 2015, IBAC received CCTV footage from Victoria Police showing the alleged mistreatment of a woman in custody in Ballarat police station cells in January 2015. The woman, who had been arrested for public drunkenness, was later revealed to be a serving police officer on leave for medical reasons.

IBAC initiated an 'own motion' investigation known as Operation Ross that included public hearings at Ballarat Law Courts in May 2016.

The investigation found:

- evidence of systemic issues at Ballarat police station including excessive use of force and questionable treatment of vulnerable people
- the complaint profile of the station was a cause for concern, with Victoria Police data indicating an over-representation of sergeants in complaints
- serious shortcomings in Victoria Police policies and practices including oversight regarding promotions, interventions when an officer had multiple complaints, and compliance with the strip-search policy and Charter of Human Rights.

IBAC made recommendations to Victoria Police to address these issues, and also recommended that Victoria Police consider whether charges should be brought in relation to the January 2015 incident.

While beyond the scope of Operation Ross, IBAC's report also noted a potential area of law reform for the Victorian Government to consider – the decriminalisation of public drunkenness.

The investigation was the subject of a special report before Parliament in November 2016.

In February 2017, two police officers were charged by Victoria Police with assault and stood down from operational duties.

Victoria Police is required to report back to IBAC on actions taken in relation to the recommendations by November 2017.

ACHIEVEMENTS (CONT)

Operation Dunham: multimillion dollar education department Ultranet project found to be corrupted

In August 2014, IBAC commenced an 'own motion' investigation into allegations of serious corruption at the Department of Education and Training (DET) focusing on:

- how contracts for the $180 million Ultranet project were tendered for and awarded
- personal and business connections between department employees and businesses involved in the Ultranet project
- whether current or former department employees released confidential information or used their position to influence procurement processes
- whether department employees received payments, gifts, travel, employment opportunities or other benefits because they were involved in the Ultranet tender or procurement processes
- department procurement and conflict of interest processes, and organisational culture.

The IBAC investigation, known as Operation Dunham, identified a number of improper actions and behaviours by senior departmental staff that effectively corrupted the Ultranet tender process. The improper behaviours included inappropriate receipt of hospitality and travel, improper communications during the tender process intended to influence the process and a likely attempt to influence the tender evaluation outcome by 'stacking' an assessment team with like-minded colleagues.

IBAC found that decisions were made contrary to proper procurement process, in particular, the decision to give preference to a particular bid, despite serious concerns about its credentials. The investigation also revealed payments of almost $1 million of public sector funds were improperly injected into an external company to try to prop up the Ultranet project.

IBAC's recommendations to DET included:

- conducting a review of arrangements governing how schools and other work areas pursue and respond to commercial opportunities
- advising on action taken to strengthen internal procurement and governance arrangements for major projects to ensure accountability and transparency.

IBAC also recommended the Victorian Public Sector Commission consider implementing a ban on public sector employees receiving any gift, benefit or hospitality from a current or prospective supplier, and that the Department of Treasury and Finance consider improving reviews of high value and/or high risk projects.

The investigation was the subject of a special report tabled before Parliament in January 2017. DET accepted the recommendations that related to the Department.

IBAC is preparing a brief of evidence for consideration by the OPP, regarding the conduct of a number of individuals.

Operation Ettrick: investigation identifies illicit drug use and inappropriate associations by officers at a Victorian prison

In December 2014, IBAC was advised of allegations that certain corrections officers were trafficking illicit drugs into a Victorian prison and that some corrections officers used illicit drugs and had significant links to organised crime entities.

IBAC undertook an investigation, known as Operation Ettrick, which identified illicit drug use and inappropriate associations by some officers at the prison.

The investigation found:

- one prison officer was involved in the production and trafficking of illicit drugs
- two other prison officers were using illicit drugs
- at least two prison officers maintained associations with former prisoners in contravention of prison policy and corrections standards
- one prison officer tried to use their position to deceitfully influence the transfer of a prisoner. This transfer attempt was undertaken as a favour to a former prisoner with whom the prison officer had inappropriately maintained contact.

The original allegation of smuggling illicit drugs into the prison was not substantiated by our investigation. No evidence was found that corrections officers were engaged in trafficking drugs into the prison.

As a result of IBAC's investigation, three corrections officers had their authority as corrections officers revoked by Corrections Victoria and were dismissed from employment.

Two of the prison officers had worked together for an extended period in the same unit, one of whom was a leader. IBAC found that the inappropriate associations maintained by these officers modelled poor practices for others and this may have led to the decline of standards in the unit.

IBAC's investigation identified deficiencies in the prison's systems and controls in several areas. IBAC made recommendations to Corrections Victoria to address these issues including:

- developing and implementing a more detailed policy regarding staff contact with former prisoners, prisoners' families and other persons with known criminal history
- developing and delivering regular training to staff on the importance of professional boundaries
- developing and implementing random and targeted drug testing of corrections officers and other people with regular access to prisoners.

The Department of Justice and Regulation (DJR) has responded to IBAC's recommendations. DJR advised it is progressing the formalisation of relevant policies and is committed to reviewing ongoing training.

ACHIEVEMENTS (CONT)

Operation Nepean: investigation uncovers corruption of procurement processes at women's prison

In September 2014, IBAC began an investigation into allegations of corrupt conduct by Jeff Finlow, a former facilities manager at Dame Phyllis Frost Centre (DPFC). IBAC examined allegations that Mr Finlow:

- failed to comply with proper procurement processes and policies when awarding contracts to his son
- failed to declare a conflict of interest
- influenced the recruitment of another son, as a senior prison officer at DPFC in the facilities department.

IBAC's investigation found that Mr Finlow subverted procurement processes to provide work to companies owned or operated by his son (and his son's wife) to a value of $1.56 million. This included sharing competitors' quotes and failing to consistently obtain the required number of quotes for jobs, and helping his son's companies submit cheaper quotes and win contracts.

Mr Finlow also used his position to influence the recruitment of another son at DPFC, despite that son not having the electrical qualifications required for the position.

Mr Finlow was stood down from his position during an internal investigation, and resigned in June 2015. After due consideration, IBAC decided there was insufficient evidence to charge Mr Finlow with criminal offences.

IBAC identified several corruption vulnerabilities at DPFC that helped facilitate Mr Finlow's conduct. This included the failure of senior management to adequately oversee Mr Finlow or respond appropriately to his conflicts of interest. IBAC made recommendations for DPFC to address these vulnerabilities.

IBAC also recommended Corrections Victoria review its policies and procedures to address these corruption vulnerabilities and take steps to ensure such vulnerabilities are addressed by other prison facilities under its control.

The investigation was the subject of a special report tabled before Parliament in April 2017.

Corrections Victoria has responded to the recommendations, including those relating to the Dame Phyllis Frost Centre.

Operation Liverpool: investigation exposes corruption at Bendigo Health

In December 2014, IBAC began an 'own motion' investigation into allegations of corrupt conduct by Adam Hardinge, a former construction manager at Bendigo Health.

The investigation, known as Operation Liverpool, was expanded in May 2015 to include allegations concerning Bendigo Health's Chief Executive, John Mulder.

IBAC investigated allegations that:

- Mr Hardinge engaged in corrupt conduct, including collusion with Bendigo Health contractors for his personal benefit, and stole property
- Mr Mulder used Bendigo Health employees to undertake works on two of his wife's properties without payment and on Bendigo Health time
- Mr Mulder claimed living away from home allowance while living in properties owned by his wife.

IBAC's investigation found that Mr Hardinge took Bendigo Health property and materials without proper authorisation, and circumvented procurement controls in place at Bendigo Health for the benefit of himself and certain contractors. Mr Hardinge was charged and subsequently pleaded guilty to seven charges of theft, one charge of obtaining property by deception, and one charge of attempting to obtain financial advantage by deception.

The investigation also found that on a number of occasions Mr Mulder used Bendigo Health resources for his own benefit, engaging in conduct contrary to the *Victorian Public Sector Code of Conduct* and Bendigo Health's stated organisational values. As the corrupt conduct allegations regarding Mr Mulder's remuneration arrangements with Bendigo Health were not substantiated to IBAC's satisfaction, they were left to Bendigo Health and the Department of Health and Human Services (DHHS) to look into from then. Subsequently, Mr Mulder was dismissed.

IBAC also identified organisational and systemic corruption vulnerabilities at Bendigo Health that facilitated this conduct, and made recommendations to Bendigo Health to address these issues. IBAC also recommended that DHHS consider the issues raised in Operation Liverpool and whether similar vulnerabilities exist in other Victorian health services.

The investigation was the subject of a special report tabled before Parliament in March 2017.

Bendigo Health and DHHS are required to report back to IBAC on actions taken in relation to the recommendations by September 2017.

ACHIEVEMENTS (CONT)

Operation Exmouth: report recommends Places Victoria tighten controls to prevent corruption

IBAC investigated allegations that a senior employee of Places Victoria, Carmine Petrone, dishonestly awarded contracts for work to entities with whom he had a familial relationship and which were effectively under his control. It was also alleged policies were flouted by Mr Petrone in a range of areas including procurement, declaration of conflicts of interest, information management and recruitment.

IBAC's investigation found that Mr Petrone's conduct was inconsistent with the standards expected of a public servant prescribed in the code of conduct. He failed to declare or manage his clear conflict of interest, and failed to act impartially by using his power to benefit his relatives.

The investigation found most allegations against Mr Petrone were substantiated, and that he:

- failed to declare his familial connection with subcontractors
- was directly and inappropriately involved in the management of subcontractors, and their invoicing
- failed to follow Places Victoria procurement, declaration of conflicts of interest, information management and recruitment policies, among others.

IBAC also identified several organisational or systemic vulnerabilities that were found to have contributed to this corrupt conduct going undetected. IBAC made recommendations to Places Victoria to address these vulnerabilities, including improving recruitment processes and information security, and enhancing training for new staff.

The investigation was the subject of a special report tabled before Parliament in October 2016.

Places Victoria has responded to IBAC's recommendations and its response was included in the special report.

Operations Apsley, Hotham and Yarrowitch: intensive and complex investigations of Victoria Police personnel misconduct

Operation Apsley, which began in June 2015, together with Operations Hotham and Yarrowitch, investigated allegations of illicit drug use by Victoria Police officers.

Operation Apsley was one of IBAC's most intensive and complex investigations of Victoria Police personnel misconduct. It used a broad range of our powers to uncover and investigate allegations of multiple police officers involved in the use, possession and trafficking of illicit drugs.

It found that illicit drug use was an accepted and regular part of the social lives of a group of police officers. The drugs included cocaine, ecstasy, methamphetamine, LSD and ketamine.

In addition, the three investigations highlighted broader systemic weaknesses in Victoria Police's approach to preventing and detecting illicit drug use by its officers.

IBAC recommended the Chief Commissioner of Victoria Police undertake a comprehensive review of the use of illicit drugs by Victoria Police officers, as well as associated policies, systems and practices to reduce the likelihood of police officers engaging in illicit drug activity.

As part of IBAC's investigations, allegations against eight police officers were substantiated. Two were charged with offences relating to giving false evidence, misleading or attempting to mislead IBAC, and inciting a witness to mislead IBAC, and Victoria Police charged one officer with drug offences. One was dismissed, three resigned, three were suspended and one returned to work after receiving an admonishment notice.

The findings of Operations Apsley, Hotham and Yarrowitch were the subject of a special report (*Special report concerning illicit drug use by Victoria Police officers*) tabled before Parliament In December 2016.

The Chief Commissioner of Victoria Police accepted IBAC's recommendations and committed to reviewing policies and practices regarding drug use, recruitment and drug testing. Victoria Police is required to submit to IBAC a progress and final report (by 30 June 2018) on the development and implementation of a more robust framework to prevent and detect police illicit drug use.

'Police officers who use, possess or traffic illicit drugs not only make themselves vulnerable to blackmail or coercion and put themselves at real risk of being exploited by organised criminals, but they also present a health and safety risk to their colleagues and the broader community when they are making critical decisions or handling lethal weapons whilst impaired by illicit drugs.'

IBAC Commissioner Stephen O'Bryan QC

ACHIEVEMENTS (CONT)

Prosecution outcomes from IBAC investigations

Prosecutions arising from Operations Liverpool, Royston, Fitzroy, Yarrowitch, and Apsley have continued to expose the impact of corrupt conduct in the public sector and the consequences for people involved.

Table 10: Prosecution outcomes

Investigation	Date	Who	Outcome
Operation Liverpool: investigation into the conduct of two officers of Bendigo Health	October 2016	Adam Hardinge	Mr Hardinge plead guilty to seven charges of theft, one charge of obtain property by deception and one charge of attempt to obtain financial advantage by deception. He was convicted on all criminal charges. He was fined $15,000 in relation to the theft charges, and gave an undertaking to pay $5000 to the Bendigo Health Foundation on the other two charges.
Operation Royston: investigation into allegations of corrupt procurement transactions at the City of Ballarat	March 2017	Rik McCaig	Mr McCaig plead guilty to giving a council employee $8000 in return for being awarded contracts. He was found guilty without conviction, fined $8000 and sentenced to 200 hours of community work.
	June 2017	Derryn Ladson	Mr Ladson plead guilty to paying $21,245 in secret commissions to a council employee. He was found guilty without conviction, and fined $15,000.
Operation Fitzroy: investigation into alleged serious corruption in the former Department of Transport and Public Transport Victoria	April 2017	Albert Ooi	Mr Ooi plead guilty to conspiring to defraud the State of Victoria, and another charge of receiving a secret commission in awarding works contracts during his employment with Public Transport Victoria, the Department of Transport and the Department of Infrastructure. He was sentenced to eight years jail with a non-parole period of six years. An order to repay $2.3 million was also made. Mr Ooi is appealing his sentence.
Operation Yarrowitch: investigation into alleged use of illicit drugs by Victoria Police members	June 2017	First Constable Jacqueline Rogash	Ms Rogash plead guilty to one charge of perjury regarding answers given during two private examinations before IBAC. She was convicted, placed on an 18-month Community Corrections Order and ordered to complete 200 hours of unpaid community work. Ms Rogash is appealing her sentence.
Operation Apsley: investigation into alleged drug trafficking involving Victoria Police officers	June 2017	Senior Constable Sheree Cocks	Ms Cocks plead guilty to one charge of inciting another to mislead IBAC. She was convicted and fined $5000. Ms Cocks is appealing her sentence.

CHALLENGES AND OPPORTUNITIES

Increasing the awareness of principal officers regarding mandatory notification requirements

While many of our investigations commence following useful information from the community, an ongoing challenge is ensuring the right information is coming into IBAC, and in a timely manner. Information comes into IBAC via formal complaints or mandatory notifications.

In early 2016, the Victorian Parliament passed legislation to establish a requirement for relevant principal officers (essentially heads of public sector bodies) to notify IBAC of suspected corruption (previously it was discretionary). The requirement was part of a raft of measures to strengthen the state's integrity system. Victoria Police is already required to notify IBAC of complaints of corrupt conduct or police misconduct.

Coming into effect on 1 December 2016, the new legislation requires government department heads, chief executives of local councils and other principal officers to notify IBAC if they have reasonable grounds to suspect corruption is occurring or has occurred in their workplace. We then assess these notifications to determine if the alleged conduct warrants investigation by IBAC or another agency.

Mandatory notifications provide an opportunity for principal officers to gain a better understanding of the nature of complaints and allegations regarding their organisation and can help identify ways in which systems, policies and practices can be strengthened to help prevent corruption and improve integrity in the Victorian public sector.

Also, the information provides an opportunity for IBAC and the Victorian public sector to build a more accurate picture of corrupt conduct and corruption risks, and to provide tailored information and resources to strengthen corruption resistance.

In preparation for the new requirement, IBAC ran well attended information sessions and worked with the public sector to develop resources to assist principal officers to meet the new reporting obligation.

Since its indroduction, IBAC has received an increase in the number of notifications of suspected corruption made by principal officers.

As at 30 June 2017, IBAC had received 60 mandatory notifications. More than three-quarters (77 per cent) of allegations assessed from those notifications were dismissed or referred back to the agency for handling internally. In some instances, the agency had already taken corrective action or was dealing with the matter. Other matters were returned to the agency because the allegations involved disciplinary or administrative matters that did not meet IBAC's threshold to investigate.

The challenge is to increase agency awareness of this requirement to report all matters involving suspected corrupt conduct to IBAC. A further challenge is to ensure that agencies are reporting matters to us in a timely manner, and to do so before undertaking any corrective action, which has the potential to compromise an investigation that we may undertake.

