

ANNUAL REPORT 2017/18

PREVENTING & EXPOSING

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 2018.



The Honourable Robert Redlich QC
Commissioner

Independent Broad-based Anti-corruption Commission
6 September 2018

Authorised and published by the Independent
Broad based Anti-corruption Commission

Level 1, 459 Collins Street
Melbourne, Vic 3000
September 2018

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

An accessible version and other formats of this document can be found on our website www.ibac.vic.gov.au

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(Independent Broad-based Anti-corruption Commission)



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ABOUT THIS REPORT

This annual report outlines IBAC's work in 2017/18 to build a corruption-resistant Victorian public sector. It details our operational and financial performance, highlights achievements, reflects on challenges, and looks at how we plan to prevent and expose public sector corruption and police 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, public sector leaders and employees, and the Victorian community (page 58).

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 structure of this report is based on that of IBAC's 2015-18 Corporate Plan (page 16). The four main chapters focus on our strategic goals (see right) and report on:

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

This year our report also includes a dedicated chapter on our police oversight work. This chapter (chapter seven) serves to provide additional information on our work and achievements in this area and is provided to improve community understanding of our independent police oversight role.

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 inform 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 affect 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 corrupt conduct and police misconduct
2. Preventing and informing corrupt conduct and police misconduct
3. Building our organisation
4. Ensuring accountability and independence

ACHIEVEMENTS

Page	
18	Assessed 94 per cent of complaints and notifications within 45 days, exceeding the 90 per cent target.
20	Opened 27 investigations, among 65 active investigations and preliminary inquiries for the year (19 more than 2016/17).
20	Finalised 14 preliminary inquiries and investigations, with two special reports tabled before Parliament. Eleven investigations progressed to prosecutions, with 35 people charged with a total of 384 offences under various State and Commonwealth statutes.
35	As a result of investigations, made 18 recommendations to public sector agencies aimed at preventing public sector corruption and police misconduct.
31	Established another multi-disciplinary investigation team, strengthening operational capacity and the organisation's capacity to review matters investigated by other agencies (in particular Victoria Police).
39	Released two public audit reports examining corruption and misconduct risks within Victoria Police, including making 13 recommendations to improve systems and practices.
39	Released four research reports on the perceptions of corruption of: state government employees; local government employees; Victoria Police employees; and the Victorian community, providing insights into their awareness of corruption, and attitudes to corruption prevention and reporting.
38	Released two strategic intelligence reports exploring the factors driving corruption risks in the public health and corrections sectors, respectively.
36	Delivered 92 corruption prevention initiatives, including IBAC's first Corruption Prevention and Integrity Conference.
41	Held regional corruption prevention and integrity insight forums in Warrnambool and Traralgon.
51	Set a new strategic direction and plan of work for 2018-21.

CHALLENGES AND OPPORTUNITIES

Page	
62	Responding to legislative changes in relation to three key areas of Victoria Police oversight.
45	Ensuring compliance by public sector heads with mandatory reporting requirements.
45	Identifying serious or systemic public sector corruption and police corruption in the absence of complaints.
31	Responding to technological change while meeting compliance requirements.
63	Balancing the need to be accountable, and communicating clearly to the community about corruption prevention, with legal and operational restrictions.
52	Recruiting staff who are highly skilled and experienced in their professional disciplines, and whose personal values align with those of IBAC.
45	Meeting the growing demand for speaking engagements.

LOOKING AHEAD

Page	
32	Increasing the number of investigations of serious police misconduct, as well as reviews of complaints investigated by Victoria Police, as part of our independent oversight role.
46	Publishing key research reports, including on corruption risks for public regulatory authorities, as part of our work to alert the public sector to key issues and risks and to help agencies strengthen their anti-corruption policies, systems and practices.
63	Implementing proposed changes to our powers and processes following legislative change, including the Integrity and Accountability Legislation Amendment (Public Interest Disclosures, Oversight and Independence) Bill 2018.
46	Hosting the seventh biennial Australian Public Sector Anti-Corruption Conference (APSACC).
52	Rolling out a new technology strategy which includes investing in analytical technologies and skills to advance our use of information for proactive, strategic, tactical and organisational benefit.
32	Implementing a new telecommunications interception system along with other hardware upgrades that will improve analysis of forensic data obtained in investigations.

CONTENTS

4

The year in review

11

Who we are

17

Investigating and
exposing

33

Preventing and
informing

47

Building our
organisation

57

Ensuring
accountability

65

Independent police
oversight

79

Financial report

118

Disclosure index

121

Glossary and index

THE YEAR IN REVIEW

COMMISSIONER'S FOREWORD



Welcome to IBAC's annual report for 2017/18, which outlines our work in the past financial year to support our vision of a Victorian public sector that actively resists corruption.

I commenced my fixed-term five-year position as IBAC Commissioner in January 2018. I would like

to acknowledge the work of my predecessor, Mr Stephen O'Bryan QC. His effectiveness, assisted ably by the CEO Alistair Maclean, in establishing IBAC and leading the organisation is evidenced by IBAC's achievements in its first five years.

IBAC is moving to build on those achievements. Our Corporate Plan for 2018-21 sets out the opportunities and challenges we will address in identifying, exposing and preventing public sector corrupt conduct and police misconduct (page 51).

Major investigations and outcomes

Investigations are integral to IBAC's work in exposing as well as deterring and preventing public sector corruption and police misconduct. In 2017/18 we commenced 27 investigations and completed 14 (including preliminary inquiries) (page 20). Two of these resulted in special reports tabled before Parliament: Operation Tone, concerning drug use and associated corrupt conduct involving Ambulance Victoria paramedics (page 24); and, Operation Lansdowne, an investigation into alleged serious corruption in the Victorian vocational education and training and public transport sectors (page 23).

As part of Operation Lansdowne, IBAC held public examinations in June and July 2017 (page 28). Public examinations are a critical investigative tool in further exposing and preventing public sector corruption and police misconduct. They help educate the public sector and community about the impact of corruption and police misconduct and how it can be prevented. They have prompted the public sector to examine and improve its systems and practices. And they have encouraged further credible complaints about corruption. Our Act states that public examinations may only be held in exceptional circumstances. IBAC has used this power carefully, holding five public examinations from the 69 investigations (including preliminary inquiries) that we have completed.

Prosecutions from IBAC investigations have also exposed corrupt conduct in the public sector, with significant consequences for those involved. In 2017/18, 35 people were charged with a total of 384 offences, under various State and Commonwealth statutes, following 11 of our investigations. Confiscation of the proceeds of crime also commenced in relation to people involved in two IBAC investigations (page 20). But in line with our legislative mandate IBAC's success is not measured by the number of charges and convictions. Our performance across all of our functions, as set out in this annual report, shows the effectiveness and efficiency of our operations.

Independent police oversight

IBAC's independent oversight of Victoria Police is one of our most visible and important roles. Police have significant powers and the community rightly expects them to use these powers responsibly, and perform their duties fairly, impartially and in accordance with the law. In the past year, incidents involving alleged excessive use of force by Victoria Police officers – now being investigated by IBAC – attracted extensive media coverage and raised community concern and debate about police oversight arrangements.

The IBAC Parliamentary Committee has recently undertaken an inquiry into external oversight of police corruption and misconduct in Victoria. My evidence to the Committee outlined ways in which IBAC's independent police oversight role might be strengthened, such as increasing our investigative capacity and the number of police investigations that we review. I also highlighted the need for legislative change to address constraints on our capacity, such as IBAC investigators not having similar powers to police officers. IBAC welcomes the Parliamentary Committee's consideration of police oversight arrangements, and looks forward to further legislative and other improvements.

In addition to assessing complaints and notifications, investigating alleged police misconduct and reviewing particular police investigations, IBAC also undertakes strategic research and audits to help Victoria Police improve its systems and practices. IBAC's *Audit of Victoria Police's oversight of serious incidents*, and the *Audit of complaints investigated by Professional Standards Command, Victoria Police* (page 39), released in 2017/18, are examples. More information on our independent police oversight role is detailed in chapter seven.

IBAC is committed to further strengthening our independent police oversight. We will improve the way we explain our processes and decision-making, and, where possible, provide more information and clarity to those who make a complaint to us. This work is outlined in our Corporate Plan.

Alerting Victorians about corruption risks and sharing research insights

IBAC's research and strategic intelligence plays a key role in alerting public sector agencies to the risks of corruption and police misconduct, and thereby informing action to prevent it from occurring.

