

Exposing and preventing corruption in Victoria

Special report: IBAC's first five years



Contents

Letter of transmittal	3	Timeline of key events and initiatives	10
The numbers at a glance	4	Public examinations	13
Changing perceptions of corruption: Commissioner's reflections	5	Independent police oversight	15
		Preventing corruption	18
Exposing and investigating corruption	7	Major publications since IBAC became fully operational	23

Who we are

Our vision

A Victorian public sector that actively resists corruption.

About us

IBAC is Victoria's independent anti-corruption agency. We expose, investigate and prevent public sector corruption and police misconduct.

Public sector corruption is the misuse of public power or position (for example, taking or offering bribes or misusing information acquired at work). Police misconduct includes Victoria Police personnel (including Protective Services Officers, sworn and unsworn employees) failing or refusing to perform their duties, and behaving disgracefully or improperly (on or off duty).

What we do

Our work covers the whole Victorian public sector including Victoria Police, state government departments and agencies, local councils, the judiciary and Parliament. It involves:

- receiving complaints from the public, notifications (from agencies) and protected disclosures (previously known as 'whistleblower complaints') and assessing these matters for allegations of corruption or misconduct
- referring matters to other appropriate agencies (such as public sector bodies and integrity agencies) for action
- investigating serious or systemic public sector corruption and police misconduct
- informing the public sector and wider community about corruption and police misconduct and ways it can be prevented.

The figures used in this report

Data used in this report is the sum of financial year figures from 1 July 2013 to 30 June 2017, unless stated otherwise. More information may be found on the IBAC website www.ibac.vic.gov.au or via the contact details on the back page.

Authorised and published by the Independent Broad-based Anti-corruption Commission, Level 1, 459 Collins Street, Melbourne.

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If you need this report in an accessible format, please telephone 1300 735 135 or email communications@ibac.vic.gov.au.

This document may also be found in other formats on our website www.ibac.vic.gov.au

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Letter of transmittal

To

The Honourable President of the Legislative Council

and

The Honourable Speaker of the Legislative Assembly

In accordance with section 162(1) of the *Independent Broad-based Anti-corruption Commission Act 2011*, I present IBAC's special report on its first five years of operation.

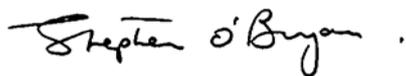
This report outlines how IBAC performs its core legislative objectives of exposing and preventing public sector corruption and police misconduct in Victoria.

The report provides a summary of IBAC's key activities and achievements during our foundation years, along with highlighting some challenges and future opportunities. It is not intended to constitute a comprehensive performance report, and should be read in conjunction with IBAC's published annual reports, in compliance with the Victorian Government's operational and financial reporting requirements under the *Financial Management Act 1994 (Vic)*.

I note that while IBAC is committed to publicly reporting on our activities and outcomes, we are unable to include information on some IBAC investigations in this report, due to these matters being ongoing or currently before the courts.

I commend this report to Parliament.

Yours sincerely



Stephen O'Bryan QC
Commissioner

The numbers at a glance

18,869

Allegations
assessed

55

Investigations completed
(five involving public
examinations)

93

Recommendations
to police and public
sector agencies

383

Reviews of police
and public sector
investigations

39

Reports
published*

321

Corruption prevention
initiatives delivered

Operation Lansdowne: Allegations of corrupt conduct in TAFEs and V/Line

In 2015, IBAC commenced Operation Lansdowne, which initially focused on allegations of serious corrupt conduct relating to South West Institute of TAFE and a third-party agreement it had with a training company. The operation expanded to include Bendigo Kangan Institute of TAFE and V/Line.

IBAC identified that the owner and director of the training company operated a scheme through which they received government funding under subcontracting arrangements with South West TAFE and Kangan for training that did not take place. IBAC estimated that the training company received more than \$2 million from the two TAFEs between 2013 and 2015.

The training company also received approximately \$136,000 in payments from V/Line. The investigation

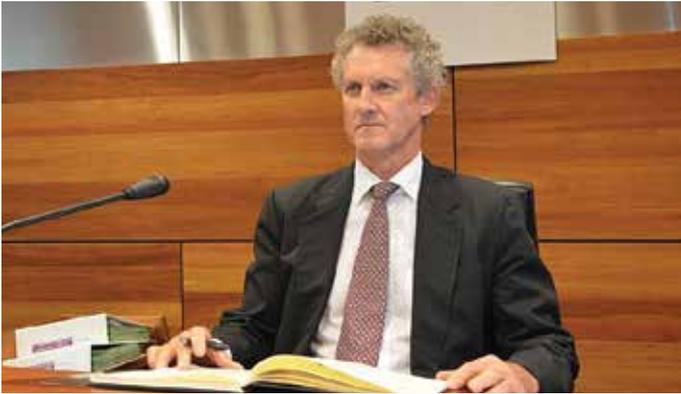
found that senior V/Line officers, in placing undue emphasis on personal friendships, did not adhere to merit-based recruitment and procurement standards. IBAC identified a failure at both TAFEs to properly oversee training delivered on their behalf, and an environment at V/Line where conflicts of interest were not appropriately declared or managed consistent with public sector standards.

IBAC made recommendations to the two TAFEs, V/Line, the Department of Education and Training, and the Department of Premier and Cabinet to address the identified vulnerabilities.

The investigation was the subject of a special report tabled in December 2017. It is available on IBAC's website.

* Total figure from when IBAC became fully operational in February 2013 to the end of 2017, excluding guidelines (see page 23)

Changing perceptions of corruption



Commissioner's reflections

IBAC is charged with an important role – exposing and preventing serious public sector corruption and police misconduct in Victoria.

At the end of my term as the foundation Commissioner of one of Australia's newest anti-corruption agencies, it is timely to report to Parliament on our actions to date, and reflect on future opportunities to strengthen Victoria's corruption resistance.

After just five years, it is reasonable to conclude that IBAC has changed perceptions about corruption in Victoria. When an independent anti-corruption agency was being mooted, some commentators expressed views that aside from some cases of police misconduct, unlike in other states, serious corruption did not exist in the Victorian public sector.

Now, after IBAC has clearly exposed cases of serious and entrenched corruption at senior levels in some of Victoria's major public sector agencies, it seems somewhat naïve to think that the risks and opportunities for public sector corruption would be constrained somehow by state borders. And while much has been achieved by IBAC in shining a light on corruption in Victoria's public sector, there is still much to be done.

If we are to achieve our shared vision of a state that actively resists corruption within all facets of government, then there is no room for complacency. We need to build on the increasing awareness about what corruption is, the highly detrimental impacts it can have on the public sector and the community, and what can be done to prevent it.

Early challenges

The early years certainly presented some challenges for IBAC. The initial IBAC legislation was criticised as likely to be ineffective due to the restrictive nature of IBAC's investigative powers. However, once IBAC was formally established, we got on with the job of performing our primary function of investigating and exposing serious corrupt conduct and police misconduct. As we took the opportunity to determine for the first time the extent of corruption in the Victorian public sector, we quickly commenced investigations and our important prevention and education work.

We inherited a number of complex 'legacy' police misconduct matters from the former Office of Police Integrity, which were brought to conclusion in our first 18 or so months of becoming fully operational.