IBAC will continue to engage with public sector agencies to ensure principal officers are meeting their statutory obligations under section 57(1) of the IBAC Act and to further enhance IBAC's support.

'The introduction of mandatory reporting and the building of an integrity culture go to the heart of the compact between government and its citizens, and will play an important part in promoting accountability, ethical leadership and fostering a culture of integrity across the public service.'

Chris Eccles, Secretary, Department of Premier and Cabinet

Responding to communication encryption technology

Advances in encryption technology have presented challenges to our expository function, especially the increasing use of commercially available messaging applications.

While encryption is a barrier, it is not an insurmountable one, and we are committed to utilising similar technological advances to maintain a strong collections capability while meeting our strict compliance requirements.

OUTLOOK

Operation Lansdowne public examinations

As at 30 June 2017, IBAC is holding public examinations into allegations of serious corruption involving the Victorian vocational education and training, and transport sectors.

Beginning on 27 June 2017 (and scheduled to conclude on 21 July 2017), the examinations are part of Operation Lansdowne, which is investigating allegations of serious corrupt conduct at South West Institute of TAFE, Bendigo Kangan Institute and V/Line.

The examinations are focusing on:

- circumstances surrounding the awarding of certain qualifications, including whether current or former officers of South West Institute of TAFE or Bendigo Kangan Institute misused their position to award or interfere in the awarding of qualifications
- circumstances surrounding the negotiation, execution, implementation and management of third party training agreements
- circumstances surrounding the recruitment of certain officers and engagement of certain contractors at V/Line
- sufficiency of V/Line's systems and processes to ensure appropriate accountability for the expenditure of public money.

Public examinations are part of the investigative process. Once the investigation is complete, IBAC will produce a special report with findings and recommendations, to be tabled before Parliament in late 2017.

New investigation team

IBAC will strengthen its operational capacity with the recruitment of 16 key staff for a new investigation team.

Advertised on 26 June 2017, the vacancies include investigators, intelligence analysts and forensic accountants. The additional staff will further strengthen IBAC's operational capacity.

Recruitment can be challenging for IBAC, due to the specific requirement for highly technical and specially skilled people. In the Operations division, IBAC requires applicants to have contemporary investigations skills and experience, and also demonstrate values that match IBAC's. If needed, IBAC is willing to go back to the marketplace to ensure we secure people that are the right 'fit' for the organisation.

'These new staff will enable IBAC to undertake more investigative work and conduct more reviews of matters investigated by other agencies, in particular matters investigated by Victoria Police.'

Alistair Maclean, IBAC CEO

PREVENTING AND INFORMING

Preventing corrupt conduct and police misconduct is at the centre of IBAC's work. When conducting investigations, reviewing referred matters and undertaking research, we always consider how the findings could promote awareness of corruption, and help public sector agencies identify their own vulnerabilities and risks.

This chapter explains how IBAC informs the public sector, Victoria Police and the Victorian community about the risks and impacts of corruption and police misconduct, and how it can be identified, reported and prevented. It details the challenges and opportunities involved, and outlines what IBAC is planning in this area of preventing corruption, and informing in the year ahead.

STRATEGIC GOAL

Preventing and informing corrupt conduct and police misconduct

HIGHLIGHTS

- Delivered 93 corruption prevention initiatives, including our first anti-corruption community education campaign.
- As a result of investigations, made 47 recommendations to public sector agencies aimed at preventing corruption, more than double last year's number.
- As part of IBAC's oversight role, released three public research reports examining corruption and misconduct risks within Victoria Police, including 14 recommendations to improve systems and practices.
- Held corruption prevention and integrity insight forums in Mildura and Wangaratta as part of focused engagment and outreach in regional Victoria.

CHALLENGES AND OPPORTUNITIES

- Ensuring Protected Disclosure Coordinators have accessible information and communication resources that best assist them to support and protect whistleblowers.
- Growing our data holdings and access, and building appropriate analytical skills and tools to support our preventative function.
- Building relationships with the legal sector and improving understanding about how the legal community may assist to identify and report corruption and police misconduct, particularly in supporting vulnerable clients to report.

PERFORMANCE

Table 11: Reviews of investigations by other agencies

	2013/14	2014/15	2015/16	2016/17
Police reviews completed	79	114	96	73
Number returned as deficient	n/a	19	35	20
Public sector reviews completed	0	5	8	8
Number returned as deficient*	-	3	5	2

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

When IBAC refers a matter to Victoria Police or a public sector agency for action, we select certain cases for review. These reviews aim to determine if the matter has been handled fairly and investigated thoroughly by the relevant agency. IBAC selects matters for review based on whether the case involves a specific risk identified by IBAC, whether it is in the public interest, and the seriousness of the allegations. Where reviews identify deficiencies, IBAC provides feedback to the agency, for example recommending that specific action be taken to address an issue. See page 38 for outcomes of three reviews finalised in 2016/17.

In 2016/17, IBAC's Assessment and Review Unit reprioritised its efforts following an increase in complaints and notifications received due to the rollout of community engagement initiatives, IBAC public hearings and changes to legislation. This resulted in a small reduction to the number of reviews completed compared to the previous year. While a greater number of allegations were assessed in 2016/17 compared to 2015/16 (page 20), fewer allegations were referred to other agencies (and, therefore, identified for review) because the allegations did not meet the threshold for referral. Of all reviews, 89 per cent were conducted within 90 days.

73
reviews completed of matters investigated by Victoria Police

8
reviews completed of matters investigated by public sector agencies

89%
of all reviews conducted within 90 days

Table 12: Recommendations

	2013/14	2014/15	2015/16	2016/17
Recommendations made by IBAC	2	24	20	47
Recommendations accepted	2	24	19	24
Recommendations implemented	1	10	18	20
Outstanding recommendations being monitored	1	14	16	38
Outstanding Office of Police Integrity recommendations not fully implemented by Victoria Police (not included in counts above)	14	7	6	3

As part of our investigations, we consider wider systems and gaps or weaknesses that facilitated alleged corrupt activity. As a result, we made 47 formal recommendations (under the IBAC Act) for public sector agencies to improve their systems, practices and controls. Agencies are requested to respond to recommendations within a specific period and their responses are generally shared on the IBAC website.

IBAC continued to monitor three outstanding recommendations arising from outstanding Office of Police Integrity (OPI) investigations: two related to a review of Victoria Police's management of property and exhibits, and the other related to Aboriginal cultural awareness training.

47

formal recommendations made (under the IBAC Act) for public sector agencies to improve their systems, practices and controls

Table 13: Corruption prevention initiatives

	2013/14	2014/15	2015/16	2016/17
Number of corruption prevention initiatives delivered by IBAC (for example, training sessions, speaking opportunities and prevention resources)	74	76	78	93
Satisfaction rating with IBAC's prevention and education initiatives delivered to stakeholders	100%	100%	99%	99%

The significant increase in corruption prevention initiatives delivered was due to our support of the introduction of mandatory notifications for relevant principal officers (page 33) and the delivery of initiatives as part of IBAC's corruption prevention strategy. This included the launch of our first anti-corruption community education campaign in December 2016.

93

corruption prevention initiatives delivered

REVIEW OUTCOMES

IBAC can consider complaints about corruption and misconduct concerning:

- a public body or officer
- Victoria Police employees, including Protective Services Officers.

IBAC also receives mandatory notifications from principal officers of public sector agencies and Victoria Police.

We assess the information provided to decide whether to take one of three actions: refer it to another agency, dismiss or investigate the matter.

Of the complaints referred to other agencies, IBAC reviews certain matters to ensure they have been investigated thoroughly and fairly. The following three reviews were among those finalised in 2016/17.

Failure to understand impacts of undeclared conflicts of interest

IBAC received an anonymous complaint alleging a senior employee of Victoria Police engaged in a conflict of interest and breached policy by inappropriately attending a contractor event without making a proper declaration. The complainant further alleged that disciplinary action was not taken against the employee in relation to the matter. IBAC determined to refer the matter to Victoria Police for investigation and to review that investigation.

On completion of the police investigation, IBAC reviewed the file. We found that no disciplinary action was taken against the officer. This was despite the police investigation substantiating that the conflict of interest occurred and that the officer breached relevant policies. IBAC raised concerns with Victoria Police and sought clarification.

As a result of the review and feedback that we provided, Victoria Police acknowledged that the lack of disciplinary action was unsatisfactory and subsequently warned the staff member involved. Victoria Police advised that in future, it will give greater consideration when determining appropriate disciplinary actions for policy breaches resulting from conflicts of interest.

This outcome demonstrates the positive impacts that reviewing matters investigated by other agencies can achieve.

Review results in further investigation and departmental review of procurement policies

From December 2014 to September 2015, IBAC received several anonymous complaints alleging failure by a government department to follow procurement processes when engaging contractors. Specifically, the complaints alleged that contracts were awarded to individuals based on friendships rather than merit, and that those contracts (some worth millions of dollars) were awarded in the absence of a competitive tender process. This is contrary to the Victorian Government Purchasing Board guidelines.

IBAC referred the complaints to the department to investigate and reviewed the file following the department's investigation. IBAC was not satisfied the allegations had been adequately investigated, noting that the department undertook only a preliminary investigation which did not go far enough towards reaching a definitive conclusion about the complaints. The investigation was returned to the department, highlighting those concerns.

In response, the department engaged an external agency to conduct a formal investigation. The investigation found no evidence of misconduct or impropriety in awarding the contracts. The department indicated that it was undertaking a departmental-wide review of its procurement policies and procedures as a result of the complaints.

On further review of the investigation, IBAC considered that the department's review was thorough and the findings reasoned and evidence based. IBAC noted that the referral of the complaints and subsequent external investigation led to a departmental review of procurement policies to strengthen its systems and practices to prevent corruption.

Referral and review prompts improvements to policies and procedures for council's Local Laws Unit

IBAC received a complaint alleging that police and a local law officer unlawfully attended a property to remove a dog and provide it to another family member. The complainant also alleged that when they telephoned the police station directly and spoke to the sergeant on duty, the sergeant made inappropriate comments and hung up on them.

At the time, the complainant had already lodged complaints with Victoria Police and the council, but was concerned no explanation was provided about the outcomes of the police investigation and a general lack of action by the council. This caused them to escalate their complaint to IBAC.

IBAC determined the complaint be referred to both Victoria Police and the council to manage the conduct of their employees. IBAC reviewed the investigation files upon completion.

The Victoria Police investigation found police attendance at the property was lawful, however the sergeant's behaviour was unacceptable. IBAC's review noted the complainant's opinion that the findings and outcomes had not been properly explained to them, and recommended Victoria Police consider contacting the complainant to explain the outcome of its investigation.

The council's investigation was unable to determine reasons for the local laws officer's attendance at the complainant's property and whether it was lawful. However, the council accepted that the provision of the dog to another family member was not lawful. The council's investigation revealed broader issues with record keeping and communication within its Local Laws Unit, which led to an extensive review of its operations. The review resulted in improvements to internal processes and procedures to ensure better consistency by officers when carrying out their duties and functions.

ACHIEVEMENTS

IBAC continuously works to achieve its vision of a corruption-resistant Victoria. One way we do this is by informing the public sector, Victoria Police and the community about the risks and impacts of corruption and police misconduct, and ways in which it can be identified, reported and prevented.

Examples of our prevention and engagement activities are outlined on the following pages.



Poster from the *When something's not right. Report it.* community education campaign

IBAC launches its first anti-corruption community education campaign

In December 2016, IBAC launched the *When something's not right. Report it.* campaign to help build community understanding of corruption and encourage Victorians to report it.

Focused on corruption in the Victorian public sector, across state government departments and agencies and local councils, the campaign included outdoor advertising on bus and tram shelters, in metropolitan and regional newspapers and on radio, digital media and some catch-up TV.

We used a series of short animated videos to deliver information about public sector corruption, its impact on the community, and how to report suspected corruption. Translated advertisements and supporting news stories also featured in community media to engage with Victorians from culturally and linguistically diverse backgrounds.

Coordinated communication activities increased the reach of our campaign to build awareness of public sector corruption and encourage stakeholders to share information to help prevent it.

The campaign was informed by IBAC research and follows recent IBAC investigations into serious corrupt conduct in state government departments and agencies, local councils and Victoria Police (page 25). It aligns with our legislative functions to educate the community and public sector about the detrimental effects of corruption and the ways it can be prevented.

As evidenced by visits to the IBAC website, digital advertisement metrics and stakeholder feedback, the campaign proved to be a valuable avenue to inform the community and other key stakeholders about public sector corruption and its impacts.

'As one citizen interested in advocating for the important role anti-corruption regimes play in a modern democracy, I look forward to more campaigns of this nature to ensure we are all equipped to recognise corruption and do something about it.'

The Hon. Stephen Charles AO QC

INDEPENDENT POLICE OVERSIGHT

IBAC plays a vital role in building community confidence by providing oversight of Victoria Police. Under the IBAC Act, the Chief Commissioner of Victoria Police is required to notify IBAC of complaints about corrupt conduct or police personnel misconduct, and must report to IBAC on Victoria Police investigations into police misconduct.

IBAC's powers enable independent oversight in relation to all matters we refer to Victoria Police. IBAC can request a review of a Victoria Police investigation and, pursuant to that review, may recommend that Victoria Police take action. IBAC may withdraw the referral and decide to investigate the matter itself.

This police oversight model also enables IBAC to focus strategically on investigating matters that primarily involve systemic, serious and/or sensitive issues.

Our oversight role includes the following activities:

- receiving complaints and notifications about corrupt conduct and police personnel conduct (including complaints received by Victoria Police and mandatorily reported to IBAC). **In 2016/17, almost two-thirds (63 per cent) of the approximately 5000 allegations assessed by IBAC related to Victoria Police (sworn officers) (page 20)**
- assessing those complaints and notifications to determine which will be referred to Victoria Police for action, which will be dismissed, and which will be investigated by IBAC. **In 2016/17, almost half (44 per cent) of IBAC's active investigations were into alleged serious corruption or misconduct by Victoria Police (page 23)**
- reviewing investigations of selected matters referred to Victoria Police to ensure those matters were handled appropriately and fairly. **In 2016/17, IBAC completed 73 reviews of Victoria Police investigations (page 36)**
- conducting 'own motion' investigations about police personnel conduct or corrupt conduct . **In 2016/17, IBAC finalised Operation Ross, an 'own motion' investigation into the alleged mistreatment of a woman in custody in Ballarat police station cells in January 2015 (page 25)**
- conducting private and public examinations to assist investigations into police personnel conduct and corrupt conduct and, in the case of public examinations, exposing systemic issues, encouraging people with relevant information to come forward and to serve as a deterrent to others **(page 23)**
- ensuring police officers have regard to the Charter of Human Rights. **In November 2016, following the Operation Ross investigation, IBAC recommended that Victoria Police review and enhance its human rights training for officers. Victoria Police is required to report back to IBAC on actions taken in relation to this (and other) recommendations by November 2017 (page 25)**
- undertaking research and other strategic initiatives to inform Victoria Police and the public on particular systemic issues and risks to help prevent misconduct and corruption, including audits of how Victoria Police handles its complaints. **In 2016/17, IBAC released three public research reports examining corruption and misconduct risks within Victoria Police, resulting in 14 recommendations (page 42).**

ACHIEVEMENTS (CONT)

Research reports examining police corruption and misconduct risks

IBAC is responsible for independent oversight of Victoria Police. As part of this role, we released the following public research reports examining corruption and misconduct risks within Victoria Police and areas for practice improvement.

Audit of Victoria Police complaints handling systems at regional level (published September 2016)

IBAC conducted an audit of more than 400 files relating to complaints investigated by Victoria Police in two regions during 2014/15.

Issues identified included:

- significant delays in complaint investigations, with almost one-third of files taking longer to complete than they should
- a failure to consider a subject officer's complaint history as part of an investigation
- an overly complex system of determinations or final decisions about an investigation
- poor record keeping
- a lack of clarity in communicating outcomes to complainants and subject police officers.

The report made nine recommendations to Victoria Police to help strengthen its complaint-handling systems and improve community confidence in police integrity and accountability.

An exploration of corruption and misconduct risks in relation to transit PSOs (published December 2016)

This report examined corruption and misconduct risks concerning transit Protective Services Officers (PSOs).

From analysis of complaint and use of force data relating to PSOs from February 2012 to December 2015, we identified the following three key areas of risk in relation to PSO conduct:

- assault and excessive use of force, which represented almost half (42 per cent) of the allegations examined by IBAC
- unauthorised access to and/or disclosure of information obtained in the course of duty
- predatory behaviour involving members of the public, most commonly involving a PSO obtaining a young woman's personal details to facilitate social contact.