IBAC released two strategic intelligence reports in 2017/18, exploring the factors driving corruption risks in the public health and corrections sectors, respectively. The reports identify areas of particular vulnerability, and suggest strategies for strengthening corruption detection, reporting and prevention (page 38). The research also showed more work is needed to raise awareness about how to report public sector corruption in Victoria, and how people reporting such conduct can be protected.

IBAC also published research reports on how Victorians view and understand corruption. The perceptions of corruption held by state government employees, local government employees, Victoria Police employees and the Victorian community are explored (page 39), and the findings inform our collective efforts to prevent corruption.

Engaging with the public sector and the community

One of IBAC's key challenges is to ensure public sector leaders and employees are able to recognise practices and behaviours that could 'enable' corruption. Such behaviours can lead to more serious and systemic corrupt conduct. Once red flags for corruption are identified, then it is vital that public sector managers and leaders take action. Supporting this is an important focus of IBAC's prevention work, and drives our work with the public sector and broader community.

In 2017/18, we delivered 92 corruption prevention initiatives with a 99 per cent satisfaction rating (page 36). These included regional forums held for local public sector leaders and managers in Warrnambool and Traralgon (page 41). Other activities to further raise awareness about corruption, its causes and how to prevent it included our community education campaign: *When something's not right. Report it* (page 42), and our inaugural Corruption Prevention and Integrity Conference (page 43).

This two-day conference, held in Melbourne in October 2017, gave more than 400 attendees from across the Victorian public sector, community and private organisations an opportunity to learn about preventing corruption and building integrity in their organisations. I am looking forward to hosting a similar national event, the Australian Public Sector Anti-Corruption Conference, in Melbourne in October 2019 (page 46).

In 2017/18, IBAC undertook tailored engagement with Victoria's legal and business sectors to improve understanding of our role, and to raise awareness about corruption, its impact and how to report it. The work with the legal sector included a series of roundtable meetings and continuing professional development sessions, and will extend to other sectors, including the not-for-profit sector in 2018/19 (page 42).

Safeguarding our independence

The Victorian Parliament has been considering an Integrity and Accountability Legislation Amendment (Public Interest Disclosures, Oversight and Independence) Bill 2018 that would include enhancing IBAC's budgetary independence. If passed, IBAC's budget will be determined by a parliamentary committee rather than through the executive arm of government, thereby enhancing our statutory independence from the government of the day (page 63).

IBAC recognises we must continue to exemplify the highest standards of probity and integrity, and model our values of fairness, professionalism, courage, respect and trust. Since commencing at IBAC, I have been impressed by the capabilities and dedication of IBAC's staff, and their shared commitment to expose and prevent public sector corruption and police misconduct for the Victorian community.

In its first five years of operation much has been done by IBAC to shine a light on public sector corruption and police misconduct. But there is no room for complacency. It is paramount that IBAC maintains its independence, and that it has sufficient authority, powers and resources to do its important work. I wish to build upon IBAC's achievements as a trusted and respected anti-corruption and police oversight agency.

I wish to thank the CEO, the Executive and the staff for their support and dedication in ensuring IBAC continues to achieve its objectives.



The Honourable Robert Redlich QC
Commissioner

THE YEAR IN REVIEW (CONT)

CEO'S FOREWORD



This annual report covers the final year of our first Corporate Plan, from 2015-18. In these initial years, we established and developed our capacity to identify and expose corrupt conduct and police misconduct. This work is reflected in our successful investigations into such conduct, and in applying our

expertise, research and intelligence to help prevent the conduct from occurring.

In December 2017, our first Commissioner, Mr Stephen O'Bryan QC, completed his five-year term. His work to establish and build IBAC enabled the organisation to be in the strong position it is now. Coinciding with the end of Commissioner O'Bryan's term, IBAC published a special report on our major activities and achievements in the first five years (page 43).

The Honourable Robert Redlich QC commenced as IBAC Commissioner in January 2018. A former Victorian Court of Appeal judge and eminent in the law, Commissioner Redlich brings considerable experience and passion to the role.

Assessing and investigating complaints and notifications

In 2017/18, IBAC received and assessed more than 6200 allegations of suspected corruption and police misconduct. This is an increase of more than one-quarter (26 per cent) compared to last year, and reflects increased awareness about IBAC and how to report suspected corruption and police misconduct (page 18). We reviewed 94 per cent of the allegations within the prescribed 45-day period. IBAC also undertook 65 investigations (including preliminary inquiries) into alleged serious public sector corruption and police misconduct, 19 more than last year (page 20).

A key factor in the increase in the number of investigations we could undertake was the addition of a further multi-disciplinary investigation team in November 2017, bringing the number of teams to four and further strengthening our operational capacity. IBAC's investigation teams comprise investigators, intelligence analysts, forensic accountants and legal expertise, and bring a multifaceted approach to investigating and exposing corruption and police misconduct.

This year we launched a new 'information report' function on our website. This enables people to provide information about suspected public sector corruption or police misconduct to IBAC securely and anonymously online, without making a formal complaint. The option of lodging a formal, written complaint remains available.

Protected disclosure obligations

Assisting agencies to meet their 'protected disclosure' obligations is an important and ongoing focus for IBAC. The PD Act defines IBAC's central role in determining which complaints are treated as protected disclosures, so that complainants can receive appropriate legal protections.

In receiving and assessing complaints about alleged corrupt and improper conduct in the Victorian public sector and police misconduct (page 18), IBAC determines which complaints should be treated as protected disclosures. Under the PD Act, only IBAC, the Victorian Ombudsman, Victoria Police, the Judicial Commission of Victoria and the Victorian Inspectorate can investigate complaints that have protected disclosure status. IBAC determines which of those agencies is best placed to investigate the particular complaint and refers the matter to that agency for investigation.

In 2017/18, IBAC directly received 4514 allegations that required assessment as potential protected disclosures under the PD Act, including 1779 allegations notified to IBAC by Victoria Police and other public sector entities (page 19).

As part of Victoria's protected disclosure regime, public sector agencies appoint designated Protected Disclosure Coordinators (PDCs) who receive and notify IBAC of complaints that might warrant protection. They play a crucial role in supporting potential whistleblowers in speaking out about suspected wrongdoing in the public sector. PDCs are usually senior managers working in integrity-related roles across state government agencies, local councils and Victoria Police. To support PDCs, IBAC held its fifth annual PDC forum, attracting more than 60 participants from across the state. We also developed a professional network of PDCs, to help them interact, share knowledge and build their skills, including through the resources available on our website (page 41).

Mandatory notifications

In 2016, the Victorian Parliament passed legislation requiring the heads of public sector agencies to notify IBAC of suspected corrupt conduct (previously there was no such obligation).

In the first year of this requirement (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 the 295 separate

allegations assessed as a result of these notifications, one-fifth (62) were retained by IBAC for preliminary inquiry or investigation. In our view, there is some distance to go before the mandatory notification regime is fully complied with. IBAC provides a range of information and resources for principal officers to help them comply with their mandatory notification obligations, and engages with state government agencies and local councils about these obligations (page 45). We look forward to improved reporting in the coming year.

Governance and risk

IBAC worked to improve security of its operations in 2017/18 with the completion of a major project to enhance our information security (page 51). We strengthened our governance and risk management by developing an integrated assurance program and commencing the implementation of a new governance, risk and compliance software system (page 62).

We continued the consolidation of our governance processes with a review and update of our internal policy framework; streamlining processes and simplifying policy documentation. Additionally, we implemented the Victorian Protective Data Security Framework, identifying our information assets and developing our security risk profile assessment (page 52).

We also undertook comprehensive internal audits conducted by our internal auditor, KPMG, on financial management compliance, HR planning and capability, complaints and notifications management, and strategic intelligence. These four completed audits resulted in 23 recommended actions, all endorsed by the Executive and our independent Audit and Risk Management Committee.

Transparency

IBAC is committed to being as open and transparent as possible in providing information to the public. However, we are sometimes limited in what information we can share, to ensure we do not compromise an investigation or the justice process.

When IBAC shares information about its work, we do so via communications mostly available through our website and publications, such as investigation and research reports and media releases, videos, e-newsletters and presentations as well as social media (page 44). More formally, we tabled three special reports before Parliament during the year (page 58).