We also worked to build a case for amending the legislation to enable us to more effectively fulfil our purpose. Importantly, our Act was amended last year, as part of the Government's stronger integrity system reforms, making it more straightforward for IBAC to commence investigations and introducing a mandatory requirement for public sector agency heads to notify IBAC of suspected corrupt conduct. Before this became effective late last year, corrupt conduct notifications by state and local government agencies (other than police) were voluntary.

Other challenges for IBAC included the difficulty in recruiting personnel with the necessary experience and varied skillsets needed, as well as developing and reviewing our own internal policies, practices and procedures to ensure we were delivering on our remit in the most efficient and effective manner. In these respects I believe IBAC has been very successful; however, recruiting suitably skilled and experienced staff for our multi-disciplinary investigative teams, in particular, remains a challenge.

The importance of public exposure

A review of IBAC's early years demonstrates IBAC has been successful in exposing serious corruption in some of Victoria's major state government agencies. No doubt Victorians have been surprised and disappointed in the waste of public funds, along with the concerning and in many cases illegal conduct exposed in IBAC investigations. We have also exposed corruption in local councils and serious police misconduct, with the findings of these investigations shared with the community via IBAC's public reports, case studies and other resources published on our website.

During my term, I have authorised five series of public examinations as part of IBAC's investigations. The holding of public examinations is an important power of IBAC, reflective of our powers similar to those of a standing Royal Commission. These five examinations come out of more than 50 complex investigations completed by IBAC so far, and represent a reflection of our Act which states that public examinations may be held only in exceptional circumstances. These open hearings, conducted in the style of public inquiries in accordance with previously stated intentions of Parliament, have proven to be very effective in exposing corruption, encouraging credible complaints of improper conduct and corruption, and driving speedy reform to prevent corruption in the public sector.

We have faced challenges to the legitimacy of our examinations, on behalf of parties subject to examination. Importantly, we successfully defended a challenge in the courts involving two members of Victoria Police in our Operation Ross investigation. This significant investigation examined allegations of systemic excessive use of force against vulnerable people in Ballarat.

The Operation Ross challenge ended in the High Court. While the challenge delayed an important investigation by more than a year, it did validate our approach to public hearings, and confirmed our coercive examination power in situations where a person of interest is yet to be charged with a criminal offence, but is reasonably suspected of having committed one.

IBAC's coercive examination power includes abrogation of common law privilege against self-incrimination in favour of certain statutory protections. It is critical in the maintenance of public confidence in those few agencies entrusted by Parliament with such extraordinary powers that they are used proportionately and therefore only in aid of investigating serious criminal conduct, public sector corruption and police misconduct.

Commissioner's reflections (cont)

Police oversight

Police perform a vital role in our community and are afforded significant powers and responsibilities in the exercise of their duties. Independent oversight of police to ensure they perform their duties and exercise their powers with integrity, impartiality and in accordance with the law, is a very important and highly visible role of IBAC.

IBAC has established a solid track record of providing robust, independent oversight of Victoria Police within the legislative framework. As with most police oversight bodies, our remit is to assess all complaints and notifications made to Victoria Police. IBAC determines whether they should be referred to Victoria Police for action, investigated directly by IBAC or dismissed. Commensurate with our powers and resources, IBAC may investigate allegations involving serious or systemic police misconduct or corrupt conduct.

This means that in practice, we oversee Victoria Police's handling of the bulk of complaints which have been referred to them for investigation. Most police complaints involve minor misconduct or customer service issues, and it is appropriate that police managers retain primary responsibility for addressing performance and disciplinary issues within their workforce. As this report sets out, IBAC has effectively maintained our independent oversight, including by reviewing selected Victoria Police investigations to ensure matters were handled appropriately and fairly, and conducting broader audits of Victoria Police's complaints handling processes. We can also make recommendations or call matters back to IBAC for investigation if there are concerns about the way they have been handled by Victoria Police.

Health and welfare

Ensuring the health and welfare of our staff and others involved in our work is a foremost priority. This includes protecting the welfare of people involved in investigations, an ongoing challenge for all law enforcement and integrity agencies.

We recognise our investigations can (and do) place people under stress, particularly when they are persons of interest in alleged serious corruption or police misconduct. IBAC has a range of measures in place to mitigate the associated risks. In my view we have established a sound track record of ensuring the health and welfare of those involved in our investigations, including the modification of arrangements regarding examinations, when required.

Strengthening our legislation and independence

For IBAC to continue to be effective in investigating and exposing public sector corruption whenever it occurs, we need to ensure our legislative framework keeps pace with contemporary public sector practice and associated corruption risks.

Corruption often goes hand-in-hand with some financial benefit and often involves complex and well-disguised financial arrangements. As the public sector increasingly outsources or commissions third-party service providers, the interface between public and private entities becomes increasingly important from a corruption prevention perspective. I have for some time now advocated for IBAC to be given explicit 'follow-the-dollar' powers, similar to those available to the Victorian Auditor-General. These powers would enhance our ability to more thoroughly investigate public sector corruption by following where the money goes.

The ability to recover the proceeds of crime is also critical, given the profit motive often underpinning corrupt conduct. The community reasonably expects that corruption involving defrauding the public purse will be prosecuted and the proceeds of crime recovered. While IBAC has had some success in this area, enabling us to commence proceeds of crime recoveries (at present that power is vested solely in the Office of Public Prosecutions) would complement our existing power to commence prosecutions and make the asset recovery process more efficient.

Governments to date have been supportive of securing IBAC's resource base, however our independence and ability to fearlessly do our work could be enhanced. I consider it important that in future, IBAC be funded through appropriations directly from the Parliament, in order to best preserve our statutory independence.

A final word

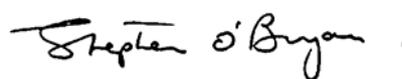
I am confident that an adequately resourced IBAC will continue to meet the expectations of Victorians in fighting corruption in the public sector, and in providing robust independent police oversight. I believe our actions, achievements and work to date as set out in this report have clearly demonstrated IBAC's worth. These achievements would not have been possible without the dedication and professionalism of IBAC personnel, led by an experienced executive, who play an essential role in meeting our legislated mandate.

I would like to thank members of Parliament, past and present, with whom I have worked at times throughout my term, for their professional courtesy and cooperation. Namely, the chairs and members of IBAC's Parliamentary Committees, IBAC's responsible ministers, and the respective presiding officers of each house of Parliament.

I would also like to acknowledge the professional dealings I have had with the various statutory monitoring and compliance agencies relevant to prescribed aspects of IBAC's work. Namely, the Commonwealth Ombudsman and the Victorian Public Interest Monitor and Inspector respectively.

During my term, I have learned that the abilities of agencies whose functions include law enforcement, anti-corruption, criminal intelligence and public sector integrity are enhanced through regular dialogue. In that vein, I wish to acknowledge the cooperation and assistance I have had during my meetings at regular intervals with the respective heads of key agencies in Victoria's integrity system, being those holding the offices of Victorian Ombudsman and Auditor-General, as well as Chief Commissioner of Victoria Police. The same sentiments apply to my interstate counterparts.

Finally, I extend my very best wishes to my successor, the Hon Robert Redlich QC. A former Victorian Court of Appeal judge, and someone who is eminent in the law in this state, Mr Redlich brings considerable relevant experience to the role of IBAC Commissioner.