IBAC recommended that Victoria Police considers ways to improve community understanding of PSOs' functions and powers, and reviews the training provided to PSOs in relation to effective communication and conflict resolution skills, as well as professional and ethical standards.

This report generated extensive coverage and public discussion across Victorian media.

Drink driving detections of Victoria Police officers (published December 2016)

To help ensure the public has confidence in how Victoria Police fulfils its duties, including adhering to drink driving laws, IBAC analysed 228 drink driving detections of Victoria Police officers from 2000 to 2015.

The research identified that the typical Victoria Police officer detected for drink driving is a male senior constable with 15 years' service.

It found a steady decline in the number of officers detected drink driving but an increase in the median blood alcohol concentration (BAC) reading of officers detected drink driving. It also found an increase in the proportion of officers detected drink driving after they had been involved in a collision.

IBAC made several recommendations to Victoria Police to strengthen efforts to discourage officers from drink driving and to respond appropriately when officers are detected driving over the legal BAC limit.

IBAC made 14 recommendations across the three research reports. Victoria Police has accepted most of the recommendations and is working towards implementation. Information on the actions taken will be published on the IBAC website.

Sharing insights into corruption prevention

As part of our work to build the capacity of the public sector to prevent corruption in regional Victoria, we held full-day corruption prevention and integrity insight forums in Mildura and Wangaratta.

More than 30 public sector employees attended in Mildura, and 90 in Wangaratta, from state government organisations, local councils and Victoria Police.

Presenters from IBAC, the Victorian Ombudsman's Office, Victorian Auditor-General's Office, Local Government Investigations and Compliance Inspectorate and Victorian government agencies shared insights, knowledge and practical advice on how to strengthen integrity and corruption resilience in public sector organisations.

Expanding communication resources into more accessible and diverse formats

IBAC is sometimes limited in what information we can share externally (for legal and operational reasons). However, we work to produce high quality, and relevant communications. IBAC publishes a quarterly newsletter (*IBAC Insights*), which reaches more than 2000 people. We have more than 1900 Twitter followers and we regularly release podcasts and other multimedia products to engage with and inform our stakeholders and the Victorian community. Through these avenues, we continue to raise awareness about corruption and share information on how it can be prevented. As a result of these efforts, the IBAC website had more than 84,000 unique visits in 2016/17.

Ensuring resources are accessible to all Victorians is an ongoing focus. This year, we translated our *About IBAC* and *How to make a complaint* information sheets into 20 community languages. Next year, we will continue to make our most popular material available in a range of more accessible formats.

In 2017/18, IBAC will:

- deliver new videos to further explain our role, and encourage reporting of corruption
- continue to expand social media outreach
- work with the mainstream media to share research and other reports.

84K

The IBAC website had more than 84,000 unique visits in 2016/17

2K

IBAC Insights reaches more than 2000 people

CHALLENGES AND OPPORTUNITIES

EMPOWERING KEY STAKEHOLDERS TO REPORT SUSPECTED CORRUPTION

As part of delivering IBAC's corruption prevention strategy, we work with our community and public sector stakeholders to raise awareness of the reporting mechanisms available to them when they suspect corruption.

IBAC is one of three independent integrity agencies that form the Victorian integrity system. Along with the Victorian Ombudsman and the Victorian Auditor-General's Office, we work together to strengthen integrity across the public sector and provide avenues for reporting suspected misconduct and corruption.

Importantly, IBAC recognises that senior leaders of public sector entities have a thorough understanding of their own organisation's systems, resources, operating environments and risks, and are therefore best placed to develop and implement appropriate integrity and corruption-prevention measures and support their employees to speak up and report suspected wrongdoing.

IBAC supports public sector agencies and Victoria Police by delivering coordinated activities such as stakeholder forums and information sessions (page 43), research and reports (page 42), community education campaigns (page 40), tools and resources (including our protected disclosure on-line learning module) (page 45), reviewing their investigations (page 38) and providing recommendations on how public sector agencies can prevent corruption.

Supporting Protected Disclosure Coordinators

Protected Disclosure Coordinators (PDC) play an important role in supporting and ensuring protections for potential whistleblowers to speak out about wrongdoing in the public sector.

Employed by public sector agencies, PDCs are usually senior managers working in integrity-related roles across state government agencies, local councils and Victoria Police. They are nominated to receive and notify IBAC of potential protected disclosures.

They may also:

- assist IBAC investigators
- ensure the welfare of disclosers
- work to make staff aware of the protected disclosure legislation.

To support PDCs in their work, we held our fourth annual PDC forum in Melbourne in May 2017, attracting more than 70 attendees from across the state.

Fran Thorn, National Lead Partner for the Public Sector & Healthcare Industry team, Deloitte Australia (and former Secretary, Department of Health Victoria), gave the keynote address, reflecting on her experiences and responsibilities as a public sector leader and the importance of public sector agencies having robust integrity systems.

Other highlights included:

- a panel discussion with three PDCs who spoke about the challenges of the role in a departmental and local government setting
- an examination of the purpose of the Protected Disclosure Act from IBAC's Principal Advisor, Protected Disclosures and Compliance
- a presentation from the Department of Premier and Cabinet on guidelines it has developed for the public and staff on making a protected disclosure (PD)
- a presentation from the Victorian Ombudsman on how it handles PDs.

PDCs in regional Victoria were able to access a live webinar of the forum.

IBAC also updated and relaunched its protected disclosure guidelines and online learning module, in part to reflect legislative changes introduced in 2016 (page 33). We also convened a focus group of PDCs in June 2017 to discuss potential new tools and resources to help them build knowledge and skills.

In 2017/18, IBAC will closely monitor expected amendments to the PD legislation and update our information accordingly, as well as continue to improve its accessibility through the use of short videos and digital channels.



'You want an environment where people feel safe to say "I don't think that's right", and to at least have a conversation about it. Make it part of your business.'

Fran Thorn, Deloitte Australia (former Secretary, Department of Health Victoria) giving the keynote address at the Protected Disclosure Coordinator forum

Growing our data and analytic capabilities

To inform our preventative function and ensure our resources are directed to where they will be most effective and efficient, IBAC analyses a broad range of information, including complaints and allegations, which provides insights on corruption trends and risks.

IBAC's analysis is often limited to our own data holdings, with other available data fragmented across the public sector. This limitation doesn't extend to Victoria Police, which, as a single entity, has well-established consolidated data holdings. IBAC has access to these holdings as part of our police oversight role.

In 2017/18, IBAC will continue to assess the utility of having access to, and use of, broader public sector datasets, as well as increasing our own data analytical skills and tools.

OUTLOOK

Key research activities in 2017/18

Research and strategic intelligence projects that are due to be completed in 2017/18 include:

Further audits of complaint/incident handling by Victoria Police

During 2016/17, we continued our program of auditing how Victoria Police handles complaints. One audit examines a sample of matters investigated by Victoria Police Professional Standards Command, including all allegations of corrupt conduct and complaints characterised as assault. The second audit examines the oversight of deaths or serious injuries related to police contact, as well as other serious incidents such as escapes from police custody. These audits examine the timeliness, impartiality, thoroughness and appropriateness of investigations and oversights to identify any issues and potential improvements in how Victoria Police handles such matters.

Strategic intelligence assessments

IBAC's strategic intelligence function plays a key role in assessing significant corruption and police misconduct issues and emerging risks. IBAC's work in this area includes an overarching scan of the Victorian public sector and police environments, as well as focused assessments of specific sectors or vulnerabilities. For example, we are working on assessments of corruption risks associated with the corrections and health sectors, and public sector employment practices. These assessments inform IBAC's decision-making on operational, prevention and engagement priorities and strategies, and alert the public sector to corruption issues and risks.

Reviews of local and state government integrity frameworks

Building on previous research work, IBAC is reviewing integrity frameworks in a sample of six councils across metropolitan and regional Victoria. Integrity frameworks are the processes, structures and mechanisms required to foster integrity and prevent corruption in a public sector agency. IBAC is also committed to reviewing integrity frameworks in a selection of state government departments and agencies. This review will include a comparison with the results of a state government integrity framework review published in 2013. The key objectives of these reviews are to strengthen integrity frameworks and help prevent corruption across state and local government.

Corruption Prevention and Integrity Conference

IBAC is partnering with the Victorian Ombudsman, the Victorian Auditor-General's Office and the Institute of Public Administration Australia (Victoria) to convene a major conference to help prevent public sector corruption and strengthen integrity.

To be held over two days in October, at the Melbourne Convention and Exhibition Centre, the conference will bring together industry leaders and renowned practitioners across the public, private and community sectors, including Dr Anna Sergi, Deputy Director, Centre for Criminology, University of Essex; The Hon. Gavin Jennings MLC, Special Minister of State; and Graham Ashton, Chief Commissioner, Victoria Police.

'Infiltration from criminals into the public sector is not a one-way street... There are people at every level, in every position, private sector, public sector, who are happy to behave unethically.'

Dr Anna Sergi, Deputy Director, Centre for Criminology, University of Essex (and international keynote speaker for the Corruption Prevention and Integrity Conference)

Enhancing engagement with Victoria's legal and business sectors

IBAC has legislative obligations to educate the community and public sector about the detrimental effects of corruption and the ways it can be prevented. In 2017/18, we will enhance community engagement with the legal and business sectors.

This will include engagement across the legal sector to share information and improve understanding of IBAC's role and how the legal profession can better support clients who report public sector corruption and police misconduct.

In 2017/18, IBAC will also build on our engagement with the Victorian business sector following the release of our *Perceptions of Corruption: Survey of Victorian Government suppliers* report in June 2016. This report highlighted the need to increase awareness of corruption risks and public sector standards for businesses supplying goods and services to local councils and state government agencies.

BUILDING OUR ORGANISATION

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

STRATEGIC GOAL

Building our organisation

HIGHLIGHTS

- Developed tailored leadership programs for our executive, management and emerging leaders.
- Introduced an information management system that included a new, improved corporate intranet.
- Updated our asset management information system to one that uses radio-frequency identification technology, enabling more efficient and effective tracking of assets.
- Maintained a favourable gender balance, with 72 females and 78 males, working across most business areas.

CHALLENGES AND OPPORTUNITIES

- Recruiting staff who are highly skilled and experienced in their professional disciplines, and whose personal values align with those of IBAC.
- Implementing changes to our powers and processes, including the introduction of mandatory reporting by public sector heads and the expansion of IBAC's jurisdiction to include the offence of Misconduct in Public Office.

WORKFORCE PROFILE

Comparative workforce data (i)(ii)

Table 14: Full time equivalents (FTE) staffing trends

	2014	2015	2016	2017
FTE	136.2	140.6	133.9	168.77

Table 15: Summary of employment levels in June

	Ongoing				Fixed term/casual
	Employees (head count)	Full time (head count)	Part time (head count)	FTE	FTE
June 2014	124	113	11	120.00	16.20
June 2015	110	100	10	106.43	34.2
June 2016	106	96	10	102.5	31.4
June 2017	150	131	19	145.94	22.83

150

ongoing staff, with 13 per cent employed part-time

48%

of IBAC's workforce is female, and the largest proportion of staff is in the 35-44 age bracket

At 30 June 2017, IBAC had 150 ongoing staff, an increase of 41.5 per cent compared to the same time last year. Of our workforce, 48 per cent is female, and the largest proportion of staff is within the 35-44 age bracket.

In 2016/17, all VP5/6 IBAC employees on fixed term contracts were converted to ongoing positions (39 positions). This contributed to the increase in ongoing staff numbers compared to 2015/16. The contracts were converted to increase our ability to attract (and retain) the right candidates, and aligns with the State Government's positon of ensuring secure employment and the provision of quality services to the Victorian community.

Table 16: Details of employment levels

	June 2014			June 2015			June 2016			June 2017		
	Ongoing		Fixed term/ casual	Ongoing		Fixed term/ casual	Ongoing		Fixed term/ casual	Ongoing		Fixed term/ casual
	Head count	FTE	FTE	Head count	FTE	FTE	Head count	FTE	FTE	Head count	FTE	FTE
Gender												
Male	65.0	64.4	7.6	52.0	51.6	17.6	54.0	53.6	20.0	78.0	77.20	11.0
Female	65.0	61.6	8.6	58.0	54.8	16.6	52.0	48.9	11.4	72.0	68.74	11.83
Age												
Under 25	3.0	3.0	1.0	0.0	0.0	1.0	0	0	1.0	0.0	0.0	0.0
25–34	34.0	33.0	5.4	33.0	32.4	14.6	32.0	30.8	12.0	48.0	46.8	4.0
35–44	47.0	44.9	3.8	35.0	32.9	10.6	34.0	32.0	9.4	49.0	46.44	3.0
45–54	36.0	35.1	6.0	37.0	36.1	6.0	33.0	32.7	6.0	41.0	40.7	9.93
55–64	9.0	9.0	0.0	4.0	4.0	2.0	7.0	7.0	3.0	12.0	12.0	5.90
Over 64	1.0	1.0	0.0	1.0	1.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Classification												
VPS2	0.0	0.0	0.4	0.0	0.0	1.6	0.0	0.0	1.0	0.0	0.0	0.0
VPS3	25.0	23.1	5.0	27.0	25.5	2.0	26.0	23.9	5.0	31.0	29.04	2.0
VPS4	31.0	30.4	3.0	25.0	24.6	9.8	30.0	29.6	5.0	34.0	33.6	3.0
VPS5	37.0	36.0	4.8	37.0	35.8	11.8	31.0	30.2	15.6	60.0	59.0	3.0
VPS6	23.0	22.5	2.0	17.0	16.5	9.0	15.0	14.8	7.8	22.0	21.30	1.0
STS	8.0	8.0	1.0	4.0	4.0	0.0	4.0	4.0	0.0	3.0	3.0	0
Total	**124**	**120**	**16.2**	**110**	**106.4**	**34.2**	**106**	**102.5**	**31.4**	**150**	**145.94**	**9**

VPS/STS employees have been correctly classified in the above workforce data collection. For Executive officer data, see page 16.
Employees have been correctly classified in the above workforce data collection.

(i) All figures reflect employment levels during the last full pay period in June of each year.
(ii) Excluded are those on leave without pay or absent on secondment, external contractors/consultants, and temporary staff employed by employment agencies, and a small number of people who are not employees but appointees to a statutory office, as defined in the *Public Administration Act 2004*.
(iii) Ongoing employees includes people engaged on an open-ended contract of employment and executives engaged on a standard executive contract who were active in the last full pay period of June.

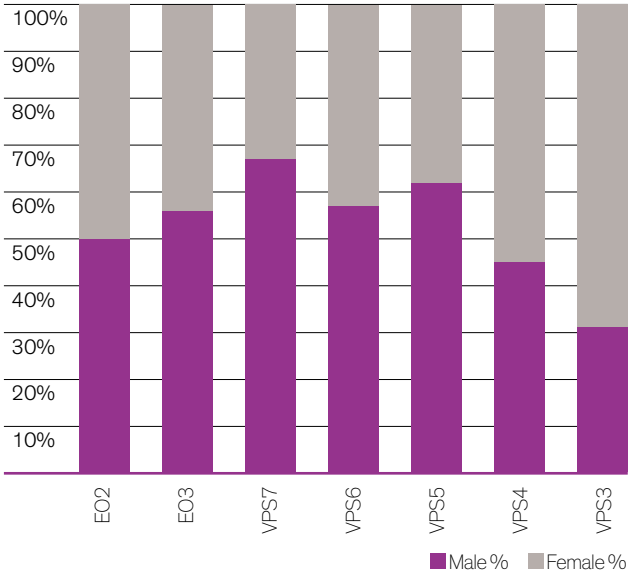
WORKFORCE PROFILE (CONT)

Gender equity

As at 30 June 2017, IBAC is in favourable gender balance, with 72 females and 78 males. Only one business unit, High Tech Crime, has 100 per cent males. However, in information technology, traditionally a male-dominated profession, one quarter of employees are female. In human resources and communication, traditionally female-dominated areas, IBAC has 25 per cent and 40 per cent male employees respectively.

IBAC's workplace is characterised by respect and flexibility. Recruitment and selection training supports a merit-based selection process, ensuring the best candidate is selected for any position. Internal promotions and secondment opportunities are also based on merit. Our workplace flexibility policy embraces the option, where possible, to enable flexible working arrangements to support work-life balance to help staff achieve their goals at work and home. Family violence leave and Respect in the Workplace policies enhance our commitment to employee welfare.