Staffing

We continue to compete in a tight market for highly skilled staff and have invested in programs to ensure we continue to be seen as a sought-after employer with a reputation of fostering a collaborative, positive culture underpinned by our values.

In 2017/18 our workforce has continued to grow, with 162 staff at 30 June, and we have implemented a new internal communications approach to ensure staff are well informed and engaged.

Looking ahead

IBAC's financial position remains strong. Revenue, expenditure and equity are up and IBAC is well placed to respond to financial challenges. In 2018/19, IBAC's new three-year Corporate Plan will commence (page 51). The plan sets out our direction and schedule of work for 2018-21. It outlines our focus and priorities and describes how we will achieve our legislated responsibilities and purpose of preventing and exposing public sector corruption and police misconduct in Victoria. We look forward to implementing our plan and continuing our work with the public sector, police and the community to strengthen Victoria's corruption resistance.

Digital support and analysis

To support the new corporate plan objectives, IBAC has developed a technology strategy that will be rolled out from 2018/19 (page 52). Consequently, we will enhance our data analysis, predictive modelling and knowledge-sharing capabilities to better identify and expose complex patterns of corruption and misconduct (page 45).

We will also continue implementing our Human Resources Information System. Designed to streamline recruitment, learning and development, performance, talent and succession management, this system brings improved efficiencies to internal processes and provides enhanced reporting to management (page 53).

A note of thanks

We will continue to apply due diligence to everything we do, retaining strong internal governance processes and practices, and ensuring all our work is of the highest quality and integrity.

IBAC would not be the effective and robust integrity body it is without the dedication and commitment of its employees. I would like to thank the executive team and all our staff who demonstrated diligence, courage and professionalism in their work to expose and prevent public sector corruption and police misconduct in 2017/18.



Alistair Maclean
Chief Executive Officer

FINANCIAL REPORT SUMMARY

IBAC's financial position remains strong. Revenue, expenditure and equity are up and IBAC is well placed to respond to financial challenges. IBAC is still growing as an organisation and revenue and expenditure are forecast to further increase in 2018/19 in particular now that the fourth investigation team has been established.

Financial performance

IBAC's net financial result for the year was a surplus of \$74,599 compared with a surplus of \$132,006 in 2016/17. These surpluses are due to technical 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 2013/14 – 2017/18

	2013/14 \$m	2014/15 \$m	2015/16 \$m	2016/17 \$m	2017/18 \$m
Financial performance					
Total income	27.682	31.547	32.580	36.372	39.695
Total expenditure	27.335	31.285	31.992	36.372	39.695
Net result from transactions	0.347	0.262	0.588	-	-
Comprehensive result	0.367	0.241	0.554	0.132	0.075
Financial position					
Total assets	21.727	25.558	27.138	27.418	28.054
Total liabilities	4.714	5.827	6.923	7.092	7.707
Total equity	17.013	19.731	20.215	20.326	20.347
Cash flow					
Net cash flow from operating activities	1.073	1.606	1.915	1.459	1.701

Detailed information related to IBAC's financial performance is included in the full financial report on page 79.

Income

IBAC is funded through parliamentary appropriations.

Income or grant funding increased by 9.1 per cent in 2017/18 which was due to a corresponding increase in expenditure as a result of the addition of the fourth investigation team and associated expenditure.

Expenditure

IBAC's expenditure increased by 9.1 per cent in 2017/18, with 62 per cent spent on employees (the same as 2016/17). Employee expenditure is expected to increase in 2018/19 as the recruitment of the fourth investigation team and auxiliary staff continues. Information technology expenses and depreciation increased as a result of increased investment in IT infrastructure and capabilities.

Financial position

IBAC's financial position remains strong with total assets of \$28.1 million, liabilities of \$7.7 million and equity of \$20.3 million. During 2017/18, IBAC spent \$1.84 million on capital works, mainly consisting of asset replacements and a new case management system, which is expected to be fully implemented and operational by the end of 2018/19.

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

Table 2: Compliance with financial policies and model report requirements

Advertising	<p>One advertising campaign had a media spend of \$100,000 or greater.</p> <p>Name of advertising campaign: <i>When something's not right. Report it.</i></p> <p>The extension of IBAC's first major community education campaign <i>When something's not right. Report it</i> further increased community awareness of public sector corruption risks and increased the number of reports to IBAC. Existing creative, including multimedia and translated materials, was disseminated via digital, radio and print media.</p> <p>Start date: 30 July 2017</p> <p>End date: 24 September 2017</p> <p>Details of campaign expenditure for the reporting period (ex GST)</p> <p>Advertising (media spend) - \$111,656</p>
Sponsorships	IBAC did not enter into any sponsorship arrangements in 2017/18.
Consultancies (\$>10,000)	IBAC contracted three consultancies at a total expenditure of \$203,861 (excluding GST). Details of individual consultancies can be viewed at www.ibac.vic.gov.au
Consultancies (\$<10,000)	IBAC contracted one consultancy at a total expenditure of \$1575 (excluding GST).
Ex-gratia payments	IBAC did not make any ex-gratia payments in 2017/18.
Major contracts	IBAC did not award any major contracts greater than \$10 million during 2017/18.
National Competition Policy	IBAC is compliant with the <i>National Competition Policy</i> , including compliance with the requirements of the Department of Treasury and Finance's <i>Competitive Neutrality Policy</i> .
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 2017/18.

62%

of expenditure
spent on
employees

\$74,599

surplus for
2017/18,
compared to a
\$132,006 surplus
in 2016/17

BUDGET PAPER NO.3 PERFORMANCE MEASURES

IBAC's performance measures are set out in 2017/18 State Budget Paper No. 3 (BP3) Service Delivery and outlined below. Brief notes on variances are included, and page references provided for more detailed analysis of our performance.

Table 3: BP3 performance measures

	Unit of measure	2017/18 target	2017/18 actual	Notes	Page
(a) Quality					
Corruption prevention initiatives delivered by IBAC	Number	90	92	Slightly exceeded our target by delivering a range of corruption prevention initiatives, including two regional forums in Warrnambool and Traralgon, the extension of our community education campaign: <i>When something's not right. Report it</i> , and our Corruption Prevention and Integrity Conference in Melbourne.	36
(b) Quality					
Satisfaction rating with corruption prevention initiatives delivered by IBAC	per cent	90	99	Exceeded target, reflecting continued improvements to corruption prevention initiatives including the regional outreach program, annual Protected Disclosure forum and tools supporting Protected Disclosure Coordinators.	36
(c) Timeliness					
Complaints or notifications about public sector corrupt conduct (excluding police personnel conduct and police personnel corrupt conduct) assessed by IBAC within 45 days	per cent	80	92	Continued to refine and consolidate processes, resulting in most assessments being completed within 45 days and exceeding the minimum target of 80 per cent.	18
Complaints or notifications about police personnel conduct and police personnel corrupt conduct assessed by IBAC within 45 days	per cent	90	95	Continued to refine and consolidate processes, resulting in most assessments being completed within 45 days and exceeding the minimum target of 90 per cent.	18
Proportion of IBAC investigations into public sector corrupt conduct (excluding police personnel conduct and police personnel corrupt conduct) completed within 12 months	per cent	75	60	Some investigations into public sector matters (or corruption allegations), due to their more complex nature, took longer than the target timeframe to complete.	20
Proportion of IBAC investigations into police personnel conduct and police personnel corrupt conduct completed within 12 months	per cent	75	100	All investigations into police personnel misconduct were completed within 12 months.	20

92

corruption prevention initiatives delivered

99%

satisfaction rating with corruption prevention initiatives delivered

95%

complaints and notifications about police personnel conduct and police personnel corrupt conduct assessed within 45 days

100%

investigations into police personnel conduct and police personnel corrupt conduct completed within 12 months

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.

History and legislation

The *Independent Broad-based Anti-corruption Commission Act 2011* (IBAC Act), passed in November 2011, outlined our functions, powers and our relationship 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. IBAC has broad jurisdiction over the whole public sector – including Victoria Police, state government departments and agencies, local 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 strengthened IBAC's ability to detect and investigate allegations of public sector corruption and misconduct, including misconduct in public office. They also helped inform IBAC decisions to investigate by enabling 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 corrupt conduct.

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.