Stephen O'Bryan QC
Commissioner

Exposing and investigating corruption

In our first five years, IBAC has exposed and investigated serious corruption in state government agencies and local councils, as well as serious police misconduct.

IBAC investigations determine whether serious corrupt conduct or police misconduct occurred. They also serve to deter corrupt conduct, and inform recommendations to strengthen systems and controls to prevent corruption and police misconduct.

We expose corruption in many ways including through investigations (which can include public examinations), reviews, published research and intelligence reports, case studies, prosecutions and recoveries of proceeds of crime.

All these activities work to deter further wrongdoing by making public sector agencies and the community more aware of corruption and the severity of its impacts.

Information for investigations comes from allegations in complaints by the public (including public sector employees) and notifications from public sector agencies. We can also initiate our own inquiries (known as 'own motion' investigations).

Examples of allegations of corruption we have investigated include fraud, theft, unlawful release of confidential information, receiving secret commissions, perverting the course of justice, bribery, supply of illicit drugs and deception. Examples of allegations of police misconduct investigated include duty failure (for instance, failure to investigate or take appropriate action), serious assault, inappropriate behaviour such as sexual harassment, and mismanagement of information or property.

Our investigations may commence with a preliminary inquiry which helps us determine whether to dismiss, refer or investigate an allegation. Preliminary inquiries may be in response to a complaint or notification, or initiated by us.

The harm caused by corruption goes beyond the individuals involved, the reputation of their agencies and the broader public sector. Ultimately, corruption hurts all Victorians.

Operation Liverpool: Health officials involved in corrupt conduct

In 2014, IBAC commenced an investigation into the conduct of two senior officers of Bendigo Health. The investigation, known as Operation Liverpool, examined allegations the then construction manager for the new Bendigo Hospital colluded with Bendigo Health contractors for personal benefit, and stole building materials. It was also alleged the then CEO used Bendigo Health resources for private benefit and inappropriately claimed an allowance.

The allegations against the construction manager were substantiated and he was convicted and fined \$15,000 in relation to theft charges, and ordered to pay the Bendigo Health Foundation \$5000 in relation to two other charges. IBAC found the then CEO breached the Victorian Public Service Code

of Conduct, although allegations regarding his remuneration arrangements were not substantiated.

IBAC's investigation identified deficiencies in Bendigo Health's systems and controls involving procurement, management of conflict of interest, and gifts, benefits and hospitality. Our recommendations to Bendigo Health and the Department of Health and Human Services to address these and other corruption vulnerabilities were accepted.

IBAC tabled a special report on Operation Liverpool in 2017. IBAC also highlighted corruption risks in the public health sector more broadly in an intelligence report published in October 2017. Both reports are available on IBAC's website.

Exposing and investigating corruption (cont)

Our powers

IBAC has special powers which enable us to conduct our work. These include coercive powers that we may use as part of our investigations.

Depending on the nature and seriousness of the conduct, we may enter and search premises, seize or compel the production of documents, use telephone intercept and surveillance devices and hold hearings at which people may be compelled to give evidence.

To ensure we use these powers appropriately, we must apply to courts and tribunals. The Public Interest Monitor reviews and makes submissions on our applications for surveillance device warrants and telecommunication interception warrants.

We refine our investigative techniques to meet the challenges of cases involving corruption. These challenges include the fact that corrupt conduct is often well concealed, such as major frauds carried out over several years through complex webs of companies. Police misconduct typically involves people who are well-versed in contemporary investigative techniques.

When we find evidence of corruption or police misconduct, we may bring criminal proceedings for an offence. We can prosecute certain offences ourselves or refer matters to the Office of Public Prosecutions, but cannot decide if a person is innocent or guilty, nor can we apply penalties. These are determined by the courts.

If we find no evidence of corruption or police misconduct, we may recommend preventative action where systemic issues and organisational corruption risks are identified. In this way, we help the public sector to identify their own corruption risks and vulnerabilities, and to strengthen their policies, systems and practices to address these risks.

Impacts of corruption

The harm caused by corruption goes beyond the individuals and the reputation of agencies involved. Ultimately, Victorians lose out. Corruption erodes community trust in the public sector and wastes taxes or rates that had been earmarked for important community projects and services.

Corruption has consequences for individuals, agencies and the community. For individuals, these consequences may range from disciplinary action to dismissal and potentially jail. For agencies, corruption may result in financial loss, damage to employee morale and the agency's reputation. And corruption may disadvantage honest businesses that miss out on government contracts.

Prosecutions arising from IBAC investigations have continued to expose the impact of corrupt conduct in the public sector and the consequences for people involved – including jail terms, recoveries of proceeds of crime, fines, community work and corrections orders and bonds. It is tempting to measure the success of an anti-corruption body on the number of charges and convictions it secures, but this is only one performance indicator. IBAC's performance across our core operational functions, as set out in our annual reports, shows the effectiveness and efficiency of our operations.



Operation Ord: Major investigation into Department of Education and Training

IBAC's Operation Ord investigated the conduct of officers of the Department of Education and Training (DET) in connection with the use of 'banker schools'. The investigation commenced in 2013 and focused on allegations that a number of senior officers had misappropriated departmental funds through false and inflated invoicing, as well as by arranging payment of inappropriate expenses such as hospitality and travel. Public examinations were held in 2015.

The investigation revealed substantial weaknesses in DET's systems and controls. In response to IBAC's recommendations, DET committed to a program of reforms to address the systemic failures identified.

Operation Ord also highlighted the detrimental effects of corrupt conduct in the public sector more broadly, and this prompted a commitment by the secretaries of all Victorian government departments to work together to strengthen integrity and prevent corruption across the Victorian public service.

The investigation resulted in a number of individuals being charged. At the time of publication, these matters were before the courts.

IBAC tabled a special report on Operation Ord in April 2016.

Reviews provide a 'check-and-balance'

Reviews of matters referred by us to other agencies for investigation are an important component of IBAC's oversight of Victoria Police and the public sector. In particular, reviews help determine if a matter has been handled fairly and investigated thoroughly.

Reviews also provide an opportunity for us to consider systemic issues and agency policies and procedures to ensure they are sufficiently robust to detect and prevent corruption.

For example, in 2013, IBAC reviewed a Victoria Police investigation into allegations that the Bairnsdale Police Station social club was improperly involved in the design, production and sale of racist stubby holders.

The Victoria Police investigation resulted in findings of 'unsubstantiated' against all subject officers except one former senior constable (in that case, the allegation outcome was recorded as 'not proceeded with'). IBAC identified that the former senior constable was responsible for the design of the stubby holders, and a serving sergeant produced them for sale.

In early 2014, IBAC recommended that the Chief Commissioner change the outcome in relation to the former senior constable and a serving sergeant to 'substantiated'. Victoria Police accepted the recommendation and initiated disciplinary proceedings against two officers, who were found guilty and received six-month good behaviour bonds. Two other officers resigned.



Recommendations to improve practices

Recommendations made by IBAC as a result of investigations and other reporting help departments and agencies improve their policies, systems and practices to prevent corruption and police misconduct.

Agencies are required to respond to IBAC's formal recommendations that we make as a result of our investigations under section 159 of the IBAC Act.