Figure 7: IBAC's gender balance percentage by Victorian Public Service grade



SUPPORTING STAFF AT WORK AND AT HOME

IBAC offers options to help our staff balance the demands of work and personal commitments. We encourage discussion about appropriate working arrangements and flexibility in the way work can be performed. Our staff have reasonable access to:

- flexible work hours in accordance with our working hours policy
- job-share arrangements
- study leave and study assistance.

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

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

Sharing news and information

IBAC communicates and engages with staff in a range of ways, including our fortnightly staff newsletter, *i-news*, which complements regular all-staff, divisional and team meetings and updates from the CEO and Commissioner.

We undertake annual staff surveys on the effectiveness of our communication and information sharing.

The 2017 survey confirmed current communication channels are engaging staff, with the majority of respondents (92 per cent) indicating they were 'satisfied' or 'very satisfied' with our internal communications.

The results of the internal communication survey will inform the development of a new internal communication strategy (2017/18) and the ongoing delivery of internal communications.

Social connections

IBAC's active social committee facilitates staff interaction through regular social events. IBAC staff events are funded and organised by the social committee through the proceeds of social events, workplace initiatives, voluntary payroll deductions and sale of snacks.

Table 17: Information and communication technology (ICT) expenditure

	$m
Business as usual (BAU) ICT expenditure	$3.72
Non-BAU ICT expenditure (total operational expenditure and capital expenditure)	$1.21
Operational expenditure	$0.61
Capital expenditure	$0.60

In 2016/17, IBAC had a total ICT expenditure of $4.93 million. ICT expenditure refers to IBAC's costs in providing business-enabling ICT services. It comprises business as usual (BAU) ICT expenditure and non-business as usual (non-BAU) ICT expenditure. Non-BAU ICT expenditure relates to extending or enhancing IBAC's current ICT capabilities. BAU ICT expenditure is all other ICT expenditure and primarily relates to ongoing activities to operate and maintain ICT capability.

92%

of staff indicated they were 'satisfied' or 'very satisfied' with IBAC's internal communications

ACHIEVEMENTS

A highly skilled and adaptable workforce

A key priority for IBAC is to continue to build our capacity as a highly adaptable and responsive workforce.

Developing leadership across the organisation

Staff development underpins IBAC's future. In 2016/17, tailored leadership programs were developed for the organisation's executive, management and emerging leaders. IBAC partnered with Melbourne Business School and Leadership Victoria to provide tailored content aligned to our behaviours and skills statement. Each program provides learning opportunities for the particular leadership cohort. Other development programs we provided included human rights, change leadership and tailored coaching.

These programs are an important part of ensuring IBAC's leaders have the required skills and knowledge to drive business performance and understand their compliance requirements, as well as achieving advanced people management skills.

Our learning and development plan also supports staff to build their personal capability and develop new skills. In 2016/17, we spent $602,180 on training and professional development. This included 39 staff attending industry seminars, professional development forums and conferences and 12 employees receiving study assistance support.

Strengthening legal knowledge and building inter-agency relationships

In May 2017, IBAC hosted the annual Australian Anti-Corruption Commissions' legal forum, which provides an avenue for lawyers from integrity bodies and law enforcement agencies across Australia to share ideas and insights and consider topical legal issues.

Common themes for discussion were the use of coercive powers, the conduct of public examinations, efficient organisational structures and the prosecutorial process following examinations. Building inter-agency relationships in forums such as this will help IBAC and other anti-corruption agencies tackle the often complex issues peculiar to integrity bodies that arise in the practice of law.

39
staff attended industry seminars, professional development forums and conferences

12
IBAC staff received study assistance support

$602K
$602,180 spent on IBAC training and professional development

Upgrading the workplace

Modernising our offices

A focus for IBAC is to create and maintain a professional workplace that supports a productive culture. In 2016/17, we finalised the refurbishment of our workplace, with staff now enjoying a contemporary working environment with a new layout, modern workstations, fit-for-purpose security systems and facilities.

Building Act

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

Minimising environmental impact

Energy and water efficiency

We minimise electricity and water use through:

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

Waste management and recycling

IBAC uses paper from sustainable sources for all photocopiers and, in order to reduce paper use, staff are encouraged to print double-sided and only when necessary. We also provide paper recycling bins and recycle ink cartridges.

Implementing new information management platform

In 2016/17, IBAC commenced a program to implement an information platform using SharePoint. The following foundations were put in place:

- updating the existing information management governance framework to incorporate the governance and principles for the full life cycle of management information in SharePoint
- SharePoint (version 2013) platform and information architecture providing:
  - software development life cycle processes
  - corporate, team, business functional and project information 'sites' that are linked
  - an interface between our records management system and the new platform
- *The Source* – IBAC's corporate intranet – was launched.

Managing assets more efficiently

IBAC has been using an in-house bespoke asset management information system. In 2016/17, it was replaced with a more efficient system that uses radio-frequency identification technology to enhance the way assets are recorded. This enables more efficient and effective tracking of assets. It also ensures IBAC can execute its asset responsibilities appropriately, consistent with the recently introduced asset management accountability framework.

Consolidating incident reporting

Incident reporting is a key process for identifying and managing risk. Multiple reporting processes for internal incidents, covering OH&S (page 56), operations, security, vehicles, property and information management, were consolidated into one consistent process and form. This enables comprehensive review and tracking of incidents, a risk-based approach to managing and reporting incidents and supports a culture of learning and continuous improvement.

CHALLENGES AND OPPORTUNITIES

Recruitment for highly specialised skills

IBAC requires our staff to be highly skilled and experienced in their professional disciplines, and whose personal values align with those of the organisation. The challenge is that these candidates are highly sought after in the marketplace, with many organisations seeking individuals with contemporary investigative skills, sharp forensic accounting abilities and bright legal minds. To increase our opportunity of attracting the right candidate, we advertise in Victoria and interstate, capitalising on our reputation to attract high quality candidates.

In 2017/18, IBAC will continue working to attract highly skilled candidates who best meet our needs. The Victorian public sector is known for its financial stability, job security, latest technology and workplace flexibility. These are all offered at IBAC.

Managing changes in the external environment

IBAC works in a rapidly changing and politically and socially charged environment. To remain appropriately responsive to external influences, IBAC takes a flexible and adaptable approach. This includes:

- ensuring our risk registers recognise and respond to emerging risks
- adapting our business continuity plan to recognise the need for organisational resilience
- building staff skills to respond to new legislative requirements.

Implementing changes to our powers and processes

The *Integrity and Accountability Legislation Amendment (A Stronger System) Act 2016* was passed by the Victorian Parliament in May 2016, and came into effect on 1 July 2016. Changes to the IBAC Act included introducing mandatory reporting (page 33) and the expansion of IBAC's jurisdiction to include the offence of Misconduct in Public Office.

To ensure IBAC prepared for the changes, we undertook a thorough review of internal policies and procedures and re-trained staff. Our Legal and Compliance staff liaised with colleagues across the organisation to ensure legally sound and effective policies and procedures were in place. IBAC also ran external information sessions and developed resources to support the public sector meet the new reporting requirement.

Transition to new internal audit service

Internal audit services are integral to our governance, providing assurance to the Responsible Body and Audit and Risk Management Committee (page 62) that our processes are robust and sound. Internal audit also provides opportunities to identify areas for improvement and to continuously strive for best practice.

As a result of a competitive procurement process midway through the year, a new internal auditor was selected. The change of supplier, although welcomed, presented IBAC with several challenges including:

- maintaining continuity of service, with the new auditor beginning halfway through the internal audit program
- establishing relationships between the new auditor and key internal and external stakeholders
- adapting to a slightly different process and approach to internal auditing.

OUTLOOK

Developing more integrated and robust systems and processes

At IBAC, we employ technology as a fundamental tool to help manage risk and compliance activities, streamline processes and increase efficiency across the organisation.

Strengthening governance and risk systems

In 2017/18, we will finalise implementation of new governance, risk and compliance software. This is expected to bring significant benefits including improved internal controls, automatic workflows and reminders, monitoring and reporting of actions, scheduling tools, consolidated reporting functionality and reduced manual processing.

A new software solution is planned to assist our Audit and Risk Management Committee and internal governance committees with distribution and annotation of papers. IBAC will also examine how technology solutions can improve organisational performance and human resources management reporting. These improvements will increase information sharing internally and externally, and further increase our ability to analyse data.

Organisational framework to streamline compliance management

IBAC plans to deliver a comprehensive integration of compliance and assurance activities across the organisation. This will provide better consistency in governance and management of compliance processes, while improving executive oversight of all compliance activities. This will include improved scheduling, and coordinating and reporting of compliance activities across business units and functions.

Case management system to boost information exchange

IBAC's case management system is the core business system for our operations. Following a robust tender evaluation process, a new case management system will be implemented to provide central information that automates data exchanges between other systems, including our core information stores – HP Records Manager and SharePoint. The connections between these systems will provide for data to be shared without unnecessary duplication and within securely controlled access points.

Developing centralised information security

In IBAC's first four years, specialist teams were supported by their own IT infrastructure and administration. This provided flexibility to grow and develop specialist IT skills and systems. IBAC is now working to assess opportunities to consolidate network infrastructure and centralise IT security.

The work will determine how to reduce the physical (hardware) boundaries to enable better information flow and sharing between systems, and provide access without the need for physical boundaries and separately governed systems. The focus is on reducing the hardware footprint and costs for multiple administration and governance resources by investing in more modern and appropriate security technologies.

Technology change management

IBAC has a range of systems that require varying levels of IT skills to operate efficiently. The information generated is stored across several systems and locations and is increasingly in non-traditional one-dimensional text records.

Managing data and systems that are increasingly more sophisticated requires greater depth of, and access to, IT skills to meet the demands and expectations of the organisation. IBAC continues to build our capability through partnerships with specialist providers. IBAC is also investing in project and change management skills to successfully respond to the changes.

OCCUPATIONAL HEALTH AND SAFETY

IBAC seeks to provide and maintain a healthy, safe working environment for staff and visitors in accordance with the *Occupational Health and Safety Act 2004* and associated regulations.

Introduced this year, IBAC provided employee health and skin checks. More than two-thirds (68 per cent) of those who participated received referrals for further medical follow-up. We also continued our flu vaccination program, in which half (50 per cent) of our staff participated, up from 45 per cent last year. This increase was due to improved promotion and providing more flexible appointments.

OH&S Strategy

This two-year strategy, which began in 2015/16, details our health and safety priorities, strategic objectives and key performance indicators that help monitor and improve our work environment. We reviewed the strategy in 2016/17, and will include an enhanced wellbeing program in 2017/18. This program will include flu vaccinations, a more comprehensive health check, skin check, a healthy eating program, step challenges and ergonomic assessments.

OH&S Committee

Our OH&S Committee is an advisory committee to the Executive that meets quarterly to discuss the health, safety and wellbeing of staff and visitors in the workplace. The Director of Corporate Services is the committee's executive sponsor. The committee consists of management and Health and Safety representatives from six designated work groups.

Health and safety representatives

All health and safety representatives have completed WorkSafe-approved training and represent the views and concerns of their colleagues.

IBAC works to prevent work-related illness and injuries. In our operations, risk assessment process and appropriate planning is the key to preventing issues occurring. In the event of an illness or injury, employees are supported by their managers and other qualified staff, including our rehabilitation and return-to-work coordinator.

Table 18: OH&S information

		2013/14	2014/15	2015/16	2016/17
Incidents	Number of incidents	9	3	16	11
Claims	Number of standard claims (i)	1	0	1	3
	Number of lost time claims (i)	0	0	0	0
	Number of claims exceeding 13 weeks (i)	0	1	1	3
Fatalities	Fatality claims	0	0	0	0
Claim costs	Average cost per standard claim (i)	$4595	$68,545	$60,828	$49,946
Management commitment	Evidence of OH&S policy statement, OH&S objectives, regular reporting to senior management of OH&S, and OH&S plans (signed by CEO)	Completed	Completed	Completed	Completed
	Evidence of OH&S criteria in purchasing guidelines (including goods, services and personnel)	Completed	Completed	Completed	Completed
Consultation and participation	Evidence of agreed structure of designated work groups (DWGs), health and safety representatives (HSRs) and issue resolution procedures (IRPs)	Completed	Completed	Completed	Completed
	Compliance with agreed structure on DWGs, HSRs and IRPs	Completed	Completed	Completed	Completed
Risk management	Percentage of internal audits/ inspections conducted as planned	100%	100%	100%	100%
	Percentage of issues identified and actioned arising from:				
	• health and safety representative provisional improvement notices	0	0	0	0
	• WorkSafe notices	0	0	0	0

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

DISABILITY ACTION PLAN

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

1. Reducing barriers to services and facilities

- An office that meets disability access standards and responsiveness to reasonable requests to modify programs and services to accommodate people's needs
- Internal processes that enable people to make complaints through the National Relay Service
- Providing audio devices at public examinations for people with hearing impairments, while private examination facilities have audio amplification for hearing-impaired staff or witnesses
- Publishing public reports in accessible HTML on our website, and (on request) in large print or audio format
- Providing captions or transcripts with online multimedia products.

2. Reducing barriers to obtaining and maintaining employment

- Compulsory staff training about our Respect in the Workplace Policy and related guidelines
- A merit-based recruitment and selection framework that is fair and equitable
- Link to JobAccess information on our website.

3. Promoting inclusion and participation

- Establishing frameworks, policies and guidelines based on our core values of fairness, professionalism, courage, respect and trust
- Identifying for review complaints/notifications involving concerns regarding the treatment of a person with a disability.

4. Achieving tangible changes in attitudes and practices that discriminate against people with a disability

- Incorporating questions into our staff survey to gather information about attitudes towards disability. This information will be used to assess the need for additional training about disability awareness.

5. Partnering with the Victorian Human Rights and Equal Opportunity Commission to provide in-depth training to staff on the Charter of Human Rights

- Providing recruitment and selection training on protected attributes* to ensure all candidates are selected on merit
- Adding information about the protected attributes* to our Respect in the Workplace training program to ensure all employees are aware of their responsibilities at work.

* Protected attributes refer to age, race, sex or gender identity, disability or impairment, religious or political belief or activity, parental status, or sexuality or sexual orientation

ENSURING ACCOUNTABILITY

As an integrity body, IBAC takes seriously the need to model exemplary standards of accountability and integrity. IBAC is subject to external scrutiny, and required to account for how we use our powers responsibly, comply with various legal obligations and effectively manage risk. We regularly audit and review our operational, administrative and financial performance and decisions, and seek independent advice regarding the efficiency of core systems and processes. Our focus is on using our powers and resources appropriately and ensuring Victorians have confidence in us.

STRATEGIC GOAL

Ensuring accountability and independence

HIGHLIGHTS

- Tabled six special reports on operational and prevention activities before Parliament.
- Achieved compliance with external reporting requirements and all legislated obligations, including use of our powers.
- Commended by the Commonwealth Ombudsman on our controls to support compliance and comprehensive procedures on accessing telecommunications data.
- Established a new governance framework, articulating the principles and elements in a whole-of-organisation approach.

CHALLENGES AND OPPORTUNITIES

- Meeting 'natural justice' obligations before tabling investigation reports before Parliament.
- Balancing the need to be accountable, and communicating clearly to the community about corruption prevention, with legal and operational restrictions on public statements.