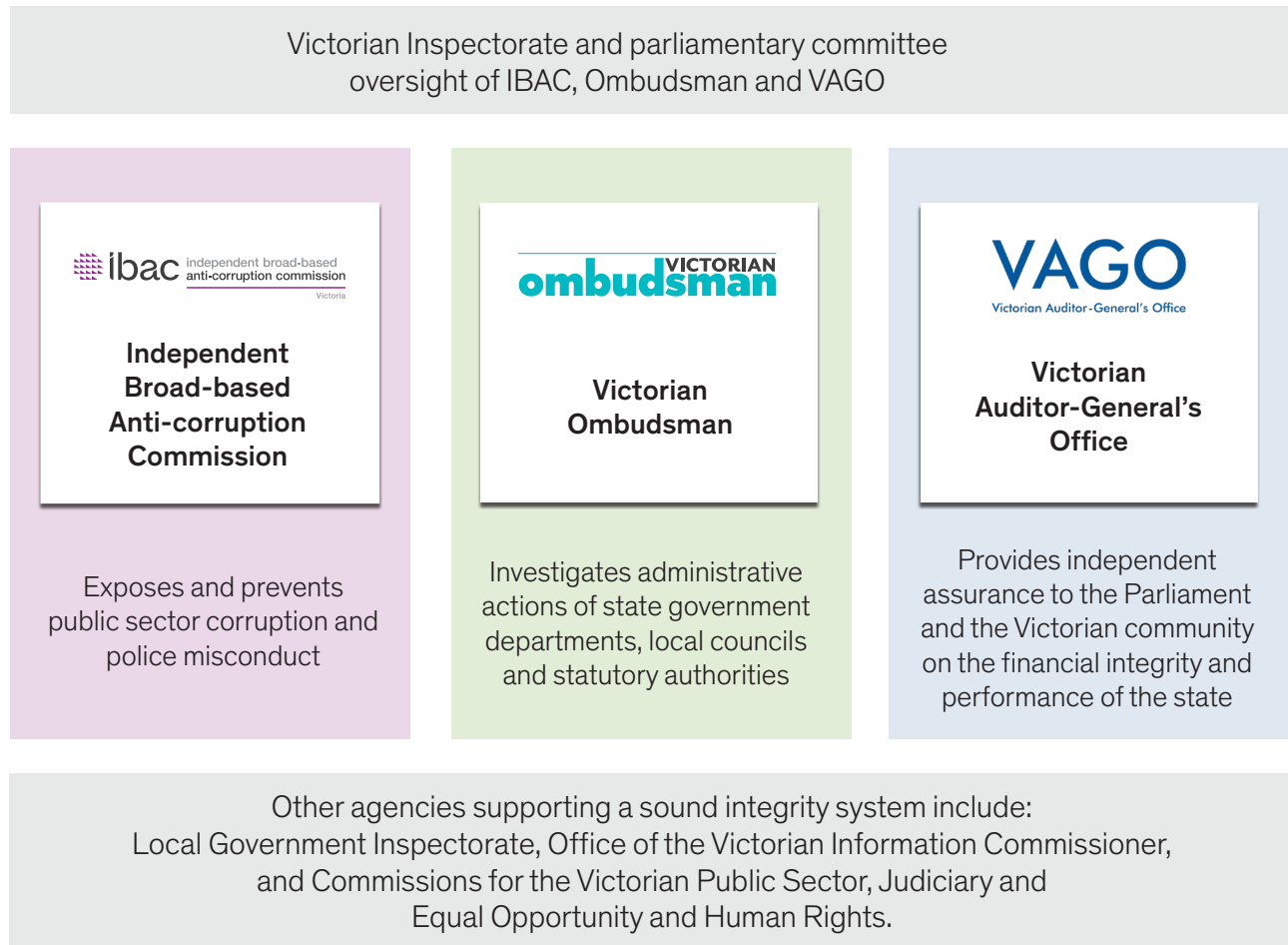
Trust – We promote and sustain public confidence through the quality of our work. We implicitly trust the competence of the people we work with.

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.

WHO WE ARE (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: IBAC's organisational structure as at 30 June 2018

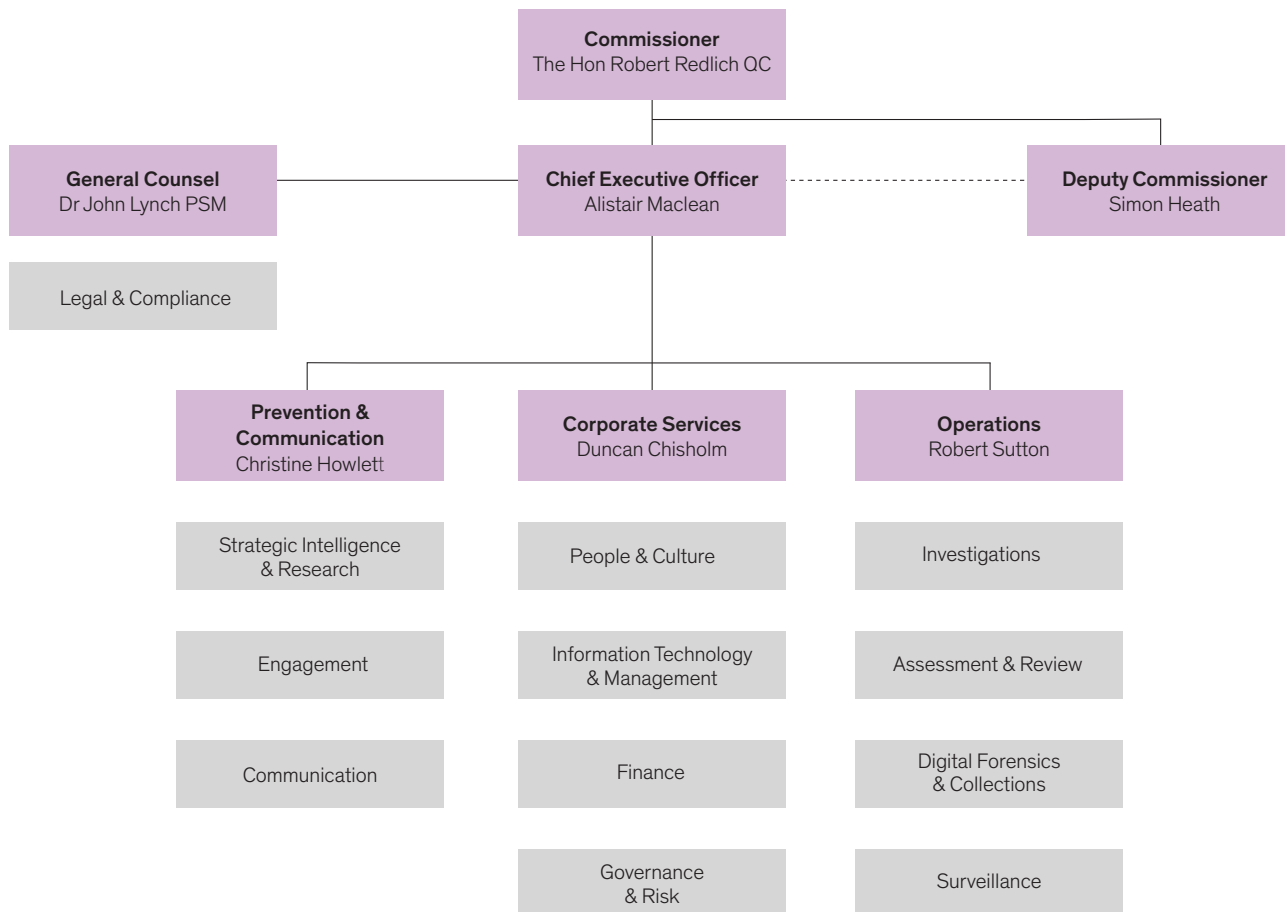
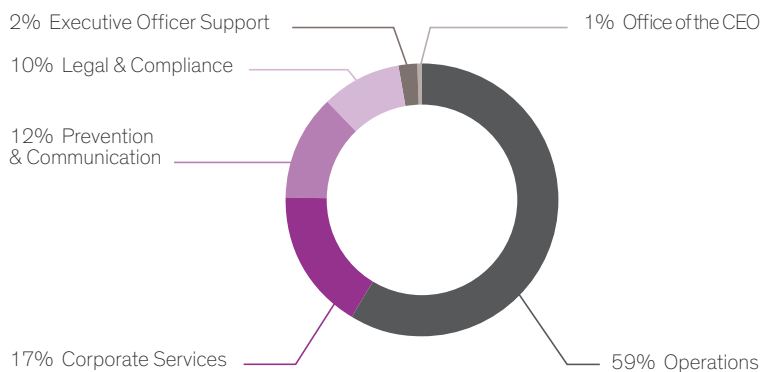


Figure 3: Divisional staffing as at 30 June 2018⁽ⁱ⁾⁽ⁱⁱ⁾



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 police misconduct.