Agencies accepted all of the 93 recommendations we made to 30 June 2017 and at the time of publication, reported that they had acted on 69 of these.

We publish these responses on our website to inform the community about corruption and share learnings to help public sector agencies improve their own systems and practices.

Recommendations by sector



Operation Etrick: Corruption vulnerabilities in prisons

Beginning in late 2014, IBAC's Operation Etrick investigated allegations that certain corrections officers were trafficking illicit drugs into a Victorian prison.

The investigation found a prison officer was involved in the production and trafficking of illicit drugs, while two others were using illicit drugs, and at least two prison officers maintained inappropriate 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.

The original allegation of trafficking illicit drugs into the prison was not substantiated.

Three corrections officers had their authority revoked by Corrections Victoria and were dismissed.

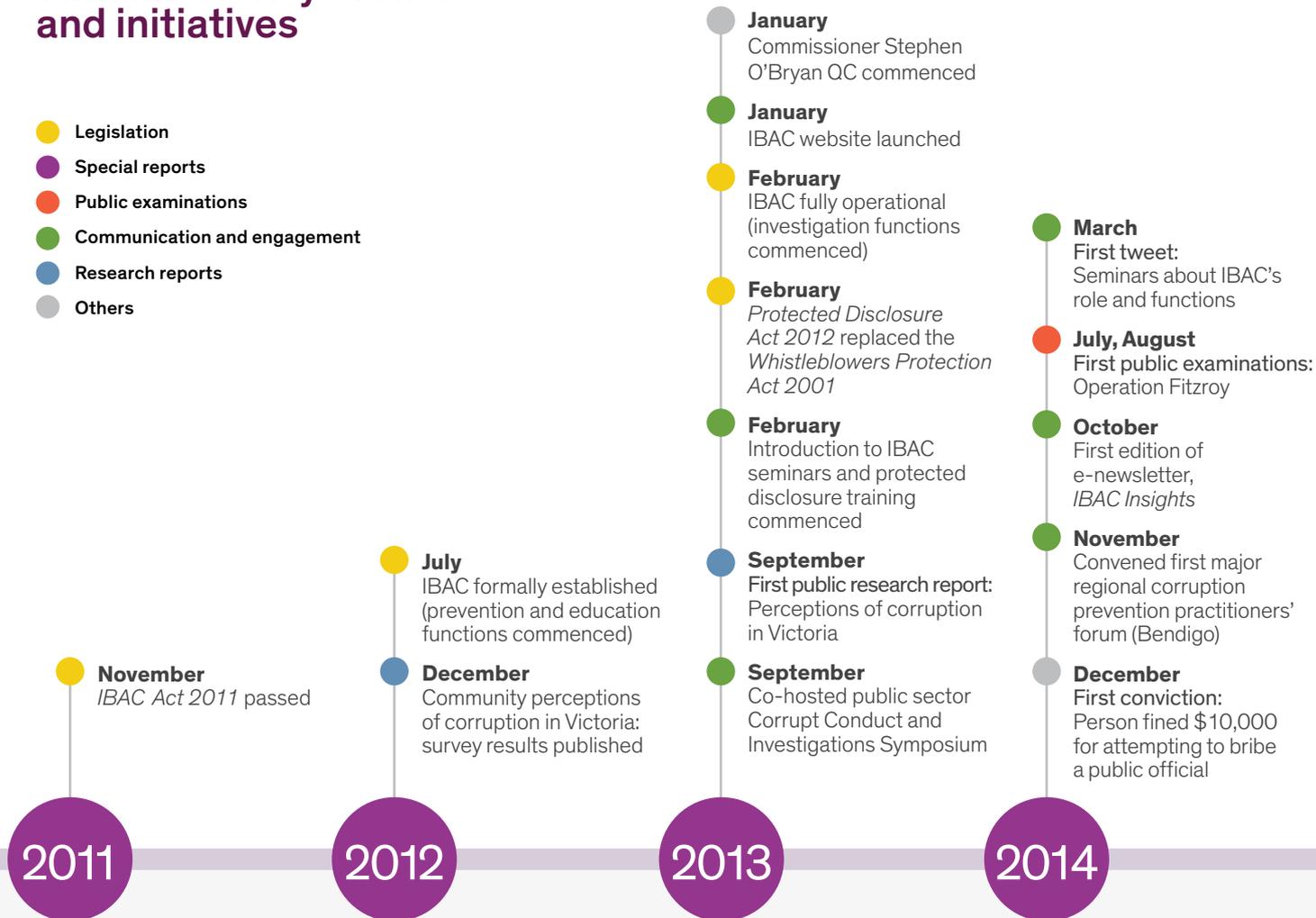
IBAC found poor practices contributed to the corrupt conduct and made recommendations for systemic change to the Department of Justice and Regulation.

Following Operation Etrick, in November 2017, IBAC released a broader intelligence report highlighting corruption risks in the corrections sector and opportunities to strengthen corruption controls.

The intelligence report, which includes details of Operation Etrick, is available on IBAC's website.

Timeline of key events and initiatives

- Legislation
- Special reports
- Public examinations
- Communication and engagement
- Research reports
- Others



Special reports





- March**
Convened first annual forum for protected disclosure coordinators
- April, June**
Public examinations: Operation Ord
- September**
First public intelligence report: Organised crime group cultivation of public sector employees

2015

- August**
Special report concerning police oversight



- February, March**
Public examinations: Operation Dunham
- March**
High Court ruling affirmed IBAC's power to hold public examinations
- May**
Public examinations: Operation Ross (Ballarat)
- July**
Legislation amended to strengthen IBAC's investigative powers
- September**
First public audit report: Victoria Police complaints handling systems at regional level
- December**
Mandatory notifications introduced for principal officers of public sector bodies
- December**
First community education campaign: *When something's not right. Report it*