ENSURING ACCOUNTABILITY

Table 19: Oversight activity

Body	Role	2016/17 activity
IBAC Parliamentary Committee	• Monitors and reviews our performance and functions • Examines reports published by IBAC	The Committee conducted two inquiries into IBAC's functions and legislation: • the operation of, and potential improvements to, Victoria's protected disclosure regime • the development of a framework to monitor the performance of IBAC. Transcripts of IBAC's testimony before the Committee's hearings are available at www.parliament.vic.gov.au. The Committee also considered six IBAC special reports tabled before Parliament regarding our operational and prevention activities: • Operation Exmouth (page 30) • Operation Ross (page 25) • Operations Apsley, Hotham and Yarrowitch (page 31) • Operation Dunham (page 26) • Operation Liverpool (page 29) • Operation Nepean. (page 28)
Victorian Inspectorate (VI)	• Monitors our compliance with the IBAC Act and other laws • Oversees our performance under the Protected Disclosure Act • Receives and investigates complaints about IBAC	IBAC submitted two reports* setting out statistical data on our controlled operation activity, under the *Crimes (Controlled Operations) Act 2004*. The Victorian Inspectorate conducted two inspections to ensure record-keeping requirements relating to surveillance devices, telecommunications interception warrants and controlled operations were legally compliant.
Victorian Special Minister of State	• Receives reports on telecommunications interception warrants	As required by the *Telecommunications (Interception) (State Provisions) Act 1988*, we submitted reports* on our use and communication of information obtained by telecommunications interceptions under warrant.
Victorian Attorney-General	Receives reports on: • telecommunications interception warrants • surveillance device warrants • assumed identities	IBAC provided annual reports* detailing statistical data on telecommunications interception warrants, surveillance device warrants and assumed identities. This reporting complied with our obligations under the: • *Crimes (Assumed Identities) Act 2004* • *Telecommunications (Interception) (State Provisions) Act 1988* • *Surveillance Devices Act 1999.*
Public Interest Monitor	• Reviews our applications for surveillance device and telecommunications interception warrants	The Public Interest Monitor appeared at all hearings for IBAC applications for surveillance device warrants and telecommunications interception warrants to test the content and sufficiency of the information relied on and the circumstances of the applications.
Supreme Court Magistrates' Court	• Receives reports on IBAC surveillance device warrants	The issuing judge or magistrate for all IBAC surveillance device warrants received reports* setting out details relating to each warrant.
Commonwealth Ombudsman	• Inspects IBAC's use of stored communications warrants and telecommunications data	The Ombudsman inspected IBAC's telecommunications data records to ensure compliance with the *Telecommunications (Interception and Access) Act 1979.*
Commonwealth Attorney-General	• Receives reports on IBAC's telecommunications interception warrants, telecommunications data authorisations and stored communications warrants	Under the *Telecommunications (Interception and Access) Act 1979*, IBAC submitted an annual report* setting out statistical data and other details in relation to telecommunications interception warrants, stored communications and telecommunications data authorisations.

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

Oversight

For legal and operational reasons, many of the details of our work cannot be reported publicly. Consequently, it is essential for us to have robust reporting and external oversight in place to demonstrate we are exercising our powers responsibly and in compliance with the law. IBAC complied with our legislated obligations in 2016/17 – both in external reporting and in the use of our powers. We also engaged with our various oversight bodies that monitor our compliance with the law, and our performance and decisions.

Monitoring Victoria Police compliance (record-keeping obligations)

Sex Offenders Registration Act 2004

IBAC monitors Victoria Police Sex Offender Registry compliance with parts three and four of the *Sex Offenders Registration Act 2004* (Sex Offenders Act) and IBAC inspection reports are provided to the Minister for Police.

Drugs, Poisons and Controlled Substances Act 1981

IBAC inspects Victoria Police certificates of health and safety destruction or disposal of specified material found on public land or private land (where permission has been given). IBAC inspection reports* are provided to the Minister for Police.

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

Corporate governance

IBAC has robust governance processes in place to ensure we comply with our stringent reporting and legislative obligations, and meet stakeholder expectations.

In 2016/17, IBAC established a new governance framework, which articulates the principles and elements in our whole-of-organisation approach to governance. The governance principles are: accountability, integrity, proportionality and transparency.

Governing business decisions

Strategic direction provided by the Commissioner and Chief Executive Officer, and two key decision-making committees comprising executive officers, drive improvements to our business and processes:

- The **Executive Committee** meets fortnightly to monitor organisational performance, capacity and capability. The committee considers:
  - governance, risk management and business continuity
  - planning, budgeting, forecasting and expenditure
  - people management, internal communication and staff engagement
  - IT, information management and security.
- The **Operations and Prevention Committee** meets fortnightly to manage operational matters, including complaint outcomes, and prevention and engagement activities. The committee considers:
  - complaints/notifications (by exception)
  - operations
  - prevention, research and engagment
  - legal affairs.

IBAC has a collaborative business planning process that identifies the key priorities and actions required to meet the objectives and outcomes described in our Corporate Plan and required under our legislation. In 2016/17, our business planning process was strengthened to place more emphasis on the linkages with risk management and better integrate the budgeting process.

IBAC conducted a mid-term evaluation of the Corporate Plan, identifying key learnings to help develop the next Corporate Plan. We also undertook a complete review of our performance measurement framework, developing a revised set of performance measures.

ENSURING ACCOUNTABILITY (CONT)

Managing risk

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

Audit and Risk Management Committee

IBAC's Audit and Risk Management Committee works to a charter that reflects requirements of the FM Act, in particular the Standing Directions of the Minister for Finance.

The committee met four times in 2016/17, and provided independent advice to the Commissioner and CEO on:

- the effectiveness of IBAC's systems and controls for financial and organisational risk management
- annual financial statements
- the internal audit function
- recommendations made by internal and external auditors and actions in response to the audits
- the effectiveness of IBAC's compliance management processes and remedial actions taken to address compliance deficiencies
- compliance with the FM Act Standing Directions and Instructions.

The committee comprises one internal member and three external independent members, with remuneration totalling $29,900 (ex GST) for 2016/17. External members are:

Mr Don Challen AM (Chairman)

Mr Challen has extensive financial and risk management, insurance and audit experience with a range of public sector institutions and companies. Mr Challen is Chairman of the Tasmanian Motor Accidents Insurance Board and Deputy Chair of the Tasmanian Symphony Orchestra. He is a former Secretary of the Tasmanian Department of Treasury and Finance. He was previously Chair of the Tasmanian Public Finance Corporation, Transend Networks and the Tasmanian Gaming Commission, President of the Retirement Benefits Fund, a board member of TasNetworks, Hydro Tasmania and Trust Bank and a member of the Financial Reporting Council. Mr Challen holds a Bachelor of Economics (Honours) and a Master of Economics. He is a Fellow of Chartered Accountants Australia and New Zealand, CPA Australia, the Australian Institute of Company Directors and the Institute of Public Administration Australia.

Mr Peter Moloney

Mr Moloney has extensive financial management, internal audit and assurance experience in a range of industries including mining, manufacturing, property, infrastructure and insurance. He has also worked extensively with Victorian Government departments and statutory bodies. He is a Director of Crosstrees Consulting, and a former partner at Ernst and Young and Grant Thornton. Mr Moloney has held numerous audit committee and director appointments, including chair of the Department of Premier and Cabinet's Audit Committee. Mr Moloney holds a Bachelor of Economics and Accounting and is a Chartered Accountant.

Ms Juliann Byron

Ms Byron has extensive board, company secretary, financial management, governance, risk management and auditing experience with service, health, marketing, manufacturing, retail, research and accounting companies. Ms Byron is a Director of Northern Health, chairman of its Audit and Risk Committee and member of its Finance Committee. She is also a non-Executive Director of Canterbury Surrey Hills Community Finance Ltd. Ms Byron holds Bachelors of Commerce, Accounting and Finance/IT.

Risk management actions

Our Risk Management Framework consists of a risk management policy, procedure and plan, risk appetite statement, and strategic and divisional risk registers. It also covers business continuity and critical incident management with linkages to the relevant plans.

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

- twice-yearly review of IBAC's strategic and divisional risk registers and organisational risk appetite statement
- risk management procedures for key operational activities (for example, executing a search warrant)
- high-level security vetting of all new staff, with requirements for employees to declare changes in circumstance, conflicts of interest and declarable associations
- internal corruption prevention measures, including a fraud and corruption prevention policy, and a gifts, benefits and hospitality register
- extensive annual Internal Audit Plan, part of a rolling three-year Strategic Audit Plan, focusing on testing controls in high-risk areas
- comprehensive incident reporting process that helps identify areas of risk to the business and opportunities to strengthen controls.

In 2016/17, several key risk management actions were undertaken including:

- a comprehensive review and update of the risk management framework
- a risk culture survey across the organisation, helping to identify areas for targeted training
- strengthening of linkages between the business plan and budgeting processes
- implementation of consolidated incident reporting and tracking.

We reported against the framework twice to the Audit and Risk Management Committee, providing updated strategic risk registers and documentation, divisional risk profiles and activity reports. The committee provided expert guidance and advice throughout the year, helping to strengthen the framework and reporting regime, and expressed confidence in the policy and processes in place to identify and manage risks.

Compliance management system

In 2016/17, IBAC began building on the strength of our operational legislative compliance functions to enhance whole-of-organisation compliance management. This included aligning our approach with Australian Standards ISO 19600:2015 – Compliance Management Systems, approving roles and responsibilities for compliance management and commencing the development of a whole-of-organisation compliance policy. IBAC also began procuring an integrated governance, risk and compliance IT solution that will help streamline compliance management and assurance.

ENSURING ACCOUNTABILITY (CONT)

Internal audit program

IBAC's three-year strategic and annual internal audit plans and Internal Audit Charter set out how we review governance, risk management and internal controls across the organisation.

IBAC reports four times a year to the Audit and Risk Management Committee on the Internal Audit Plan, including:

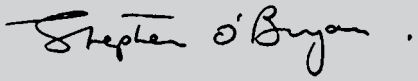
- a summary of audit(s) completed within the previous period, the key findings and agreed management actions to address the findings. Once endorsed by the committee, these management actions are placed on a rolling audit summary report with progress against achievement of actions updated by managers
- the scope for upcoming audit(s)
- an update on the audit summary report. Completed management actions are reviewed before removal, and updates provided on any outstanding actions.

In 2016/17, we undertook comprehensive internal audits on purchasing and accounts, and conflict of interest. We began two additional audits: IT security and case exhibits. The two completed audits resulted in 17 recommended actions. All actions were endorsed by the Executive and the Audit Committee. These actions cannot be detailed because they would reveal IBAC operational processes and systems.

As at 30 June 2017, two audit recommendations relating to financial management and seven audit recommendations relating to conflict of interest were outstanding. Of these, eight actions as a result of the recommendations were not yet due. The overdue recommendation relates to an improvement opportunity and is reliant on input from an external stakeholder for completion.

RISK ATTESTATION

I, Stephen O'Bryan QC, certify that the Independent Broad-based Anti-corruption Commission has complied with the Ministerial Standing Direction 3.7.1 – Risk Management Framework and Processes. The IBAC Audit and Risk Management Committee verifies this.



Stephen O'Bryan QC
IBAC Commissioner
1 September 2017

ACHIEVEMENTS

Compliance with Commonwealth legislation: telecommunications data

In May 2017, the Commonwealth Ombudsman published its report on the monitoring of agency access to stored communications and telecommunications data under the *Telecommunications (Interception and Access) Act 1979*. In the 2015/16 report, the Ombudsman indicated that IBAC has robust controls to support compliance and comprehensive procedures on accessing telecommunications data, which specifically address the requirements of chapter four of the Act. IBAC compliance officers led the introduction of these controls.

The Commonwealth Ombudsman's inspection of IBAC compliance with chapter four of the Act will take place in 2018. The full report is available on the Commonwealth Ombudsman's website, www.ombudsman.gov.au.

Gifts, benefits and hospitality policy

A number of IBAC reports have clearly identified that gifts are a corruption risk for the public sector. The Victorian Public Sector Commission issued guidelines for Victorian public sector employees on giving and receiving gifts, benefits and hospitality in October 2016, providing clarity around the appropriate practice.

The IBAC gifts, benefits and hospitality policy provides staff with clear guidelines in regard to accepting gifts. Employees are required to refuse all offers of gifts or benefits made by a current or prospective supplier or any offers made during any procurement or tender process by a person or organisation involved in the process. Employees must declare all non-token gifts, benefits and hospitality that are offered and whether they are accepted or declined. This register is available on our website.

CHALLENGES AND OPPORTUNITIES

'Natural justice' process

Before IBAC tables a special public report before Parliament, it is obliged to give affected persons and entities a reasonable opportunity to be heard and respond to adverse comment or opinion. This is otherwise known as the 'natural justice' process (or the 'duty to act fairly'). It can be a complex process requiring IBAC to consider and respond to submissions from those parties.

In 2016/17, IBAC responded to a large volume of concerns raised by public entities and individuals who may have been subject to adverse comment in an IBAC report. The substance of those concerns was either fairly set out in the report or the report was amended to ensure accuracy.

IBAC is confident that our approach to the process ensures that we fulfill our mandate to expose serious and systemic corruption and police misconduct, while affording affected parties the opportunity to comment and respond as required, in the spirit of procedural fairness.

Finding the right balance between transparency and legal and operational requirements

IBAC is committed to being transparent in our work wherever possible. We believe it is important to share the findings of our investigations in order to expose and prevent corruption. However, for legal and operational reasons, we cannot always publicly report on our activities. Some of our work is long term with results occurring months or years after our initial involvement. This includes potential criminal prosecutions, and changes in public sector and community practices, which impact on our ability to report, or the timing of our report. However, when activities are no longer sensitive or constrained by legal and statutory requirements, we are open and transparent in providing information to the public. In 2016/17, we produced six public investigation reports, 19 media releases, four issues of our *IBAC Insights* newsletter plus a broad range of other communication and engagement activities.

Due to these restrictions, we understand it is essential to have robust reporting and external oversight in place to demonstrate we are exercising our powers responsibly and in compliance with the law. IBAC is overseen by the Victorian Parliament and the Victorian Inspectorate, as well as other bodies and agencies that have a role to ensure we are compliant with our obligations and warrant the trust placed in the organisation (page 60).

OUTLOOK

Report on the Victoria Police Sex Offender Registry

IBAC monitors Victoria Police Sex Offender Registry compliance with parts three and four of the the Sex Offenders Act. Part three of the Act details registered offenders' ongoing reporting obligations, while part four relates to the establishment and maintenance of a register of sex offenders in Victoria.

In 2017/18, IBAC's inspection report will be provided to the Minister for Police who is required to table the report to Parliament, the first time such a report will be made public. This follows changes to the Sex Offenders Act on 1 February 2017.

COMPLIANCE WITH OTHER LEGISLATION

Table 20: Freedom of Information applications

	2013/14	2014/15	2015/16	2016/17
Number of applications	3	6	6	7
Number acceded to	0	1	1	2
Number reviewed	0	0	1	0
Number appealed	0	0	1	0

Freedom of Information

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

Making a request

Access may be requested in writing to IBAC's Freedom of Information officer. Such requests should:

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

Requests for documents should be addressed to:

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

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

COMPLIANCE WITH OTHER LEGISLATION (CONT)

Protected disclosures

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

IBAC is committed to ensuring transparency and accountability in our administrative and management practices, and supports disclosures that reveal corrupt conduct, conduct involving substantial mismanagement of public resources or conduct involving a substantial risk to public health and safety or the environment.

IBAC also has robust procedures in place to protect people who make such disclosures from any detrimental action in reprisal for making the disclosure.

The IBAC Parliamentary Committee undertook a review of the PD Act, and tabled its report in Parliament in June 2017. The report recommends amendments to the PD Act, some of which assist to clarify and simplify the current PD Act, and others that seek to substantively alter or expand the scope of the legislation, with a particular focus on enhanced protections against retributive actions. The report also recommends a number of non-legislative actions to better facilitate education and awareness of the PD scheme (page 45).

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

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

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

Information regarding assessable disclosures made to the Victorian Inspectorate can be found in the Victorian Inspectorate annual report.

Additional information available on request

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

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

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

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

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

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

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

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

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

The information is available on request from:

Director, Prevention and Communication
Phone: (03) 8635 6370
Email: communications@ibac.vic.gov.au

FINANCIAL REPORT

COMMISSIONER'S, ACCOUNTABLE OFFICER'S AND CHIEF FINANCIAL OFFICER'S DECLARATION

The attached financial statements for the IBAC have been prepared in accordance with Direction 5.2 of the Standing Directions of the Minister for *Finance under the Financial Management Act 1994*, applicable Financial Reporting Directions, Australian Accounting Standards including Interpretations, and other mandatory professional reporting requirements.

We further state that 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 2017 and the financial position of IBAC as at 30 June 2017.

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

We authorise the attached financial statements for issue on 1 September 2017.

S O'Bryan QC
Commissioner
IBAC



Melbourne
1 September 2017

A Maclean
Accountable Officer
IBAC



Melbourne
1 September 2017

J Koops
Chief Financial Officer
IBAC



Melbourne
1 September 2017

INDEPENDENT AUDITOR'S REPORT

Independent Auditor's Report

Victorian Auditor-General's Office

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

Opinion

I have audited the financial report of the Independent Broad-based Anti-corruption Commission (the Commission) which comprises the:

- balance sheet as at 30 June 2017
- comprehensive operating statement for the year then ended
- statement of changes in equity for the year then ended
- cash flow statement for the year then ended
- notes to the financial statements, including significant accounting policies
- Commissioner's, accountable officer's and chief financial officer's declaration.