(i) All figures reflect employment levels during the last full pay period in June of each year.
Note: percentages may not add to 100 due to rounding

(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*.

LEADERSHIP

OUR COMMISSIONER

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

Commissioner Stephen O'Bryan QC

Mr O'Bryan was appointed as IBAC's inaugural Commissioner on 1 January 2013 (and **completed his term on 29 December 2017**). He brought 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.

Commissioner The Honourable Robert Redlich QC

The Honourable Robert Redlich QC **commenced a five-year term as IBAC Commissioner on 1 January 2018.**

Justice Redlich brings considerable legal experience to the role, having been a judge of the Supreme Court of Victoria for 15 years, including 11 years as a Victorian Court of Appeal Judge. He was previously a member of the Victorian Bar for some 30 years and served for a period as Chairman of the Victorian Bar Council.

An Honours graduate from the University of Melbourne, Justice Redlich's significant achievements in legal practice were recognised with his appointment as Queen's Counsel in 1984.

Justice Redlich brings extensive direct experience to IBAC, including the investigation of corrupt practices within the public service and the police. This includes both successfully prosecuting and defending cases involving corrupt practices.

Our Deputy Commissioner assists and advises 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 a member of the Law Institute of Victoria.

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 CEO 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 brought 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 & Communication – Christine Howlett

Our Director Prevention & 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.

Acting Director Corporate Services – Duncan Chisholm

Our Director Corporate Services leads the Finance, Information Technology, Information Management, Governance & Risk (including corporate planning), and People & Culture teams.

Mr Chisholm joined IBAC in 2015 as Manager Surveillance. He has an extensive career in law enforcement, anti-corruption and national security. He spent 15 years in Victoria Police, specialising for six years in surveillance, which included a secondment with the National Crime Authority. He has also worked as a Team Leader Surveillance with the Corruption and Crime Commission in WA, and Assistant Director Surveillance Operations with the Commonwealth Attorney-General's Department. Mr Chisholm has completed a number of leadership and management courses.

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 as at 30 June 2018⁽ⁱ⁾⁽ⁱⁱ⁾

	Male		Female		Vacancies
	No.	Variance from 2016/17	No.	Variance from 2016/17	No.
EO1	1	-	-	-	-
EO2	2	-	1	-1	-
EO3	4	+1	4	-	-
Other	2	-	-	-	-
Total	9	+1	5	-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 set out how IBAC would achieve its purpose and objectives. The plan outlined IBAC's:

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

Our progress towards achieving our vision is covered from chapters three to six in this report.

The next financial year will see the implementation of our new three-year Corporate Plan, for 2018-21 (page 51). Lessons from the past three years have informed 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 corrupt conduct and police misconduct
2. Preventing and informing corrupt conduct and police misconduct
3. Building our organisation
4. Ensuring accountability and independence

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. IBAC investigations are informed by complaints, information reports, notifications and protected disclosures, as well as our own intelligence. 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 work undertaken to investigate and expose corruption and police misconduct during 2017/18, outlines our challenges and opportunities, and what we are planning in the year ahead.

STRATEGIC GOAL

Investigating and exposing corrupt conduct and police misconduct

CHALLENGES AND OPPORTUNITIES

- Responding to technological change while meeting compliance requirements.

HIGHLIGHTS

- Assessed 6293 allegations, with 94 per cent assessed within 45 days. Of these, 742 matters were assessed as protected disclosures
- Undertook 65 investigations (including preliminary inquiries) into serious public sector corruption and police misconduct, 19 more than the previous year
- Held public examinations into allegations of serious corruption involving the Victorian vocational education and training, and transport sectors
- Finalised 14 preliminary inquiries and investigations, and tabled two special reports before Parliament. Eleven investigations progressed to prosecutions, with 35 people charged with a total of 384 offences under various State and Commonwealth statutes
- Strengthened our operational capacity by establishing another multi-disciplinary investigation team.

PERFORMANCE

Table 5: Complaints/notifications, allegations and outcomes

	2013/14	2014/15	2015/16	2016/17	2017/18
Complaints/notifications received	2567	2196	2041	2098	2315
Allegations assessed	4860	4443	4576	4990	6293
Investigated by IBAC	64	38	47	45	81
Referred to another entity	1783	1206	1523	1264	1460
Allegations dismissed ¹	1917	1818	2408	2730	3758
Enquiries received	1023	1415	903	808	988
% Complaints/notifications assessed within 45 days (target reduced from 60 days in 2015/16)	n/a	n/a	94	94	94

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

IBAC can consider complaints about corruption and misconduct concerning:

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

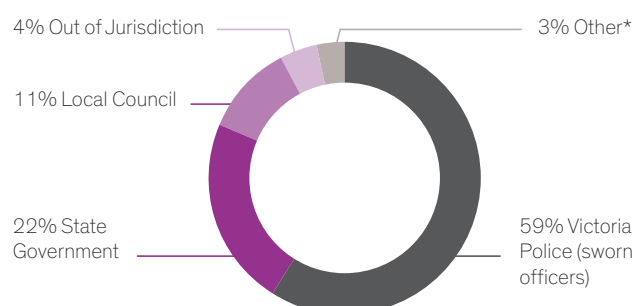
IBAC also receives mandatory notifications from principal officers of public sector agencies and Victoria Police. We assess the information provided to decide whether to take one of three actions: refer it to another agency, dismiss or investigate the matter.

In 2017/18, IBAC received a similar number of complaints and notifications to the previous year. However, we saw a significant increase (26 per cent) in the number of allegations assessed from those complaints and notifications. A single complaint or notification may contain several separate allegations. The increase is likely the result of initiatives undertaken by IBAC, including the continuation of our community education campaign (page 42), the Operation Lansdowne public examinations (page 28) and the impact of the introduction of mandatory reporting by public sector agencies (page 45).

While the year-on-year number of allegations investigated by IBAC increased by 80 per cent, there was also a marked increase in dismissed allegations. This reflects the nature and 'quality' of complaints being made, with an increase in complaints we are unable or it is not appropriate for us to investigate. IBAC is working to better inform and educate the community about our role and functions, particularly what we can or cannot investigate, and our remit regarding serious corruption and police misconduct. We will continue to address this in the coming year through our communication and engagement work (page 42).

While most complaints and notifications are referred to Victoria Police or other agencies who are best suited to take appropriate action, the information provided in all complaints continues to provide IBAC with intelligence which we use to identify corruption and misconduct risks in Victoria Police and the public sector, and which informs prevention initiatives. Intelligence also helps us identify serious and systemic issues for possible 'own motion' investigations.

Figure 5: Allegations by sector



*Other 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*.

Note: percentages may not add to 100 due to rounding.

¹ Matters are dismissed by IBAC for a range of reasons including: withdrawn by the complainant, insufficient information, too old, already investigated, or frivolous or vexatious. Other outcomes not referenced in the above table include: 'noted' (mandatory notifications from Victoria Police regarding a complaint against a police officer are 'noted' and monitored by IBAC), and 'returned' (protected disclosure notifications from public sector agencies that are determined by IBAC not to be protected disclosures, do not engage the IBAC Act for assessment and are 'returned' to the agency for further consideration or action).

If the allegation is dismissed, the information may still help IBAC develop a greater understanding of potential risks of public sector corruption and police misconduct, and inform prevention and education activities.

Table 6: Protected disclosures and outcomes

	2013/14	2014/15	2015/16	2016/17	2017/18
Matters assessed for protected disclosure status	314	210	653	579	742
Referred to Victorian Ombudsman, Chief Commissioner of Police, Judicial Commission of Victoria or Victorian Inspectorate for investigation	230	171	597	424	544
Investigated by IBAC	43	14	24	17	24
Dismissed ²	38	25	32	138	174
No. of disclosures IBAC was unable to investigate or refer	0	0	0	0	0

IBAC can consider complaints about corruption and misconduct (including improper conduct in relation to the PD Act) in the Victorian public sector. As part of its assessment, IBAC determines which complaints meet the protected disclosure complaint requirements of the PD Act.