2016

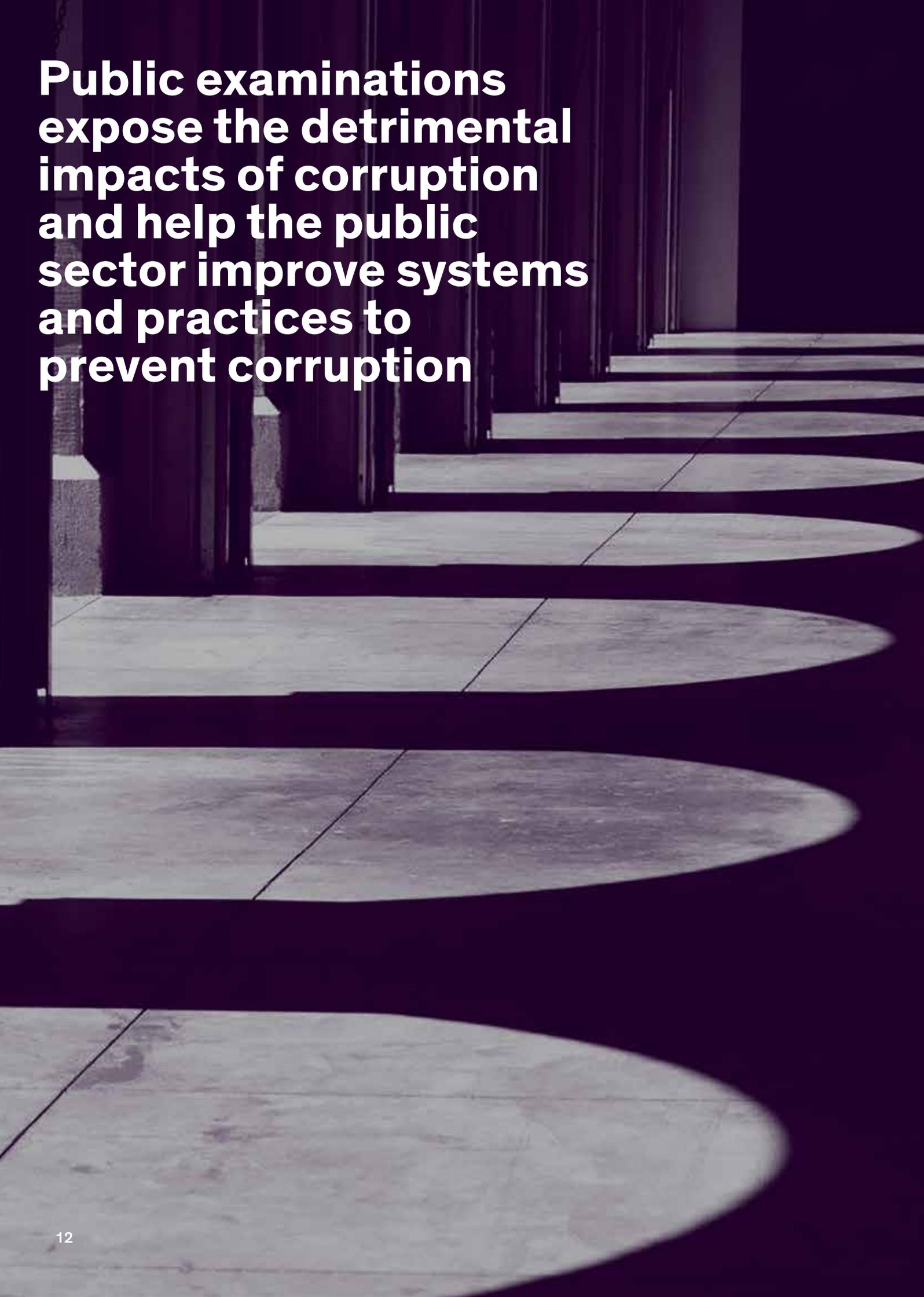
- April**
Operation Ord: An investigation into the conduct of officers of the Department of Education and Training, in connection with the use of 'banker schools' and related activities
- May**
Operation Darby: An investigation of a person's complaint against Victoria Police
- October**
Operation Exmouth: An investigation into the conduct of a former Victorian public servant
- November**
Operation Ross: An investigation into police conduct in the Ballarat Police Service Area
- December**
Special report concerning illicit drug use by Victoria Police officers



- June, July**
Public examinations: Operation Lansdowne
- October**
Convened IBAC conference: Corruption Prevention and Integrity
- December**
Commissioner Stephen O'Bryan QC ended non-renewable five-year term. The Hon Robert Redlich QC appointed new IBAC Commissioner

2017

- January**
Operation Dunham: An investigation into the conduct of officers of the Department of Education and Training, in connection with the Ultranet project and related matters
- March**
Operation Liverpool: An investigation into the conduct of two officers of Bendigo Health
- April**
Operation Nepean: An investigation into the conduct of a former employee of Dame Phyllis Frost Centre
- September**
Operation Tone: Special report concerning drug use and associated corrupt conduct involving Ambulance Victoria paramedics
- December**
Operation Lansdowne: Investigation into allegations of serious corruption involving Victorian vocational education and training, and public transport sectors
- December**
Exposing and preventing corruption in Victoria: IBAC's first five years



**Public examinations
expose the detrimental
impacts of corruption
and help the public
sector improve systems
and practices to
prevent corruption**

Public examinations

As part of our investigations, IBAC may hold private or public examinations to gather further information. These are not trials and do not determine guilt or innocence.

The vast majority of our examinations are private. Public examinations (or hearings) are a valuable tool in helping IBAC expose corrupt conduct in the public sector and police misconduct. They assist to:

- educate the community and public sector about the impact of corruption and police misconduct and inform on ways it can be prevented
- deter further wrongdoing by individuals
- prompt public sector officers and agencies to examine their own systems and practices to prevent corrupt conduct
- encourage credible complaints about corruption.

To hold public examinations, the Commissioner must be satisfied that exceptional circumstances apply and the public interest in holding the hearings outweighs the risks to the reputation, safety or wellbeing of the people involved.

IBAC's power to hold public examinations was affirmed by a High Court ruling in March 2016. This power was challenged in connection with Operation Ross, which contributed to public examinations being delayed more than one year.

We use our power to convene public examinations carefully, and have held only five public examinations across our 55 completed investigations. All were held in Melbourne apart from those as part of Operation Ross, which took place in Ballarat.



Operation Dunham: Corruption associated with failed Ultranet project

Commencing in 2014, Operation Dunham investigated the conduct of senior Department of Education and Training (DET) officers in connection with the Ultranet (online learning portal) project.

The investigation focused on personal and business connections between department employees and businesses involved in the Ultranet project. It investigated whether department employees received payments, gifts, travel, employment opportunities or other benefits because they were involved in the project tender or procurement processes.

The investigation included public examinations, which were held in 2016. It revealed evidence of process corruption, improper diversion of funds, conflicts of interest and mismanagement at senior levels of the department.

Like Operation Ord, which also concerned DET, Operation Dunham identified shortcomings that contributed to the conduct, including flawed systems and a culture that excused or ignored breaches of probity or process.

IBAC made recommendations to address vulnerabilities including strengthening DET systems and controls.

In response, DET is introducing reforms to address corruption risks including those associated with procurement, governance arrangements and conflict of interest.

IBAC tabled a special report on Operation Dunham in January 2017. It is available on IBAC's website.

Public examinations (cont)

Investigations involving public examinations

Operation	Agencies involved	Hearing dates	Hearing days	No. of witnesses called	No. of exhibits tabled
Fitzroy	Public Transport Victoria, Department of Transport (case study, below)	21 July – 27 August 2014	12	18	257
Ord	Department of Education and Training (case study, page 8)	27 April – 30 June 2015	26	47	310
Dunham	Department of Education and Training (case study, page 13)	15 February – 16 March 2016	18	39	273
Ross	Victoria Police (case study, page 15)	23 May – 27 May 2016	5	13	47
Lansdowne	South West Institute of TAFE, Bendigo Kangan Institute of TAFE, V/Line (case study, page 4)	27 June – 21 July 2017	13	30	278
Totals			74	147	1165

Operation Fitzroy: Corrupted public transport procurement processes

IBAC's first major investigation commenced in 2013 and examined allegations of serious corrupt conduct at the former Department of Transport (DOT) and Public Transport Victoria (PTV). The investigation, known as Operation Fitzroy, examined businesses and companies related to two senior employees (and their associates) and contracts they secured with DOT and PTV between 2006 and 2013.