In my opinion the financial report presents fairly, in all material respects, the financial position of the Commission as at 30 June 2017 and its financial performance and cash flows for the year then ended in accordance with the financial reporting requirements of the *Financial Management Act 1994* and applicable Australian Accounting Standards.

Basis for Opinion

I have conducted my audit in accordance with the *Audit Act 1994* which incorporates the Australian Auditing Standards. My responsibilities under the Act are further described in the *Auditor's responsibilities for the audit of the financial report* section of my report.

My independence is established by the *Constitution Act 1975.* My staff and I are independent of the Commission in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to my audit of the financial report in Australia. My staff and I have also fulfilled our other ethical responsibilities in accordance with the Code.

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

Commissioner's responsibilities for the financial report

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

In preparing the financial report, the Commissioner is responsible for assessing the Commission's ability to continue as a going concern, and using the going concern basis of accounting unless it is inappropriate to do so.

Level 31 / 35 Collins Street, Melbourne Vic 3000
T 03 8601 7000 enquiries@audit.vic.gov.au www.audit.vic.gov.au

Auditor's responsibilities for the audit of the financial report

As required by the *Audit Act 1994,* my responsibility is to express an opinion on the financial report based on the audit. My objectives for the audit are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

As part of an audit in accordance with the Australian Auditing Standards, I exercise professional judgement and maintain professional scepticism throughout the audit. I also:

- identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit 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 Commission's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Commissioner.
- conclude on the appropriateness of the Commissioner's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Commission's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Commission to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

I communicate with the Commissioner regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.



MELBOURNE
6 September 2017

Andrew Greaves
Auditor-General

2

IBAC FINANCIAL REPORT

COMPREHENSIVE OPERATING STATEMENT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

	Note	2017 $'000	2016 $'000
Income from transactions			
Grants	2	36,372	32,580
Total income from transactions		**36,372**	**32,580**
Expenses from transactions			
Employee expenses	3(a)	22,732	19,571
Depreciation	3(b)	2,775	2,228
Interest expense	3(c)	32	19
Other operating expenses	3(d)	10,833	10,174
Total expenses from transactions		**36,372**	**31,992**
Net result from transactions (net operating balance)		**-**	**588**
Other economic flows included in net result			
Other gains/(losses) from other economic flows	4	132	(34)
Total other economic flows included in net result		**132**	**(34)**
Net result		**132**	**554**
Comprehensive result		**132**	**554**

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

BALANCE SHEET AS AT 30 JUNE 2017

	Note	2017 $'000	2016 $'000
Assets			
Financial assets			
Cash and cash equivalents	17(a)	7,459	7,594
Receivables	5	8,699	6,843
Total financial assets		**16,158**	**14,437**
Non-financial assets			
Non-financial physical assets held for sale	6	37	27
Property, plant and equipment	7	10,376	12,091
Other non-financial assets	8	847	583
Total non-financial assets		**11,260**	**12,701**
Total assets		**27,418**	**27,138**
Liabilities			
Payables	9	1,607	2,055
Borrowings	10	1,147	1,081
Provisions	11	4,338	3,787
Total liabilities		**7,092**	**6,923**
Net assets		**20,326**	**20,215**
Equity			
Accumulated surplus		14,793	14,661
Contributed capital		5,533	5,554
Net worth		**20,326**	**20,215**
Commitments for expenditure	14		
Contingent assets and contingent liabilities	15		

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

IBAC FINANCIAL REPORT (CONT)

STATEMENT OF CHANGES IN EQUITY FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

	Accumulated Surplus $'000	Contributed Capital $'000	Total $'000
Balance at 1 July 2015	**14,107**	**5,624**	**19,731**
Net result for the year	554	-	554
Net assets disposed	-	(70)	(70)
Balance at 30 June 2016	**14,661**	**5,554**	**20,215**
Net result for the year	132	-	132
Net assets disposed	-	(21)	(21)
Balance at 30 June 2017	**14,793**	**5,533**	**20,326**

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

CASH FLOW STATEMENT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

	Note	2017 $'000	2016 $'000
Cash flows from operating activities			
Receipts and payments			
Receipts from government		34,233	31,814
Payments to suppliers and employees		(32,742)	(29,880)
Interest paid		(32)	(19)
Net cash flows from operating activities	**17(b)**	**1,459**	**1,915**
Cash flows from investing activities			
Purchases of non-financial assets		(1,609)	(1,761)
Proceeds from sales of non-financial assets		314	311
Net cash flows used in investing activities		**(1,295)**	**(1,450)**
Cash flows from financing activities			
Repayment of finance leases		(299)	(270)
Net cash flows used in financing activities		**(299)**	**(270)**
Net increase/(decrease) in cash and cash equivalents		**(135)**	**195**
Cash and cash equivalents at beginning of financial year		7,594	7,399
Cash and cash equivalents at end of financial year	**17(a)**	**7,459**	**7,594**

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

IBAC FINANCIAL REPORT (CONT)

NOTES TO THE FINANCIAL REPORT

		Pages
Note 1.	Summary of significant accounting policies	77
Note 2.	Income from transactions	88
Note 3.	Expenses from transactions	89
Note 4.	Other economic flows included in net result	90
Note 5.	Receivables	90
Note 6.	Non-financial physical assets classified as held for sale	91
Note 7.	Property, plant and equipment	91
Note 8.	Other non-financial assets	95
Note 9.	Payables	95
Note 10.	Borrowings	96
Note 11.	Provisions	97
Note 12.	Superannuation	99
Note 13.	Leases	100
Note 14	Commitments for expenditure	101
Note 15.	Contingent assets and contingent liabilities	103
Note 16	Financial instruments	103
Note 17.	Cash flow information	109
Note 18.	Responsible persons	110
Note 19.	Remuneration of executives and payments to other personnel	111
Note 20.	Related parties	112
Note 21.	Remuneration of auditors	113
Note 22.	Trust account balances	113
Note 23.	Glossary of terms and style conventions	114

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This annual financial report represents the audited general purpose financial report for the Independent Broad-based Anti-corruption Commission (IBAC) for the year ended 30 June 2017. The purpose of this report is to provide users with information about IBAC's stewardship of resources entrusted to it.

(A) STATEMENT OF COMPLIANCE

This general purpose financial report has been prepared in accordance with the FM Act and applicable Australian Accounting Standards (AASs), including Interpretations, issued by the Australian Accounting Standards Board (AASB). In particular, it is presented in a manner consistent with the requirements of the AASB 1049 *Whole of Government and General Government Sector Financial Reporting*.

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

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

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

This annual financial report was authorised for issue by the Commissioner, Accountable Officer and the Chief Financial Officer of IBAC on 1 September 2017.

(B) BASIS OF ACCOUNTING PREPARATION AND MEASUREMENT

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

Judgements, estimates and assumptions are required to be made about financial information being presented. Estimates and associated assumptions are based on professional judgements derived from historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

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

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

This financial report is presented in Australian dollars, and prepared in accordance with the historical cost convention except for non-financial physical assets which, subsequent to acquisition, are measured at a revalued amount being their fair value at the date of the revaluation less any subsequent accumulated depreciation and subsequent impairment losses. Revaluations are made with sufficient regularity to ensure that the carrying amounts do not materially differ from their fair value.

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT)

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

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

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

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

(C) REPORTING ENTITY

The financial report covers the controlled operations of IBAC as a reporting entity.

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

Its principal address is:

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

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

Objectives and funding

IBAC's principal objectives and functions are set out in the IBAC Act. In summary, they are to:

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

IBAC is funded by accrual based parliamentary appropriations for the provision of outputs. These appropriations are in the form of grants.

(D) SCOPE AND PRESENTATION OF FINANCIAL REPORT

Comprehensive operating statement

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

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

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

Balance sheet

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

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

Statement of changes in equity

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

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.*

Rounding

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

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

(E) INCOME FROM TRANSACTIONS

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

Grants

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

(F) EXPENSES FROM TRANSACTIONS

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

Employee expenses

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

These expenses include all costs related to employment including wages and salaries, superannuation, fringe benefits and payroll tax, leave entitlements, redundancy payments and WorkCover premiums.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT)

Superannuation

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

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

Depreciation

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

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

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

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

Depreciation begins when the asset is available for use, that is, when it is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Interest expense

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

Other operating expenses

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

Services provided by Department of Premier and Cabinet (DPC)

IBAC uses the financial systems and services provided by DPC. These services have not been recognised in IBAC's financial report as fair value of these services cannot be reliably determined.

(G) OTHER ECONOMIC FLOWS INCLUDED IN THE NET RESULT

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

Net gains/(losses) on non-financial assets

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

Net gains/(losses) on disposal of non-financial assets

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

Impairment of non-financial assets

All non-financial physical assets, except for non-financial physical assets held for sale, are assessed annually for indications of impairment.

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

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

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

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

Other gains/(losses) from other economic flows

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

(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 and cash equivalents (refer to Note 1(I)), trade receivables and other receivables, but not statutory receivables.

Financial liabilities at amortised cost

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

Financial instrument liabilities measured at amortised cost include all of IBAC's contractual payables and interest-bearing arrangements other than those designated at fair value through profit or loss.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT)

(I) FINANCIAL ASSETS

Cash and cash equivalents

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

Receivables

Receivables consist of:

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

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

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

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

Impairment of financial assets

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

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

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

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

(J) NON-FINANCIAL ASSETS

Non-financial physical assets classified as held for sale

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

This condition is regarded as met only when:

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

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

Property, plant and equipment

All non-financial physical assets are measured initially at cost and subsequently revalued at fair value less accumulated depreciation and impairment. Where an asset is acquired for no or nominal cost, the cost is its fair value at the date of acquisition. Assets transferred as part of a machinery of government change are transferred at their carrying amount.

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

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

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

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

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

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. 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
- 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.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT)

Borrowings

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

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

Provisions

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

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

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

Employee benefits

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

(i) Wages and salaries and annual leave

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

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

- nominal value – if IBAC expects to wholly settle within 12 months
- present value – if IBAC does not expect to wholly settle within 12 months.

(ii) Long service leave

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

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

The components of this current LSL liability are measured at:

- nominal value – if IBAC expects to wholly settle within 12 months
- present value – if IBAC does not expect to wholly settle within 12 months.

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

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

(iii) Termination benefits

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

On-costs related to employee expenses

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

(L) LEASES

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

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

Finance leases

IBAC as lessee

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

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

Operating leases

IBAC as lessee

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

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.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT)

(M) EQUITY

Contributions by owners

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

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

(N) COMMITMENTS

Commitments for future expenditure include operating and capital commitments arising from contracts. These commitments are disclosed by way of a note (refer to Note 14) at their nominal value and exclusive of the GST payable.

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

(O) CONTINGENT ASSETS AND CONTINGENT LIABILITIES

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

(P) ACCOUNTING FOR THE GOODS AND SERVICES TAX (GST)

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

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

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

(Q) EVENTS AFTER THE REPORTING PERIOD

For events that occur between the end of the reporting period and the date when the financial statements are authorised for issue:

- adjustments are made to amounts recognised in the financial statements where those events provide information about conditions that existed at the reporting date
- disclosures are made where the events relate to conditions that arose after the end of the reporting period that are considered to be of material interest.

(R) AUSTRALIAN ACCOUNTING STANDARDS (AASs) ISSUED THAT ARE NOT YET EFFECTIVE

Certain new AASs have been published that are not mandatory for the 30 June 2017 reporting period. The Department of Treasury and Finance assesses the impact of all these new standards and advises IBAC of their applicability and early adoption where applicable.

As at 30 June 2017, the following AASs had been issued by the AASB but are not yet effective. They become effective for the first reporting periods commencing after the stated operative dates as follows:

Standard/ Interpretation	Summary	Applicable for annual reporting periods beginning on or after	Impact on public sector entity financial report
AASB 9 *Financial Instruments*	The key changes include the simplified requirements for the classification and measurement of financial assets, a new hedging accounting model and a revised impairment loss model to recognise impairment losses earlier, as opposed to the current approach that recognises impairment only when incurred.	1 Jan 2018	The assessment has identified that the amendments are likely to result in earlier recognition of impairment losses and at more regular intervals. While there will be no significant impact arising from AASB 9, there will be a change to the way financial instruments are disclosed.
AASB 2010-7 *Amendments to Australian Accounting Standards* arising from AASB 9 (December 2010)	The requirements for classifying and measuring financial liabilities were added to AASB 9. The existing requirements for the classification of financial liabilities and the ability to use the fair value option have been retained. However, where the fair value option is used for financial liabilities the change in fair value is accounted for as follows: • The change in fair value attributable to changes in credit risk is presented in other comprehensive income (OCI) • Other fair value changes are presented in profit and loss. If this approach creates or enlarges an accounting mismatch in the profit or loss, the effect of the changes in credit risk are also presented in profit or loss.	1 Jan 2018	The assessment has identified that the financial impact of available for sale (AFS) assets will now be reported through other comprehensive income (OCI) and no longer recycled to the profit and loss. Changes in own credit risk in respect of liabilities designated at fair value through profit and loss will now be presented within other comprehensive income (OCI). Hedge accounting will be more closely aligned with common risk management practices making it easier to have an effective hedge. For entities with significant lending activities, an overhaul of related systems and processes may be needed.
AASB 2014-1 *Amendments to Australian Accounting Standards [Part E Financial Instruments]*	Amends various AASs to reflect the AASB's decision to defer the mandatory application date of AASB 9 to annual reporting periods beginning on or after 1 January 2018 as a consequence of Chapter 6 Hedge Accounting, and to amend reduced disclosure requirements.	1 Jan 2018	This amending standard will defer the application period of AASB 9 to the 2018-19 reporting period in accordance with the transition requirements.
AASB 2014-7 *Amendments to Australian Accounting Standards arising from AASB 9*	Amends various AASs to incorporate the consequential amendments arising from the issuance of AASB 9.	1 Jan 2018	The assessment has indicated that there will be no significant impact for the public sector.
AASB 16 *Leases*	The key changes introduced by AASB 16 include the recognition of most operating leases (which are currently not recognised) on balance sheet.	1 Jan 2019	The assessment has indicated that as most operating leases will come on balance sheet, recognition of the right-of-use assets and lease liabilities will cause net debt to increase. Rather than expensing the lease payments, depreciation of right-of-use assets and interest on lease liabilities will be recognised in the income statement with marginal impact on the operating surplus. No change for lessors.

In addition to the new standard above, the AASB has issued a list of amending standards that are not effective for the 2016/17 reporting period (as listed below). In general, these amending standards include editorial and references changes that are expected to have insignificant impacts on public sector reporting. The AASB Interpretation in the list below is also not effective for the 2016/17 reporting period and is considered to have insignificant impacts on public sector reporting.

• AASB 2016-2 *Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107*.