Under the PD Act, only IBAC, the Victorian Ombudsman, Victoria Police, the Judicial Commission of Victoria and the Victorian Inspectorate can investigate complaints that have protected disclosure status. IBAC determines which of those agencies is best placed to investigate the particular complaint and accordingly refers the matter to that agency for investigation, or we may investigate it ourselves.

IBAC directly received 4514 allegations for assessment as potential protected disclosures under the PD Act and 1779 assessable allegations notified by Victoria Police and other public sector entities.

The increased number of protected disclosures and outcomes (referred, investigated, dismissed) reflects the overall increase in complaints received by IBAC during 2017/18 (page 18).

More information about protected disclosures and outcomes specific to Victoria Police is available on page 70.

2315

complaints/
notifications
received

94%

of complaints/
notifications
assessed within
45 days

4514

allegations directly
received by IBAC
for assessment as
potential protected
disclosures.

² Matters are dismissed by IBAC for a range of reasons including: insufficient information, too old, already investigated, or frivolous or vexatious. Other outcomes not included in the above table include 'noted' (mandatory notifications from Victoria Police regarding a complaint against a police officer are 'noted' and monitored by IBAC) and 'returned' (protected disclosure notifications from public sector agencies that are determined by IBAC not to be protected disclosures, do not engage the IBAC Act for assessment and are 'returned' to the agency for further consideration or action).

PERFORMANCE (CONT)

Table 7: Investigations and preliminary inquiries

	2013/14	2014/15	2015/16	2016/17	2017/18
Preliminary inquiries commenced ³	n/a	n/a	n/a	10	14
Investigations commenced ⁴	24	16	19	26	27
Investigations and preliminary inquiries finalised ⁵	15	15	7	18	14
Open investigations and preliminary inquiries at 30 June	13	14	27	28	51
Average investigation duration (days)	175	209	252	367	344

In 2017/18, IBAC had 65 active investigations (including preliminary inquiries) into serious public sector corruption and police misconduct, 19 more than the previous year. Of these, 14 were 'own motion', while the rest were commenced as a result of complaints, notifications or protected disclosures.

The year-on-year increase in active investigations, from 46 to 65, is due to the commencement of another multi-disciplinary investigation team in 2017/18 (page 31).

Table 8: Results of our investigations

Number of investigations that resulted in:	2013/14	2014/15	2015/16	2016/17	2017/18
Formal recommendations ⁶	2	3	7	7	14
Criminal proceedings or brief of evidence to Office of Public Prosecutions (OPP)	0	3	3	5	35
Reports to Parliament	1	1	2	6	2
No further action	7	6	3	6	8

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 2017/18, 11 investigations progressed to prosecutions, with 35 people charged with a total of 384 offences under various State and Commonwealth statutes. Proceeds of crime orders were also made against people involved in two IBAC investigations, resulting in the recovery of \$369,575. Since 2013, IBAC investigations have resulted in more than \$2.76 million being recovered and returned to the State.

The year-on-year increase in criminal proceedings or briefs of evidence being submitted to the Office of Public Prosecutions, from five to 35, is due to IBAC's maturing case load and the impact of IBAC's fourth multi-disciplinary investigation team.

\$369,575

recovered following
IBAC investigations
(\$2.76 million since
2013)

³ From 1 July 2016, IBAC was able to conduct preliminary inquiries to help determine whether to dismiss, refer or investigate a complaint or notification. More information is on the IBAC website.

⁴ Excluding preliminary inquiries.

⁵ Can include preliminary inquiries and investigations commenced in previous financial years.

⁶ 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 formal recommendations that we make as a result of our investigations under section 159 of the IBAC Act.

Table 9: Examinations

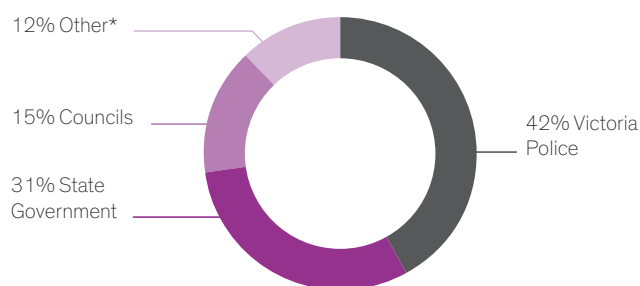
	2013/14	2014/15	2015/16	2016/17	2017/18
Number of hearing days (private)	n/a	52	81	22	57
Number of hearing days (public)	n/a	38	23	4	9
Number of witnesses called	58	105	144	37	91

As part of an investigation, IBAC may hold private or public examinations to gather further information. These are not trials and do not determine guilt or innocence. More information about IBAC hearings is on our website.

Most examinations are held in private as required under IBAC legislation. In 2017/18, IBAC concluded public examinations for one investigation, Operation Lansdowne (page 28).

Private examinations are not open to the general public or media, although a public report about relevant matters may be released when the investigation is finalised. The number of private examinations increased this year because they were necessary to progress the particular matters under investigation.

Figure 6: Investigations and preliminary inquiries by sector



*Other includes Members of Parliament and the judiciary

In 2017/18, 42 per cent of IBAC's active investigations and preliminary inquiries were into alleged serious corruption or misconduct by Victoria Police.

65

active investigations (including preliminary inquiries) into alleged serious public sector corruption and police misconduct

35

people charged with a total of 384 charges under various State and Commonwealth statutes

COMPLAINT OUTCOMES

IBAC can consider complaints about corruption and misconduct (including improper conduct under the PD Act) 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
- investigate the matter.

The following examples illustrate IBAC's work in this area.

As part of this assessment, IBAC also determines which complaints meet the protected disclosure complaint requirements of the PD Act. More information about how we handle complaints is available on our website.

Allegations referred to an external agency for action

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 45).

An example: in April 2018, IBAC received a notification from a principal officer about the owner of a contracted graffiti removal service paying an individual to vandalise public areas with obscene graffiti in order to generate more work, thereby increasing the company's revenue. The council involved advised IBAC that Victoria Police had notified them of the potential collusion between the vandal and the owner of the cleaning service. The council advised that it had temporarily suspended the contract with the cleaning service and was awaiting the outcome of Victoria Police's investigation before taking any further action. Because the council was taking appropriate action, IBAC determined not to investigate the matter but referred it to the council for further investigation.

Complaint closed with no further action

IBAC often receives complaints relating to matters that do not demonstrate corrupt conduct by a public officer. IBAC dismisses these matters and takes no further action. However, section 4.1 of the IBAC Act allows us to provide any information acquired in the performance of our duties or functions to any person or an organisation we consider appropriate, when that information is relevant to the performance of the duties and functions of the person or body to which the matter is referred. This allows IBAC to share information which does not demonstrate corrupt conduct, but may provide useful intelligence to an organisation. In this way, IBAC is a conduit of information which may assist or enhance the ability of other organisations to respond to issues at an early stage.

As an example IBAC received a complaint in relation to a prison officer breaching the complainant's privacy by accessing and disclosing information relating to the complainant's time in prison to the complainant's friends and family. The information provided by the complainant was vague and lacking in detail and further information could not be sourced. On that basis, IBAC dismissed the complaint. However, we considered that Corrections Victoria could further investigate the information, and that it was relevant to the prison officer's performance of their duties. We determined to provide the complaint information to Corrections Victoria in accordance with section 4.1 of the IBAC Act, for them to take appropriate action.

For examples of complaints that were investigated by IBAC (and finalised in 2017/18), see pages 23-27.

ACHIEVEMENTS

Investigations are an important tool, for exposing public sector corruption and police misconduct in Victoria, and for deterring and preventing it.

Once an 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
- 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 responsibilities, we publish on our website the responses of public sector agencies, including Victoria Police, to our recommendations following investigations to inform the community about the actions agencies have advised they are taking, and to share learnings to help other public sector agencies improve their systems and practices to prevent corruption (page 40).

The following are examples of investigations finalised in 2017/18.

Operation Lansdowne: exposes \$2 million TAFE training scam and issues at V/Line

In December 2015, IBAC commenced Operation Lansdowne. Initially the investigation focused on allegations of serious corrupt conduct relating to South West Institute of TAFE (South West TAFE) and a third-party agreement it had entered into with TayTell Pty Ltd, the owner and director of which was Rebecca Taylor.