IBAC investigated allegations that the awarding of at least \$25 million worth of DOT and PTV contracts

was corrupted. As a result of the investigation, nine people and one company were charged with a range of criminal offences. Two former employees were each sentenced to terms of imprisonment and orders made for the two former employees to repay a combined total of more than \$3.6 million.

IBAC tabled a special report on Operation Fitzroy in October 2014.

At the time of publication, some matters relating to this investigation remain before the courts.

Independent police oversight

Victoria Police officers perform the vital function of upholding the law and promoting a safe, secure and orderly society. The Victorian community rightly expects police officers to perform their duties and exercise their significant powers with integrity, impartiality and in accordance with the law.

IBAC plays a critical role in providing independent oversight of Victoria Police. Our police oversight role includes:

- receiving complaints and notifications about corrupt conduct and misconduct (including complaints received initially by Victoria Police and mandatorily reported to IBAC)
- assessing those complaints and notifications to determine which matters will be referred to Victoria Police for action, which will be dismissed, and which IBAC will investigate
- reviewing investigations of selected matters referred to Victoria Police to ensure they were handled appropriately and fairly
- conducting 'own motion' investigations into serious or systemic corrupt conduct or misconduct
- conducting private and public examinations as part of investigations
- ensuring police officers have regard to human rights as set out in the *Charter of Human Rights and Responsibilities Act 2006*
- undertaking research and other strategic initiatives to inform Victoria Police and the community about police misconduct, and ways to prevent it.

IBAC primarily investigates police matters that involve serious, systemic and/or sensitive allegations, and which we have the capacity and capability to best handle.

IBAC can investigate historic allegations. For example, in October 2014, IBAC commenced a review and 'own motion' investigation into the handling of a woman's complaints alleging police assault in 1996 and associated Victoria Police disciplinary action. In 2016, as a result of this investigation, IBAC charged a serving police officer with assault offences in relation to the incident. At the time of publication, the matter was before the courts.

Operation Ross: Serious police misconduct

In March 2015, IBAC received CCTV footage from Victoria Police showing the alleged mistreatment of a woman in custody at Ballarat Police Station. IBAC commenced an investigation into that incident.

The investigation was subsequently expanded to include an examination of other allegations, including the mistreatment of vulnerable people at the same station, the apparent over-representation of sergeants in complaints within the Ballarat Police Service Area, and how senior divisional officers and Professional Standards Command responded to these concerns.

IBAC held public examinations in Ballarat in May 2016 as part of the investigation, known as Operation Ross, and tabled a special report in November 2016.

At the time of publication, some matters relating to this investigation remain before the courts.

Kellam inquiry: Improving the management of police informants

An IBAC inquiry into Victoria Police's management of human sources (police informants) found negligence of a high order.

In 2014, IBAC appointed The Hon Murray Kellam AO QC to conduct the inquiry. Mr Kellam found that Victoria Police had failed to act in accordance with its policies and guidelines. He also found Victoria Police failings had the potential to have adversely affected the administration of justice in Victoria, although he did not find that any unlawful behaviour had occurred.

IBAC's confidential report to Victoria Police in 2015 included 16 recommendations, all of which were accepted by Victoria Police.

In response, Victoria Police advised that it had made changes to its policies and procedures to ensure the risks associated with managing informants were better identified and addressed, as well as strengthening its governance.

Further details are provided in IBAC's 2015 special report concerning police oversight, which is available on IBAC's website.

Independent police oversight (cont)

Oversight of deaths and serious injuries associated with police contact

IBAC independently oversees how Victoria Police responds to deaths or serious injuries (and risk of deaths or serious injuries) associated with police contact. Such incidents may involve police shootings, deaths in police custody and serious vehicle collisions involving police. This oversight occurs pursuant to a standing 'own motion' authorised by the IBAC Commissioner in May 2013.

Victoria Police notifies IBAC of all deaths or serious injury following police contact. IBAC then determines whether to undertake active oversight of the police response to the incident, review the police investigation once it is completed or conduct our own investigation.

Our independent oversight helps determine whether police actions and any ensuing investigation met expected standards, whether the incidents were preventable and if changes could be made to strengthen police policies or practices.

Research identifies improvement opportunities

Another important element of our oversight of Victoria Police is strategic initiatives, including research into key trends and issues that highlights opportunities for practice improvements.

In 2015/16, we audited more than 400 files to examine how Victoria Police handled complaints in two of its four regions. The audit provided insight into police practices and included nine recommendations for enhancements to the regional complaint handling processes, including simplifying the way Victoria Police classifies complaints and associated outcomes. All recommendations were accepted by Victoria Police.

Other published IBAC research into police corruption and misconduct risks, and areas for improvement includes:

- Predatory behaviour by police officers against vulnerable people (December 2015)
- Analysis of trends in drink driving detections of Victoria Police officers, for the period 2000 to 2015 (December 2016)
- An exploration of corruption and misconduct risks in relation to Transit Protective Services Officers (December 2016)
- Victoria Police employees' perceptions of corruption (December 2017).

Operations Apsley, Hotham, Yarrowitch and Tone: Illicit drugs the focus of police and ambulance investigations

In 2015, IBAC commenced Operation Apsley, an investigation into allegations a police officer was involved in the use, possession and trafficking of illicit drugs. Operation Hotham (2014) and Operation Yarrowitch (2016) also investigated the alleged use, possession and trafficking of illicit drugs by police officers.

IBAC found concerning evidence of illicit drug use by numerous Victoria Police officers. We concluded the conduct exposed in the investigations was likely to be indicative of a more widespread and serious problem within Victoria Police.

We also identified weaknesses in Victoria Police's approach to detecting and preventing drug use by its officers, and recommended that Victoria Police develop and implement a more robust framework to address these issues. Victoria Police accepted our recommendations and is reviewing its policies and controls.

In the course of Operation Apsley, IBAC obtained information about the alleged involvement of Ambulance Victoria (AV) employees in the use and/or trafficking of drugs of dependence. IBAC subsequently commenced an 'own motion' investigation into these matters.

This investigation, Operation Tone, identified a culture of illicit drug use and misappropriation of AV equipment among certain employees. IBAC concluded that this conduct was likely to extend beyond that identified in our investigation and recommended AV comprehensively review and address the use of illicit drugs and misuse of drugs of dependence by its employees. AV accepted our recommendations and is reviewing its systems and controls.

The special reports relating to these investigations were tabled in December 2016 (Apsley, Hotham and Yarrowitch) and September 2017 (Tone), and are available on IBAC's website.

The image shows a dark, monochromatic photograph of a police building facade. Two prominent signs are visible: one in the upper right corner and another on a lower ledge. Both signs feature a white and black checkerboard pattern above the word "Police" in a bold, white, sans-serif font. In the bottom right corner, two security cameras are mounted on the wall, and a small sign with a dollar sign inside a circle is partially visible.

**IBAC's independent
police oversight
plays an important
role in helping to
ensure Victoria Police
acts fairly, impartially
and in accordance
with the law**

Preventing corruption

Preventing public sector corruption and police misconduct is at the heart of IBAC's work.

We always consider how the findings of our investigations, research and reviews can help departments and agencies address their corruption vulnerabilities and risks, and improve community awareness of corruption.