NOTE 2. INCOME FROM TRANSACTIONS

	2017 $'000	2016 $'000
Grants		
General purpose grants	36,372	32,580
Total income from transactions	**36,372**	**32,580**

NOTE 3. EXPENSES FROM TRANSACTIONS

	2017 $'000	2016 $'000
(a) Employee expenses		
Salaries, wages and long service leave	20,735	18,010
Defined contribution superannuation expense	1,629	1,494
Termination benefits	343	43
Defined benefit superannuation expense	25	24
Total employee expenses	**22,732**	**19,571**
(b) Depreciation		
Leasehold improvements	1,760	1,274
Computer and communication equipment	381	447
Plant and equipment	336	235
Motor vehicles under finance lease	297	271
Motor vehicles	1	1
Total depreciation	**2,775**	**2,228**
(c) Interest expense		
Interest on finance leases	32	19
Total interest expense	**32**	**19**
(d) Other operating expenses		
Contractors and professional services	2,438	2,560
Operating lease rental expenses - lease payments	2,269	2,280
Technology service costs	1,518	1,672
Accommodation and property expense	1,385	1,481
Marketing and promotion	968	117
Other	723	658
Training	616	370
Travel and transport	457	425
Communications and office expenses	424	581
Auditors' remuneration	35	30
Total other operating expenses	**10,833**	**10,174**

NOTE 4. OTHER ECONOMIC FLOWS INCLUDED IN NET RESULT

	2017 $'000	2016 $'000
Net gains/(losses) on non-financial assets		
Net gain on disposal of non-financial assets	63	54
Other gains/(losses) from other economic flows		
Net gain/(losses) arising from revaluation of annual leave and long service liability	69	(89)
Net gain arising from revaluation of make good provision	-	1
Total other gains/(losses) from other economic flows	**132**	**(34)**

NOTE 5. RECEIVABLES

	2017 $'000	2016 $'000
Current receivables		
Contractual		
Other receivables	6	288
Statutory		
Amount owing from Government	8,088	6,064
Total current receivables	**8,094**	**6,352**
Non-current receivables		
Statutory		
Amount owing from Government	605	491
Total non-current receivables	**605**	**491**
Total receivables	**8,699**	**6,843**

NOTE 6. NON-FINANCIAL PHYSICAL ASSETS CLASSIFIED AS HELD FOR SALE

	2017 $'000	2016 $'000
Non-financial physical assets classified as held for sale		
Motor vehicles under finance leases held for sale	37	27
Total non-financial physical assets classified as held for sale	**37**	**27**

NOTE 7. PROPERTY, PLANT AND EQUIPMENT

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

Table 7.1: Gross carrying amount and accumulated depreciation

	Gross carrying amount		Accumulated depreciation		Net carrying amount	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000	2017 $'000	2016 $'000
Leasehold improvements	11,412	9,349	4,269	2,510	7,143	6,839
Assets under construction at cost	310	1,957	-	-	310	1,957
Computer and communication equipment at fair value	4,611	4,679	3,947	3,720	664	959
Plant and equipment at fair value	2,937	2,752	1,842	1,523	1,095	1,229
Motor vehicles at fair value	149	149	90	89	59	60
Motor vehicles under finance lease	1,515	1,432	410	385	1,105	1,047
	20,934	**20,318**	**10,558**	**8,227**	**10,376**	**12,091**

NOTE 7. PROPERTY, PLANT AND EQUIPMENT (CONT)

Table 7.2: Movements in carrying amounts

	Leasehold improvements		Assets under construction at cost		Computer and communication equipment at fair value		Plant and equipment at fair value		Motor vehicles at fair value		Motor vehicles under finance lease		Total	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000	2017 $'000	2016 $'000	2017 $'000	2016 $'000	2017 $'000	2016 $'000	2017 $'000	2016 $'000	2017 $'000	2016 $'000
Opening balance	6,839	5,689	1,957	1,824	959	1,332	1,229	1,340	60	61	1,047	992	12,091	11,238
Additions	-	-	417	2,572	107	76	202	176	-	-	616	561	1,342	3,385
Disposals	-	(15)	-	-	(21)	(2)	-	(52)	-	-	(224)	(208)	(245)	(277)
Transfer in/out of assets under construction	2,064	2,439	(2,064)	(2,439)	-	-	-	-	-	-	-	-	-	-
Depreciation	(1,760)	(1,274)	-	-	(381)	(447)	(336)	(235)	(1)	(1)	(297)	(271)	(2,775)	(2,228)
Transfers to asset held for sale	-	-	-	-	-	-	-	-	-	-	(37)	(27)	(37)	(27)
Closing balance	**7,143**	**6,839**	**310**	**1,957**	**664**	**959**	**1,095**	**1,229**	**59**	**60**	**1,105**	**1,047**	**10,376**	**12,091**

Leasehold improvements

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

Computer, communication equipment, plant and equipment

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

Motor vehicles

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

There were no changes in valuation techniques throughout the period to 30 June 2017.

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

Table 7.3: Fair value measurement hierarchy for assets as at 30 June 2016 and 2017

	Carrying amount as at 30 June 2017	Fair value measurement at end of reporting period using:		
	$'000	Level 1[i] $'000	Level 2[i] $'000	Level 3[i] $'000
2017				
Computer and communications equipment at fair value				
Computer and communications equipment at fair value	664	-	-	664
Total computer and communications equipment at fair value	**664**	**-**	**-**	**664**
Plant and equipment at fair value				
Plant and equipment at fair value	1,095	-	-	1,095
Total plant and equipment at fair value	**1,095**	**-**	**-**	**1,095**
Motor vehicles at fair value				
Motor vehicles at fair value	59	-	-	59
Total motor vehicles at fair value	**59**	**-**	**-**	**59**

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

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

NOTE 7. PROPERTY, PLANT AND EQUIPMENT (CONT)

Table 7.4: Reconciliation of Level 3 fair value

	Computer and communications equipment at fair value $'000	Plant and equipment at fair value $'000	Motor vehicles at fair value $'000
2017			
Opening balance	959	1,229	60
Purchases/(sales)	86	202	-
Transfers in/(out) of Level 3	-	-	-
Depreciation	(381)	(336)	(1)
Closing balance	**664**	**1,095**	**59**
2016			
Opening balance	1,332	1,340	61
Purchases/(sales)	74	124	-
Transfers in/(out) of Level 3	-	-	-
Depreciation	(447)	(235)	(1)
Closing balance	**959**	**1,229**	**60**

Table 7.5: Description of significant unobservable inputs to Level 3 valuations for 2017 and 2016

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

Note: The significant unobservable inputs have remained unchanged from 2016.

NOTE 8. OTHER NON-FINANCIAL ASSETS

	2017 $'000	2016 $'000
Current other assets		
Prepayments	712	529
Rental security deposit	-	31
Total current other assets	**712**	**560**
Non-current other assets		
Prepayments	135	23
Total non-current other assets	**135**	**23**
Total other non-financial assets	**847**	**583**

NOTE 9. PAYABLES

	2017 $'000	2016 $'000
Current payables		
Contractual		
Supplies and services	1,567	2,027
Unearned income	11	-
Statutory		
FBT payable	29	28
Total current payables	**1,607**	**2,055**
Total payables	**1,607**	**2,055**

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

NOTE 10. BORROWINGS

	2017 $'000	2016 $'000
Current borrowings		
Finance lease liabilities [i]	559	535
Total current borrowings	**559**	**535**
Non-current borrowings		
Finance lease liabilities [i]	588	546
Total non-current borrowings	**588**	**546**
Total borrowings	**1,147**	**1,081**

Note:
[i] Secured by assets leased. Finance leases are effectively secured as the rights to the leased assets revert to the lessor in the event of default.
Maturity analysis of borrowings. Refer to Note 16 for the maturity analysis of borrowings.
Nature and extent of risk arising from borrowings. Refer to Note 16 for the nature and extent of risks arising from borrowings.

NOTE 11. PROVISIONS

(a) Employee benefits and on-costs

	Note	2017 $'000	2016 $'000
Current provisions			
Current employee benefits – annual leave [i]			
Unconditional and expected to settle within 12 months [ii]		1,072	966
Unconditional and expected to settle after 12 months [ii]		155	144
Current employee benefits – long service leave [i]			
Unconditional and expected to settle within 12 months [ii]		315	288
Unconditional and expected to settle after 12 months [ii]		1,606	1,383
Total current employee benefits		**3,148**	**2,781**
Current provisions for on-costs	11(b)		
Unconditional and expected to settle within 12 months [ii]		212	185
Unconditional and expected to settle after 12 months [ii]		209	177
Total current on-costs		**421**	**362**
Total current provisions		**3,569**	**3,143**
Non-current provisions			
Employee benefits [i] [ii]		543	442
On-costs [ii]	11(b)	62	49
Make-good provision [ii] [iii]	11(b)	164	153
Total non-current provisions		**769**	**644**
Total provisions		**4,338**	**3,787**

Notes:
[i] Provisions for employee benefits consist of amounts for annual leave and long service leave accrued by employee. On-costs such as payroll tax, workers' compensation insurance and superannuation are not employee benefits and are reflected as a separate provision.
[ii] The amounts are measured at present values.
[iii] The make good provision relates to IBAC leased office premises.

NOTE 11. PROVISIONS (CONT)

(b) Movement in provisions

	Make-good 2017 $'000	On-costs 2017 $'000	Total 2017 $'000
Opening balance	**153**	**411**	**564**
Additional provisions recognised	-	351	351
Increase/(Reduction) resulting from re-measurement	11	(7)	4
Reductions arising from payments/other sacrifices of future economic benefits	-	(272)	(272)
Closing balance	**164**	**483**	**647**
Current	-	421	421
Non-current	164	62	226
Total	**164**	**483**	**647**

NOTE 12. SUPERANNUATION

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

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

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

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

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

	Paid contribution for the year		Contributions outstanding as at year end	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000
Fund				
Defined benefit plan				
State Superannuation Fund – revised and new	25	24	-	-
Defined contribution plans				
VicSuper	1,142	1,136	20	15
Other	459	338	8	5
Total	**1,626**	**1,498**	**28**	**20**

NOTE 13. LEASES

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

	Note	Minimum future lease payments		Present value of minimum future lease payments	
Finance lease liabilities payable		**2017** $'000	**2016** $'000	**2017** $'000	**2016** $'000
Not longer than one year		585	567	559	535
Longer than one year but not longer than five years		599	560	588	546
Minimum future lease payments		**1,184**	**1,127**	**1,147**	**1,081**
Less future finance charges		(37)	(46)	-	-
Present value of minimum lease payments		**1,147**	**1,081**	**1,147**	**1,081**
Included in the financial statements as					
Current borrowings	10	559	535	559	535
Non-current borrowings	10	588	546	588	546
Total		**1,147**	**1,081**	**1,147**	**1,081**

NOTE 14. COMMITMENTS FOR EXPENDITURE

(a) Commitments

	2017 Nominal value $'000	2016 Nominal value $'000
Capital expenditure commitments		
Leasehold improvements [i]	-	112
Computer system	948	-
Total capital expenditure commitments	**948**	**112**
Operating lease commitments		
Office accommodation [ii]	8,031	10,059
Carpark	227	-
Equipment	61	131
Total lease commitments	**8,319**	**10,190**
Other commitments		
Outsourcing [iii]	-	160
Other [iv]	1,472	112
Total other commitments	**1,472**	**272**

Notes:
[i] The project of refurbishing IBAC's leased accommodation was completed as at 30 June 2017.
[ii] The lease relates to office accommodation leased by IBAC with lease term of seven years, with options to extend. The operating lease contract contains market review clauses in the event that IBAC exercises its option to renew. IBAC does not have an option to purchase the property at the expiry of the lease period.
[iii] This relates to an outsourcing arrangement for payroll services.
[iv] This relates to contractual commitments for various goods and services.

NOTE 14. COMMITMENTS FOR EXPENDITURE (CONT)

(b) Commitments payable

	2017 $'000	2016 $'000
Capital expenditure commitments		
Not longer than one year	948	112
Total capital expenditure commitments	**948**	**112**
Operating lease commitments		
Not longer than one year	2,431	2,121
Longer than one year but not longer than five years	5,888	8,069
Total operating and lease commitments	**8,319**	**10,190**
Other commitments		
Not longer than one year	455	272
Longer than one year but not longer than five years	935	-
Longer than five years	82	-
Total other commitments	**1,472**	**272**
Total commitments (exclusive of GST)	**10,739**	**10,574**

NOTE 15. CONTINGENT ASSETS AND CONTINGENT LIABILITIES

There were no contingent assets or liabilities as at 30 June 2017 (2015/16: $nil).

NOTE 16. FINANCIAL INSTRUMENTS

(a) Financial risk management objectives and policies

IBAC's principal financial instruments comprise:

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

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

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

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

NOTE 16. FINANCIAL INSTRUMENTS (CONT)

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

Table 16.1: Categorisation of financial instruments

	Note	Contractual financial assets-loans and receivables $'000	Contractual financial liabilities at amortised costs $'000	Total $'000
2017				
Contractual financial assets				
Cash and cash equivalents		7,459	-	**7,459**
Receivables	5	6	-	**6**
Total contractual financial assets		**7,465**	**-**	**7,465**
Contractual financial liabilities				
Payables				
Supplies and services	9	-	1,578	**1,578**
Borrowings				
Finance lease liabilities	10	-	1,147	**1,147**
Total contractual financial liabilities		**-**	**2,725**	**2,725**
2016				
Contractual financial assets				
Cash and cash equivalents		7,594	-	**7,594**
Receivables	5	288	-	**288**
Total contractual financial assets		**7,882**	**-**	**7,882**
Contractual financial liabilities				
Payables				
Supplies and services	9	-	2,027	**2,027**
Borrowings				
Finance lease liabilities	10	-	1,081	**1,081**
Total contractual financial liabilities		**-**	**3,108**	**3,108**

Table 16.2: Net holding loss on financial instruments by category

	2017 $'000	2016 $'000
Contractual financial liabilities		
Financial liabilities at amortised cost	(32)	(19)
Total contractual financial liabilities	**(32)**	**(19)**

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

- for financial liabilities measured at amortised cost, the net gain or loss is calculated by taking the interest expense, plus or minus foreign exchange gains or losses arising from the revaluation of financial liabilities measured at amortised cost.

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

(b) Credit risk

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

Credit risk associated with IBAC's financial assets is minimal.

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

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

NOTE 16. FINANCIAL INSTRUMENTS (CONT)

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 2017, IBAC does not have any contractual financial assets that are past due or impaired.

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

	Carrying amount [ii] $'000	Less than 1 month $'000	1–3 months $'000	3 months – 1 year $'000	1–5 years $'000	Nominal Amount $'000
2017						
Payables [i]						
Supplies and services	1,578	1,578	-	-	-	1,578
Borrowings						
Finance lease liabilities	1,147	114	52	420	598	1,184
Total	**2,725**	**1,692**	**52**	**420**	**598**	**2,762**
2016						
Payables [i]						
Supplies and services	2,027	2,027	-	-	-	2,027
Borrowings						
Finance lease liabilities	1,081	129	95	343	560	1,127
Total	**3,108**	**2,156**	**95**	**343**	**560**	**3,154**

Notes:
[i] Maturity analysis is presented using the contractual undiscounted cash flows.
[ii] The carrying amounts disclosed exclude statutory amounts.

(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 exposure to liquidity risk is deemed insignificant based on current assessment of risk.

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

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

(d) Market risk

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

Foreign currency risk

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

Interest rate risk

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

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

NOTE 16. FINANCIAL INSTRUMENTS (CONT)

Table 16.4: Interest rate exposure of financial instruments

			Interest rate exposure		
	Weighted average interest rate %	Carrying amount [i] $'000	Fixed interest rate $'000	Variable interest rate $'000	Non-interest bearing $'000
2017					
Financial assets					
Cash and cash equivalents	-	7,459	-	-	7,459
Receivables	-	6	-	-	6
Total financial assets		**7,465**	**-**	**-**	**7,465**
Financial liabilities					
Payables					
Supplies and services	-	1,578	-	-	1,578
Borrowings					
Finance lease liabilities	3.64	1,147	1,147	-	-
Total financial liabilities		**2,725**	**1,147**	**-**	**1,578**
2016					
Financial assets					
Cash and cash equivalents	-	7,594	-	-	7,594
Receivables	-	288	-	-	288
Total financial assets		**7,882**	**-**	**-**	**7,882**
Financial liabilities					
Payables					
Supplies and services	-	2,027	-	-	2,027
Borrowings					
Finance lease liabilities	4.07	1,081	1,081	-	-
Total financial liabilities		**3,108**	**1,081**	**-**	**2,027**

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

(e) Fair value

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

NOTE 17. CASH FLOW INFORMATION

(a) Reconciliation of cash and cash equivalents

	2017 $'000	2016 $'000
Cash	95	230
Funds held in trust [i]	7,364	7,364
Balance as per cash flow statement	**7,459**	**7,594**

Note:
[i] These funds represent the balance in IBAC trust funds at the end of each reporting period (see Note 22).

(b) Reconciliation of net result for the period

	2017 $'000	2016 $'000
Net result for the period	**132**	**554**
Non-cash movements		
Depreciation of non-current assets	2,775	2,228
Other non-cash movements	(373)	(217)
Movements in assets and liabilities		
Increase in receivables	(1,855)	(857)
Decrease/(Increase) in other non-financial assets	(264)	39
Increase/(Decrease) in payables	434	(8)
Increase in provisions	610	176
Net cash flows from operating activities	**1,459**	**1,915**

NOTE 18. RESPONSIBLE PERSONS

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

Names

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

Special Minister of State [i]	The Hon Gavin Jennings MP	1 July 2016 to 30 June 2017
Commissioner	Stephen O'Bryan QC	1 July 2016 to 30 June 2017
Chief Executive Officer [ii]	Alistair Maclean	1 July 2016 to 30 June 2017

Note:
[i] The Hon Daniel Andrews MP and the Hon James Merlino MP acted in the office of the Special Minister of State in the absence of the Hon Gavin Jennings MLC.
[ii] Executives Robert Sutton and Christine Howlett acted in the office of the Chief Executive Officer in the absence of Alistair Maclean.

Remuneration

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

Remuneration received or receivable by the Accountable Officer in connection with the management of IBAC during the reporting period was in the range: $450 000 – $459 999 [i]. Remuneration received or receivable by the Responsible Person in connection with the management of IBAC during the reporting period was in the range: $430 000 – $439 999 [i].