In February 2016, the investigation expanded to include Bendigo Kangan Institute of TAFE (Kangan), as IBAC identified credible information that TayTell may have dishonestly obtained government funding to deliver training on behalf of that TAFE.

Operation Lansdowne expanded again in May 2016 to examine potential corrupt conduct by a V/Line officer who engaged Ms Taylor to deliver training. The investigation also considered whether other contracts had been dishonestly awarded and recruitment practices disregarded to benefit a network of people. As part of the investigation, public examinations were held at the County Court of Victoria in June and July 2017 (page 28).

IBAC identified that Ms Taylor operated a scheme through which she received government funding under subcontracting arrangements with South West TAFE and Kangan for training that did not take place. It is estimated this resulted in TayTell receiving more than \$2 million from South West TAFE and Kangan between 2013 and 2015.

Ms Taylor also received about \$136,000 in payments from V/Line. Through connections acquired at a previous employer, Ms Taylor was engaged by V/Line without proper procurement or recruitment processes being followed. The investigation identified that some senior V/Line officers placed undue emphasis on personal acquaintances and friendships rather than merit-based procurement and recruitment processes.

Operation Lansdowne revealed deficiencies in the systems and controls within South West TAFE and Kangan relating to the engagement of TayTell. In relation to V/Line, Operation Lansdowne identified an environment where conflicts of interest were not appropriately declared or managed. IBAC made recommendations to the two TAFEs, V/Line, the Department of Education and Training, the Department of Premier and Cabinet and the Victorian Public Sector Commission to address these vulnerabilities.

South West TAFE, Bendigo Kangan Institute of TAFE, V/Line and the Department of Education and Training are required to report to IBAC on the implementation of these and other recommendations by 31 December 2018.

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

'The Victorian community would be right to be extremely concerned with the misappropriation of these funds. In recent years, there has been considerable attention on the challenges confronting the vocational education and training sector, including concerns around TAFEs' financial sustainability and the vulnerability of the sector to unscrupulous providers.'

Stephen O'Bryan QC
IBAC Commissioner (2012-17)

ACHIEVEMENTS (CONT)

Operation Tone: uncovers drug misuse and corrupt conduct by Ambulance Victoria paramedics

In November 2015, IBAC commenced Operation Tone, an investigation into allegations that Ambulance Victoria paramedics engaged in serious corrupt conduct: theft, trafficking and use of drugs of dependence, and misappropriation of Ambulance Victoria equipment.

During the investigation, IBAC identified:

- two paramedics were involved in the trafficking, use and possession of illicit drugs
- several paramedics were found to be using illicit drugs
- one paramedic had stolen and used Ambulance Victoria drugs of dependence, including fentanyl and morphine
- several paramedics were using and sharing Ambulance Victoria drugs, as well as personal medications, including temazepam and oxycodone
- some paramedics were misappropriating Ambulance Victoria supplies to inappropriately treat themselves, colleagues, family members and friends. This conduct extended to paramedics taking intravenous bags, along with cannulation equipment, to treat the symptoms of hangovers.

The investigation focused on conduct in the Barwon South West region, but based on evidence obtained during the investigation, IBAC considers this conduct and corruption vulnerabilities are likely to be more widespread across Ambulance Victoria.

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

As a result of Operation Tone, one paramedic's employment was terminated and eight paramedics resigned while under investigation. Six paramedics retained their employment with a formal warning. Of these, five were relocated to other regions for varying periods, enrolled in an ethics counselling course and precluded from development opportunities for 12 months.

Following the IBAC investigation, one witness pleaded guilty in the Geelong Magistrates' Court to breaching a confidentiality notice and misleading IBAC, and was fined \$5000.

Ambulance Victoria proactively responded to the vulnerabilities identified in Operation Tone by introducing policies and practices to minimise opportunities for the possession, use and misappropriation of drugs of dependence, and to prevent the misappropriation of Ambulance Victoria equipment.

Figure 7: Operation Tone: Special report concerning drug use and associated corrupt conduct involving Ambulance Victoria paramedics



IBAC recommended that Ambulance Victoria conduct a comprehensive review of the use of illicit drugs and misuse of drugs of dependence by its employees, as well as the development and implementation of a more robust framework to prevent and detect such drug use.

IBAC further recommended the Department of Health and Human Services consider the issues raised in Operation Tone and whether similar vulnerabilities could exist in other Victorian health services.

In March 2018, Ambulance Victoria provided IBAC with a progress report on how it is implementing the recommendations, and Ambulance Victoria and the department are required to submit their final reports to IBAC by 28 September 2018.

'Misappropriation of Ambulance Victoria drugs of dependence can have safety implications for the broader community if drug registers are not accurate, and ambulance vehicles are not stocked with the appropriate medications.'

Stephen O'Bryan QC
IBAC Commissioner (2012-17)

Operation Murano: 20 persons charged including a prominent drug and alcohol counsellor

In May 2017, IBAC commenced Operation Murano, an 'own motion' investigation that centred on the conduct of a rehabilitation coordinator providing misleading information to the court to assist persons before court.

The investigation resulted in 20 persons being charged with offences including attempting to pervert the course of justice, trafficking in a drug of dependence and fraud-related offences.

As at 30 June 2018, four people had pleaded guilty and been sentenced (page 30). The matter remains before the court.

ACHIEVEMENTS (CONT)

Operation Barron: prosecution for misconduct in public office

In August 2016, IBAC commenced Operation Barron, an investigation into allegations that a VicRoads employee had improperly and corruptly used their position by accessing, altering and disclosing registration and licensing information unlawfully to their associates (including their father, who had strong links to a well-known outlaw motorcycle gang).

Additionally, IBAC's investigation sought to determine if the employee's conduct had been or was aiding any other criminal offending, and if they were obtaining or had obtained any gift or benefit for accessing, altering or disclosing VicRoads registration and licensing information.

IBAC substantiated the original allegations and charged the employee with:

- three counts of the common law offence of misconduct in public office for wilfully accessing and disclosing VicRoads information without authorisation
- one count of the common law offence of misconduct in public office for wilfully accessing and modifying VicRoads data without authorisation, associated with the roadworthiness of a vehicle
- one count of corrupt modification of data to cause impairment
- one count of corrupt access to restricted data.

In March 2018, the employee was convicted and sentenced to a two-year community corrections order requiring them to complete 200 hours of unpaid community work. Directly following this, the employee resigned from VicRoads.

This was the first successful prosecution for misconduct in public office since legislative changes were introduced in Victoria in 2016 which strengthened IBAC's ability to investigate allegations of public sector corruption and misconduct.

IBAC's investigation identified several corruption vulnerabilities within VicRoads that allowed the conduct to occur. IBAC is finalising recommendations for VicRoads to address these vulnerabilities.

Operation Carson: improper and corrupt use of public sector position to benefit partner

In June 2016, IBAC commenced Operation Carson, an investigation into allegations that a senior state government employee had improperly and corruptly used their position to provide preferential access to business opportunities for their partner.

IBAC substantiated the allegations in relation to the access and preferential treatment provided by the senior employee to their partner. IBAC also established that the couple were involved in a new, private business together, which had not been declared to the department. The new business sought to leverage the knowledge and networks the senior employee had developed at the department. IBAC established that the senior employee had used their departmental position to further their private business interests and acted in ways that conflicted with their departmental role. The senior employee resigned from the department during IBAC's investigation.

IBAC identified a number of corruption vulnerabilities within the department that allowed the senior employee to conceal their conduct, particularly in relation to conflicts of interest and information management.

Once the senior employee's conduct was raised with the department by industry stakeholders, the department acted swiftly to alert IBAC and promptly complied with IBAC's requests for information. However, organisational safeguards could be strengthened to detect and prevent corrupt conduct.

IBAC made recommendations to the department to address the vulnerabilities. The recommendations were accepted and are being implemented.

Operation Royston: former City of Ballarat Council manager sentenced to jail

In February 2016, IBAC commenced Operation Royston, an investigation into allegations of serious corrupt conduct involving a former manager at the City of Ballarat Council.

It was alleged the manager subverted procurement processes and failed to fully declare and manage conflicts of interest when engaging suppliers (including his wife and associates) on behalf of the council. It was further alleged the former manager dishonestly represented parts of his own university thesis as work performed by his wife's consultancy.