IBAC aims to make the greatest impact on preventing corruption and police misconduct by:

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

Our approach to corruption prevention recognises that Victoria Police and other public sector agencies must retain primary responsibility for ensuring their own integrity and corruption resistance. Public sector leaders have a thorough understanding of their organisation's systems, resources, operating environments and risks, and are best placed to develop and implement appropriate integrity and corruption prevention frameworks.

IBAC also works collaboratively with partner agencies within Victoria's integrity system, including the Victorian Ombudsman, Victorian Auditor-General's Office, the Victorian Public Sector Commission and the Local Government Investigations and Compliance Inspectorate. We regularly participate in events and speaking engagements, and have jointly published resources, including *Safeguarding integrity: a guide to the integrity system in Victoria*, released in 2014 and updated in 2016.



Operation Oldfield: Improper behaviour in police prosecution

In 2014, IBAC investigated allegations that a Victoria Police leading senior constable improperly used his position as a police prosecutor.

IBAC found the officer had interfered in a Victoria Police prosecution, withdrawing a dangerous driving charge which was likely to succeed, and influencing the outcome of a matter before the Magistrates' Court. The person who had been charged was an acquaintance of the officer and was serving a suspended sentence. A conviction on the drink driving charge would have breached the suspended sentence and was likely to have resulted in a custodial sentence.

IBAC's investigation, known as Operation Oldfield, highlighted a systemic issue – that often junior police prosecutors operated with little or no oversight.

IBAC made four recommendations to Victoria Police. A key recommendation was that Victoria Police review its policies governing court processes including the authority granted to police prosecutors to withdraw substantive charges, and processes to proactively oversee such decisions. In response, Victoria Police advised that its policies relating to the withdrawal of charges had been reviewed and strengthened by more detailed standard operating procedures.

Operation Oldfield was detailed in IBAC's special report concerning police oversight, which was tabled in 2015 and is available on IBAC's website.

Engaging with the public sector and the community

IBAC informs the public sector, police and the community about the risks and impacts of corruption through our research and investigation reports, resources (including information sheets and case studies), digital content, events and speaking engagements.

We hold regional corruption prevention and integrity insights forums as part of our engagement and outreach work. Senior officers and staff in integrity-related roles from state government departments and agencies, local councils and Victoria Police attend these forums. In 2017, for example, we held forums in Wangaratta and Warrnambool.

Also in 2017, we convened a major Victorian Corruption Prevention and Integrity Conference in Melbourne. The two-day conference gave more than 400 attendees from across the public sector, community and private organisations an invaluable opportunity to learn from each other about preventing corruption and building integrity in their organisations. IBAC will also host the next Australian Public Sector Anti-Corruption Conference in 2019. This national event brings together integrity experts from across the public sector to focus on future directions and best practice in exposing and preventing corruption.

We regularly speak about corruption prevention with senior leaders from Victoria Police, public sector agencies (and their boards and audit committees), as well as legal, business and community groups. We also share information about the impacts of corruption and how to prevent it through our website, quarterly e-newsletter *IBAC Insights*, podcasts and via traditional and social media.

Improving reporting of corruption

All state government departments and local councils have Protected Disclosure (PD) coordinators to support and advise employees on the protections available under Victoria's PD regime for 'whistleblowers'.

Since the introduction of the *Protected Disclosure Act 2012* (PD Act) in February 2013, IBAC has provided information and support for PD coordinators. This includes publishing and regularly updating guidelines on making and handling PDs and welfare management, an online learning system that provides training

including videos and case studies, over-the-phone guidance and other tools and resources. Since 2014, we have held annual forums for PD coordinators to share their experiences and practical learnings on how best to manage PDs and support the welfare of disclosers, and to ultimately encourage 'speak-up' cultures in their organisations.

As part of our corruption prevention work, in December 2016 we launched IBAC's (and Victoria's) first anti-corruption community education campaign: *When something's not right. Report it.* This campaign worked to raise community awareness of public sector corruption and encourage reporting. We built on the campaign with the release of videos and other tailored communication resources for the community and public sector, all available on our website.

Mandatory notifications

In 2016, the Victorian Parliament passed legislation to establish a requirement for relevant principal officers of public sector agencies to notify IBAC of suspected corruption (previously it was discretionary).

In the first year (1 December 2016 to 30 November 2017), IBAC received 109 mandatory notifications. These comprised 61 from state government agencies and 48 from local councils. Of 295 allegations assessed as a result of these notifications:

- 54 per cent were referred to agencies to handle internally, or to another body such as the Victorian Ombudsman
- 25 per cent were dismissed for various reasons, including lack of information
- 21 per cent were retained by IBAC for preliminary inquiry or investigation.

IBAC has provided a range of information and resources for principal officers to assist them to comply with their mandatory notification obligations, and engages with state government agencies and local councils.

Operation Fraser: Corruption risks associated with organised crime groups

In 2014, IBAC received a notification from Victoria Police alleging a metropolitan city council employee had stolen animal management equipment and given it to members of an outlaw motorcycle gang. The IBAC investigation, known as Operation Fraser, focused on whether the employee had criminal associations and if so, if he was using his employment with the council for their benefit.

From the investigation, IBAC found on the evidence available, the employee did not have current criminal associations. However, IBAC recommended the council review the accountability of unsupervised

staff, and policies and procedures regarding the use and supervision of council vehicles. The council accepted IBAC's recommendations.

In 2015, IBAC published an intelligence report on the corruption risks associated with organised crime group cultivation of public sector employees. The report highlighted the need for public sector agencies to consider the threat of organised crime groups, and to adopt proactive prevention and detection strategies.

A case study and the intelligence report are available on the IBAC website.

**Our approach
recognises that
agencies must retain
primary responsibility
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own integrity and
corruption resistance**

Preventing corruption (cont)

Protected disclosure obligations

Assisting agencies to meet their protected disclosure obligations is an important focus for IBAC. The PD Act defines IBAC's central role in determining which complaints are treated as PDs.

In 2014, IBAC undertook an assessment of the implementation of protected disclosure procedures of 114 state and local government agencies. The purpose of this review was to determine whether agencies were meeting their obligations under the PD Act, and whether they were following IBAC guidelines.

The assessment found that the majority of agencies (some 75 per cent) were meeting their obligations, with less than 25 per cent assessed as not meeting requirements.

IBAC published a report on this review, including 57 recommendations made under section 61 of the PD Act. IBAC subsequently consulted with and supported more than 40 agencies around enhancing their PD practices. This included reviewing and providing feedback on their amended procedures to assist the agencies to implement IBAC's recommendations and improve their compliance with the PD regime.

IBAC conducted a supplementary assessment, with the resulting report published in January 2016. This further review found some remaining minor concerns with compliance, but determined that most agencies had largely addressed the key issues identified and had enhanced their understanding of the PD framework.

IBAC has assessed a total of 18,869 allegations, with 1756 of these assessed as protected disclosures.

Alerting on corruption risks and sharing research insights

IBAC's research and strategic intelligence work plays a key role in alerting public sector agencies to current and emerging corruption and police misconduct risks, and informing action to prevent it.

Our research and analysis also contributes to IBAC's operational activities, for example by identifying potential systemic issues and lines of inquiry for investigation, and informing the resulting recommendations we make to strengthen agencies' policies, systems and practices to prevent corruption.