Note:
[i] No comparatives have been reported because remuneration in the prior year was determined in line with the basis and definition under FRD 21B. Remuneration previously excluded non-monetary benefits and comprised any money, consideration or benefit received or receivable, excluding reimbursement of out-of-pocket expenses, including any amount received or receivable from a related party transaction. Refer to the prior year's financial statements for executive remuneration for the 2015/16 reporting period.

NOTE 19. REMUNERATION OF EXECUTIVES AND PAYMENTS TO OTHER PERSONNEL

(a) Remuneration of executives

The number of executive officers, other than ministers and accountable officers, and their total remuneration during the reporting period are shown in the table below. Total annualised employee equivalents provides a measure of full time equivalent executive officers over the reporting period.

Remuneration comprises employee benefits in all forms of consideration paid, payable or provided by the entity, or on behalf of the entity, in exchange for services rendered, and is disclosed in the following categories.

Short-term employee benefits

Include amounts such as wages, salaries, annual leave or sick leave that are usually paid or payable on a regular basis, as well as non-monetary benefits such as allowances and free or subsidised goods or services.

Post-employment benefits

Include pensions and other retirement benefits paid or payable on a discrete basis when employment has ceased.

Other long-term benefits

Include long service leave, other long-service benefit or deferred compensation.

Termination benefits

Include termination of employment payments, such as severance packages.

	2017
Remuneration	
Short-term employee benefits	$ 1,469,620
Post-employment benefits	$ 105,064
Other long-term benefits	$ 34,815
Termination benefits	$ 300,000
Total remuneration[ii]	**$1,909,499**
Total number of executives [iii]	**5**
Total annualised employee equivalents (AEE) [i] [iv]	**4.99**

Note:
[i] Annualised employee equivalent is based on paid working hours of 38 ordinary hours per week over 52 weeks for a reporting period.
[ii] No comparatives have been reported because remuneration in the prior year was determined in line with the basis and definition under FRD 21C. Remuneration previously excluded non-monetary benefits and comprised any money, consideration or benefit received or receivable, excluding reimbursement of out-of-pocket expenses, including any amount received or receivable from a related party transaction. Refer to the prior year's financial statements for executive remuneration for the 2015/16 reporting period.
[iii] Comparatives for 2015/16 was 8.
[iv] Comparatives for 2015/16 was 5.33.

(b) Payments to other personnel

During the year, no payment has been made to any contractor charged with significant management responsibilities (2015/16: $nil).

NOTE 20. RELATED PARTIES

IBAC is a wholly owned and controlled entity of the State of Victoria. Related parties of IBAC include all:

- key management personnel and their close family members and personal business interests (controlled entities, joint ventures and entities they have significant influence over)
- cabinet ministers and their close family members
- departments and public sector entities that are controlled and consolidated into the whole of state consolidated financial statements.

Key management personnel of IBAC includes the Special Minister of State, the Commissioner and the Chief Executive Officer. The compensation detailed below excludes the salaries and benefits the Minister receives. The Minister's remuneration and allowances is set by the *Parliamentary Salaries and Superannuation Act 1968* and is reported within the Department of Parliamentary Services' Financial Report.

	2017
Compensation of KMPS	
Short-term employee benefits	$843,607
Post-employment benefits	$22,045
Other long-term benefits	$20,426
Termination benefits	-
Total remuneration	**$886,078**

Note:
(ii) No comparatives have been reported because remuneration in the prior year was determined in line with the basis and definition under FRD 21B. Remuneration previously excluded non-monetary benefits and comprised any money, consideration or benefit received or receivable, excluding reimbursement of out-of-pocket expenses, including any amount received or receivable from a related party transaction. Refer to the prior year's financial statements for executive remuneration for the 2015/16 reporting period.

Transactions with key management personnel and other related parties

Given the breadth and depth of State government activities, related parties transact with the Victorian public sector in a manner consistent with other members of the public e.g. stamp duty and other government fees and charges. Further employment of processes within the Victorian public sector occur on terms and conditions consistent with the *Public Administration Act 2004* and Codes of Conduct and Standards issued by the Victorian Public Sector Commission. Procurement processes occur on terms and conditions consistent with the Victorian Government Procurement Board requirements. Outside of normal citizen type transactions with IBAC, there were no related party transactions that involved key management personnel, their close family members and their personal business interests. No provision has been required, nor any expense recognised, for impairment of receivables from related parties.

NOTE 21. REMUNERATION OF AUDITORS

	2017 $'000	2016 $'000
Victorian Auditor General's Office		
Audit of the financial statements	35	30
	35	**30**

NOTE 22. TRUST ACCOUNT BALANCES

	Opening balance as at 1 July 2015 $'000	Total receipts $'000	Total payments $'000	Closing balance as at 30 June 2016 $'000	Opening balance as at 1 July 2016 $'000	Total receipts $'000	Total payments $'000	Closing balance as at 30 June 2017 $'000
Controlled trust								
IBAC trust fund	7,364	-	-	7,364	7,364	-	-	7,364
this trust account was created with a purpose being the establishment of IBAC[i]								
Total controlled trust	**7,364**	**-**	**-**	**7,364**	**7,364**	**-**	**-**	**7,364**

Note:
[i] No trust funds were used in 2016/17 and 2015/16.

NOTE 23. GLOSSARY OF TERMS AND STYLE CONVENTIONS

Glossary

Actuarial gains or losses on superannuation defined benefit plans

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

(a) experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred) and

(b) the effects of changes in actuarial assumptions.

Borrowings

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

Commitments

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

Comprehensive result

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

Current grants

Amounts payable or receivable for current purposes for which no economic benefits of equal value are receivable or payable in return.

Depreciation

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

Effective interest method

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

Employee benefits expenses

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

Financial asset

A financial asset is any asset that is:

(a) cash

(b) a contractual or statutory right:

  (i) to receive cash or another financial asset from another entity or

  (ii) to exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity.

Financial instrument

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

Financial liability

A financial liability is any liability that is:

(a) a contractual obligation:

  (i) to deliver cash or another financial asset to another entity or

  (ii) to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the entity.

(b) a contract that will or may be settled in the entity's own equity instruments and is:

  (i) a non-derivative for which the entity is or may be obliged to deliver a variable number of the entity's own equity instruments or

  (ii) a derivative that will or may be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the entity's own equity instruments. For this purpose, the entity's own equity instruments do not include instruments that are themselves contracts for the future receipt or delivery of the entity's own equity instruments.

Financial report

A complete set of financial report comprises:

(a) a balance sheet as at the end of the period

(b) a comprehensive operating statement for the period

(c) a statement of changes in equity for the period

(d) a cash flow statement for the period

(e) notes, comprising a summary of significant accounting policies and other explanatory information

(f) comparative information in respect of the preceding period as specified in paragraph 38 of AASB 101 *Presentation of Financial Statements* and

(g) a balance sheet as at the beginning of the preceding period when an entity applies an accounting policy retrospectively or makes a retrospective restatement of items in its financial report, or when it reclassifies items in its financial report in accordance with paragraph 41 of AASB 101.

General government sector

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

Grants

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.

NOTE 23. GLOSSARY OF TERMS AND STYLE CONVENTIONS (CONT)

Interest expense

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

Net result

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

Net result from transactions/net operating balance

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

Net worth

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

Non-financial assets

Non-financial assets are all assets that are not 'financial assets'. It includes prepayments, rental security deposits, leasehold improvement, motor vehicles, computer and communication equipment, plant and equipment, and intangible assets.

Not-for-profit institution

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

Other economic flows included in net result

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

(a) gains and losses from disposals, revaluations and impairments of non financial physical and intangible assets

(b) fair value changes of financial instruments and agricultural assets

(c) depletion of natural assets (non-produced) from their use or removal.

Payables

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

Receivables

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

Supplies and services

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

Transactions

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

Style conventions

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

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

DISCLOSURE INDEX

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

MINISTERIAL DIRECTIONS AND FINANCIAL REPORTING DIRECTIONS

REPORT OF OPERATIONS

Legislation	Requirement	Page
Charter and purpose		
FRD 22H	Manner of establishment	11
FRD 22H	Purpose, functions, powers and duties	11
FRD 8D	Objectives, indicators and outputs	10
FRD 22H	Key initiatives and projects	2
FRD 22H	Nature and range of services provided	11
Management and structure		
FRD 22H	Organisational structure	13
Financial and other information		
FRD 8D	Performance against output performance measures	10
FRD 8D	Budget portfolio outcomes	N/A
FRD 10A	Disclosure index	117
FRD 12B	Disclosure of major contracts	9
FRD 15D	Executive officer disclosures	16
FRD 22H	Employment and conduct principles	48-51
FRD 22H	Occupational health and safety policy	56
FRD 22H	Summary of the financial results for the year	8
FRD 22H	Significant changes in financial position during the year	8
FRD 22H	Major changes or factors affecting performance	8
FRD 22H	Subsequent events	N/A
FRD 22H	Application and operation of Freedom of Information Act 1982	67
FRD 22H	Compliance with building and maintenance provisions of Building Act 1993	53

FRD 22H	Statement on National Competition Policy	9
FRD 22H	Application and operation of the Protected Disclosure Act 2012	68
FRD 22H	Application and operation of the Carers Recognition Act 2012	50
FRD 22H	Details of consultancies over $10,000	9
FRD 22H	Details of consultancies under $10,000	9
FRD 22H	Disclosure of government advertising expenditure	9
FRD 22H	Disclosure of ICT expenditure	51
FRD 22H	Statement of availability of other information	68
FRD 24C	Reporting of office-based environmental impacts	53
FRD 25C	Victorian Industry Participation Policy disclosures	9
FRD 29B	Workforce Data disclosures	48
SD 5.2	Specific requirements under Standing Direction 5.2	1-68

Compliance attestation and declaration		
SD 3.7.1	Attestation for compliance with Ministerial Standing Direction	69
SD 5.2.3	Declaration in report of operations	Inside front cover

FINANCIAL REPORT

Legislation	Requirement	Page
Declaration		
SD 5.2.2	Declaration in financial report	69

Other requirements under Standing Direction 5.2		
SD 5.2.1(a)	Compliance with Australian accounting standards and other authoritative pronouncements	77
SD 5.2.1 (a)	Compliance with other Ministerial Directions	69
SD 5.2.1 (b)	Compliance with Model Financial Report	69-116

Other disclosures are required by FRDs in notes to the financial statements[i]		
FRD 21C	Disclosures of Responsible Persons, Executive Officers and other Personnel (Contractors with Significant Management Responsibilities) in the Financial Report	109-110
FRD 103F	Non-Financial Physical Assets	83, 91
FRD 110A	Cash Flow Statements	108
FRD 112D	Defined Benefit Superannuation Obligations	99

Note:
[i] References to FRDs have been removed from the disclosure index if the specific FRDs do not contain requirements that are of the nature of disclosure

LEGISLATION

Page	
53	*Building Act 1993*
50	*Carers Recognition Act 2012*
60	*Crimes (Assumed Identities) Act 2004*
60	*Crimes (Controlled Operations) Act 2004*
58	*Disability Act 2006*
61	*Drugs, Poisons and Controlled Substances Act 1981*
1, 62, 69 - 70, 77, 110	*Financial Management Act 1994*
67, 68	*Freedom of Information Act 1982*
Throughout	*Independent Broad-based Anti-corruption Commission Act 2011*
54	*Integrity and Accountability Legislation Amendment (A Stronger System) Act 2016*
56	*Occupational Health and Safety Act 2004*
112	*Parliamentary Salaries and Superannuation Act 1968*
1, 11, 21, 68	*Protected Disclosure Act 2012*
61, 66	*Sex Offenders Registration Act 2004*
60	*Surveillance Devices Act 1999*
60, 65	*Telecommunications (Interception and Access) Act 1979*
60	*Telecommunications (Interception) (State Provisions) Act 1988*
9	*Victorian Industry Participation Policy Act 2003*
20	*Victoria Police Act 2013*
11	*Whistleblowers Protection Act 2001*

GLOSSARY

BAU	Business as usual
BP3	*State Budget Paper No. 3 Service Delivery*
CCTV	Closed-circuit television
CEO	Chief Executive Officer
DET	Department of Education and Training
DHHS	Department of Health and Human Services
DJR	Department of Justice and Regulation
DPFC	Dame Phyllis Frost Centre
FOI	Freedom of information
FTE	Full time equivalent
HTML	Hypertext Markup Language
ICT	Information and communication technology
MLC	Minster (Legislative Council)
NSW	New South Wales
OH&S	Occupational Health and Safety
OPI (former)	Office of Police Integrity
OPP	Office of Public Prosecutions
PD	Protected disclosure
PDC	Protected Disclosure Coordinator
PSO	Protective Services Officer
PTV	Public Transport Victoria
SOR	Sex Offender Registry
STS	Senior Technical Specialist
TAFE	Technical and further education
VPS	Victoria Public Service
WA	Western Australia

INDEX

Page	
11, 12	About us
54, 55, 62 - 64	Audit and risk management
29, 32	Bendigo Health
34	Bendigo Kangan Institute
10	Budget Paper No 3 performance measures
32	City of Ballarat
	Committees
54, 55, 62 - 64	Audit and Risk Management
61	Executive
60, 68	IBAC Parliamentary
56	Occupational Health and Safety
61	Operations and Prevention
13, 15, 20, 36, 41	Complaints and notifications
1, 15, 17, 18, 61	Corporate Plan 2015–2018
27, 28	Corrections Victoria
46	Corruption Prevention and Integrity Conference
5	Corruption Prevention Strategy
12	Commissioner for Information
30, 37, 40, 44	Community education campaign
28	Dame Phyllis Frost Centre
26	Department of Education and Training (DET)
29	Department of Health and Human Services
32	(former) Department of Infrastructure
27	Department of Justice and Regulation
33, 45, 62, 80	Department of Premier and Cabinet
32	(former) Department of Transport
8, 9, 26, 62, 80, 86, 99	Department of Treasury and Finance
58	Disability action plan
	Employment conditions
11, 29, 30	Code of Conduct
52	Learning and development
28, 30, 31, 34, 50, 54, 58	Recruitment
53	Environmental reporting

Page	
	Examinations/hearings
23, 34	Operation Lansdowne
25, 41, 60	Operation Ross
69 - 117	Financials
67	Freedom of Information
17, 18, 53 - 55, 60 - 64	Governance and accountability
51 - 53, 55	Information and communication technology
46	Intelligence assessments
	Investigations
31, 32, 60	Operation Apsley
26, 60	Operation Dunham
27	Operation Ettrick
30, 60	Operation Exmouth
31, 60	Operation Hotham
32	Operation Fitzroy
23, 40	Operation Lansdowne
29, 32	Operation Liverpool
28, 60	Operation Nepean
25, 41, 60	Operation Ross
32	Operation Royston
31, 32, 60	Operation Yarrowitch
22, 25 - 31, 34, 37, 41, 42, 44	Recommendations
12, 43	Local Government Investigations and Compliance Inspectorate
	Mandatory notifications
20, 24, 38	Victoria Police
11, 24, 33, 38	Relevant principal officers of public sector bodies
56, 68, 118	Occupational health and safety
22, 25, 26	Office of Public Prosecutions (OPP)
13	Organisational structure
30	Places Victoria
11, 21, 22, 45, 68	Protected disclosures
45	Protected Disclosure Coordinators

INDEX (CONT)

Page	
32	Public Transport Victoria
2, 25, 26, 28-31, 34, 41-44, 58, 60, 61, 65, 68, 70	Publications and reports
	Research
42	Audit of Victoria Police complaints handling systems at regional level (September 2016)
42	An exploration of corruption and misconduct risks in relation to transit PSOs (December 2016)
42	Drink driving detections of Victoria Police officers (December 2016)
46	Future projects
	Reviews
36-39, 41	Reviews of investigations by other agencies
46	integrity frameworks
68	Review of the *Protected Disclosure Act 2012*
34	South West Institute of TAFE
12, 43, 44, 70, 71	Victorian Auditor-General's Office
21, 60, 65, 68	Victorian Inspectorate
5, 12, 21, 43-46	Victorian Ombudsman
	Victoria Police
31, 32, 60	Operation Apsley
31, 60	Operation Hotham
31, 32, 60	Operation Yarrowitch
25, 41, 60	Operation Ross
25, 41, 42, 45, 46	Oversight
46	Professional Standards Command
26, 65, 112	Victorian Public Sector Commission
34	V/Line
16, 48, 49	Workforce data

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