As one example, following a number of our investigations exposing significant corruption risks in public sector procurement, in June 2016, IBAC published the results of a survey of suppliers to the Victorian public sector. The perceptions of corruption survey of Victorian Government suppliers report found that 40 per cent of suppliers believed corruption in public sector procurement was a 'major or moderate' problem, while one-third said they were discouraged from bidding for government work because of concerns about corruption.

Protected disclosures



Operation Continent: Corruption risks in local council depots

In 2013, IBAC investigated allegations regarding the conduct of council employees at a works depot of a local council. The allegations included a corrupt business relationship between one council employee and an external contractor, unauthorised work by council employees in return for cash payments, invoicing for work not undertaken, and theft of council equipment.

Only one allegation, relating to a fraudulent purchase, was substantiated, but the IBAC investigation, known as Operation Continent, revealed issues with the conduct, management and supervision of the depot including inappropriate relationships with contractors, poor management of assets, inadequate

controls such as regular audits, and poor record keeping. These vulnerabilities had the potential to allow corrupt conduct to go unchecked.

Following Operation Continent, IBAC reviewed a sample of six other councils to identify whether the issues identified existed more broadly.

A research report on this review was published in 2015, highlighting common vulnerabilities in the operation of works depots in local councils, and identifying opportunities to strengthen corruption prevention controls. This report is available on IBAC's website.

Preventing corruption (cont)

Identifying procurement 'red flags'

Following publication of the perceptions of corruption survey of Victorian Government suppliers report, IBAC engaged with the public sector, including procurement practitioners and business sector representatives, on the findings to highlight the risks and impacts of corruption in public procurement. We have also published resources to help public sector employees and suppliers identify the 'red flags' of corruption during public procurement processes.

The report included actions that public sector agencies, including the Victorian Government Purchasing Board (VGPB), could take to strengthen the integrity of public procurement. This included ensuring suppliers understand it is not necessary (and can be inappropriate) to offer public sector employees gifts, benefits or hospitality, and that suppliers know how to report suspected corrupt conduct. The VGPB has since implemented a code of conduct for suppliers informed by these issues highlighted by IBAC.

Another example of the impact of IBAC's research is our 2015 report on organised crime group cultivation of public sector employees. The report detailed how criminals groom public sector employees to access information, influence decisions and manipulate systems. It also identified ways public sector agencies could improve their capacity to detect, report and prevent approaches by organised crime entities.

IBAC also engaged with public sector agencies around this research and produced resources to help public sector agencies and their employees understand, assess and manage the risk of criminal groups grooming their employees. We also met the Victorian Law Reform Commission (VLRC), which cited IBAC's intelligence in its May 2016 report on how regulatory regimes can help prevent organised crime and criminal organisations from infiltrating occupations and industries. The VLRC warned that regulatory agencies need to consider whether they are taking appropriate measures to build corruption resistance.



Other examples of our published research

Research project

Review of integrity frameworks in six Victorian councils (March 2015)

Key findings and outcomes

- Reviewed integrity frameworks in a sample of local councils including through organisational and employee surveys
- Identified areas of good practice and potential areas for improvement
- Used by other councils to assess their integrity frameworks and strengthen corruption controls

Review of council works depots (May 2015)

- Identified opportunities to improve controls in procurement, management of bulk consumables and small plant and equipment, leadership and culture
- Resulted in other councils using the insights to check and strengthen their own processes and controls

Corruption risks associated with the public health sector (October 2017)

- Identified health sector risks including theft of controlled drugs, covering up of clinical malpractice and fraudulent billing practices

Corruption risks associated with the corrections sector (November 2017)

- Identified corrections sector risks including smuggling of contraband, inappropriate relationships, excessive use of force and inappropriate accessing of information
 - Highlighted strategies for strengthening detection, reporting and prevention
-

Major publications since IBAC became fully operational

		Date published
Special reports	Special report concerning certain operations in 2013	Nov 2013
	Special report concerning allegations about the conduct of Sir Ken Jones QPM in relation to his dealings with certain confidential Victoria Police information	Feb 2014
	Special report following IBAC's first year of being fully operational	Apr 2014
	Operation Fitzroy: An investigation into the conduct of former employees of the Department of Transport/Public Transport Victoria	Oct 2014
	Special report concerning police oversight	Aug 2015
	Operation Ord: An investigation into the conduct of officers of the Department of Education and Training, in connection with the use of 'banker schools' and related activities	Apr 2016
	Operation Darby: An investigation of a person's complaint against Victoria Police	May 2016
	Operation Exmouth: An investigation into the conduct of a former Victorian public servant	Oct 2016
	Operation Ross: An investigation into police conduct in the Ballarat Police Service Area	Nov 2016
	Special report concerning illicit drug use by Victoria Police officers	Dec 2016
	Operation Dunham: An investigation into the conduct of officers of the Department of Education and Training, in connection with the Ultranet project and related matters	Jan 2017
	Operation Liverpool: An investigation into the conduct of two officers of Bendigo Health	Mar 2017
	Operation Nepean: An investigation into the conduct of a former employee of Dame Phyllis Frost Centre	Apr 2017
	Operation Tone: Special report concerning drug use and associated corrupt conduct involving Ambulance Victoria paramedics	Sep 2017
	Operation Lansdowne: An investigation into allegations of serious corruption involving Victorian vocational education and training, and public transport sectors	Dec 2017
Exposing and preventing corruption in Victoria: IBAC's first five years	Dec 2017	
Research reports	Perceptions of corruption in Victoria (IBAC and ANU)	Sep 2013
	A review of integrity frameworks in Victorian public sector agencies	Nov 2014
	Review of protected disclosure procedures	Dec 2014
	Review of public sector bodies' compliance with elements of the Protected Disclosure Act	Jan 2015
	A review of integrity frameworks in six Victorian councils	Mar 2015
	Local Government: Review of council works depots	May 2015
	Organised crime group cultivation of public sector employees	Sep 2015
	Predatory behaviour by Victoria Police officers against vulnerable persons	Dec 2015
	Review of protected disclosure procedures – progress report	Jan 2016
	Perceptions of corruption: Survey of Victorian Government suppliers	Jun 2016
	Audit of Victoria Police complaints handling systems at regional level	Sep 2016
	Drink driving detections of Victoria Police officers: Analysis of trends from 2000-2015	Dec 2016
	Transit Protective Services Officers: An exploration of corruption and misconduct risks	Dec 2016
	Perceptions of corruption: Survey of Victorian state government employees	Sep 2017
	Perceptions of corruption: Survey of Victorian local government employees	Oct 2017
	Corruption risks associated with the public health sector	Oct 2017
	Corruption risks associated with the corrections sector	Nov 2017
	Perceptions of corruption: Survey of Victoria Police employees	Dec 2017
	Guidelines	Investigations guide: Conducting internal investigations into misconduct
Guidelines for making and handling protected disclosures		Jun 2013, updated Jan and Oct 2016
Guidelines for protected disclosure welfare management		Jun 2013, updated Jan and Oct 2016
Safeguarding integrity: A guide to the integrity system in Victoria		Nov 2014, updated Dec 2016
Annual reports	Annual report 2012/13	Sep 2013
	Annual report 2013/14	Oct 2014
	Annual report 2014/15	Sep 2015
	Annual report 2015/16	Sep 2016
	Annual report 2016/17	Sep 2017

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