IBAC established that between October 2013 and November 2015, the former manager unlawfully authorised council payments totalling \$184,123. Of this total, he had a pecuniary interest in \$55,885 paid to his wife, and of the remaining \$128,238 paid to his associates, he solicited and received secret commissions totalling \$47,745.

Despite the council having policies, systems and practices in place to prevent corruption, IBAC identified deficiencies in the council's application of internal controls. This enabled the then manager's conduct to go undetected for a significant period.

IBAC also identified that the internal investigation was undertaken by senior council managers, who lacked the expertise to conduct such an investigation and failed to remove themselves from the process, resulting in a perceived conflict of interest.

In February 2018, the former manager was sentenced to three years' imprisonment and ordered to repay \$31,200. His wife was convicted, fined \$3000 and ordered to pay \$20,500 in compensation costs.

ACHIEVEMENTS (CONT)

Public examination: Operation Lansdowne

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 and prevent 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.

We use our power to convene public examinations carefully, and since IBAC's inception we have held only five public examinations across our 69 completed investigations (including preliminary inquiries). All were held in Melbourne apart from those as part of Operation Ross, which took place in Ballarat.

From 27 June to 21 July 2017, IBAC held public examinations in Melbourne into allegations of serious corruption involving the Victorian vocational education and training and transport sectors.

The examinations were part of IBAC's Operation Lansdowne investigation into allegations of serious corrupt conduct at South West Institute of TAFE, Bendigo Kangan Institute and V/Line (page 23).

The examinations focused on the:

- 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.

The examinations heard evidence from 31 witnesses and 278 exhibits were tabled.

They were conducted by the then IBAC Commissioner Mr Stephen O'Bryan QC. Counsel assisting was Mr Ian Hill QC, with Ms Carmen Currie of the Victorian Bar.

Prosecution outcomes from IBAC investigations

Prosecutions arising from IBAC investigations are one way of exposing the impact of corrupt conduct in the public sector, as well as the consequences for people involved – including jail terms, recoveries of proceeds of crime, fines, community work and corrections orders and bonds. The number of charges and convictions an anti-corruption

body secures is only one indicator of performance, albeit a highly public one. IBAC's performance is measured across our core operational functions and is explained in this annual report, and assesses the effectiveness and efficiency of our operations against agreed metrics.

Table 10: Prosecution outcomes

Investigation	Date	Who	Outcome
Operation Yarrowitch: investigation into alleged use of illicit drugs by Victoria Police members	July 2017	First Constable Jacqueline Rogash	Ms Rogash pleaded guilty to one charge of perjury. She was convicted, placed on an 18-month community corrections order and ordered to perform 200 hours of community work. Ms Rogash appealed that sentence and her appeal was dismissed.
Operation Ord: investigation into the conduct of officers of the Department of Education and Training in connection with the use of 'banker schools'	August 2017	Michael Giulieri	Mr Giulieri pleaded guilty to charges of conspiracy to attempt to pervert the course of justice, and wilfully making a false or misleading statement to IBAC. He was convicted and placed on a two-year good behaviour bond.
Operation Tone: investigation into allegations that Ambulance Victoria paramedics engaged in serious corrupt conduct (page 24)	August 2017	Clare Barrand	Ms Barrand pleaded guilty to a breach of confidentiality order, and making a false or misleading statement with intention to mislead IBAC. She was found guilty, without conviction, and fined \$5000.
Operation Ord: investigation into the conduct of officers of the Department of Education and Training in connection with the use of 'banker schools'	September 2017	Daniel Calleja	Mr Calleja pleaded guilty to the charges of obtaining property by deception, knowingly dealing with the proceeds of crime and attempting to pervert the course of public justice contrary to common law. He was convicted and placed on a two-year community correction order and ordered to perform 250 hours of community work.
Operation Oxley: 'own motion' investigation into allegations a Victoria Police senior constable had purposely omitted information related to their security clearance application to ensure it was approved	October 2017	Senior Constable Matthew Bettiol	Mr Bettiol pleaded guilty to one charge of perjury. He was fined \$8000 (without conviction).
Operation Apsley: investigation into alleged drug trafficking involving Victoria Police officers	October 2017	Senior Constable Sherree Cocks	Ms Cocks pleaded guilty to one charge of inciting another to mislead IBAC. She was convicted and fined \$5000. Ms Cocks appealed her sentence but withdrew her appeal after the court gave her a formal warning that a more severe sentence may be imposed.
Operation Fitzroy: investigation into alleged serious corruption in the former Department of Transport and Public Transport Victoria	November 2017	Darrell Salter	Mr Salter pleaded guilty to one charge of conspiracy to defraud and two charges of giving a secret commission. He was convicted and sentenced to four years and five months imprisonment with a non-parole period of three years.
Operation Royston: investigation into allegations of serious corrupt conduct involving a former manager at the City of Ballarat Council (page 27)	February 2018	Lukas Carey	Mr Carey pleaded guilty to obtaining financial advantage by deception, attempting to commit an indictable offence and soliciting secret commission. He was sentenced to three years' jail and ordered to repay \$31,200.
Operation Royston: investigation into allegations of serious corrupt conduct involving a former manager at the City of Ballarat Council	March 2018	Jasmine Finnigan	Ms Finnigan pleaded guilty to obtaining a financial advantage by deception and attempting to commit an indictable offence. She was convicted and fined \$3000 and ordered to repay \$20,500.
Operation Barron: investigation into allegations that a VicRoads employee had improperly and corruptly used their position (page 26)	March 2018	Peter Kassinidis	Mr Kassinidis pleaded guilty to four charges of misconduct in public office. He was convicted and placed on a two-year community correction order and ordered to perform 200 hours of community work.

ACHIEVEMENTS (CONT)

Investigation	Date	Who	Outcome
Operation Murano: investigation centred on the conduct of a rehabilitation coordinator providing misleading information to the court to assist persons before court (page 25)	March 2018	Glenn Farrugia	Mr Farrugia pleaded guilty to possession of a drug of dependence, namely methylamphetamine. He was ordered to be of good behaviour for a period of 12 months and make a \$1000 donation to beyondblue.
Operation Fitzroy: investigation into alleged serious corruption in the former Department of Transport and Public Transport Victoria	March 2018	Barry Wells	Mr Wells pleaded guilty to one charge of conspiracy to defraud and three charges of receiving a secret commission. He was convicted and sentenced to eight years and nine months imprisonment with a non-parole period of six years and three months. Mr Wells appealed that sentence and his appeal was dismissed.
Operation Fitzroy: investigation into alleged serious corruption in the former Department of Transport and Public Transport Victoria	March 2018	Albert Ooi	Mr Ooi pleaded guilty to charges of conspiracy to defraud and receiving a secret commission. He was convicted and sentenced to eight years imprisonment with a non-parole period of six years. Mr Ooi appealed that sentence and his appeal was dismissed.
Operation Murano: investigation centred on the conduct of a rehabilitation coordinator providing misleading information to the court to assist persons before court	April 2018	Pria Fiddler	Ms Fiddler pleaded guilty to charges of obtaining a drug prescription by false representation, trafficking a drug of dependence, namely methylamphetamine, and possession of diazepam (along with a consolidation of Victoria Police charges). She was convicted and placed on an 18-month community correction order and ordered to perform 180 hours of community work.
Operation Murano: investigation centred on the conduct of a rehabilitation coordinator providing misleading information to the court to assist persons before court	May 2018	Amerigo Masci	Mr Masci pleaded guilty to three charges of trafficking a drug of dependence, namely cannabis, methylamphetamine and cocaine. He was convicted and placed on a two-year community correction order and ordered to perform 175 hours of community work.
Operation Murano: investigation centred on the conduct of a rehabilitation coordinator providing misleading information to the court to assist persons before court	June 2018	George Khoury	Mr Khoury pleaded guilty to trafficking a drug of dependence, namely cocaine. He was convicted and placed on a 12-month community correction order and ordered to perform 150 hours of community work.

CHALLENGES AND OPPORTUNITIES

New investigation team

In November 2017, IBAC strengthened its operational capacity by establishing another investigation team.

The team consists of investigators, intelligence analysts, forensic accountants and legal expertise, and provides a multifaceted approach to the exposure and investigation of corruption, by combining contemporary and traditional investigative techniques including financial analysis, intelligence analysis, and use of IBAC's coercive powers.

The new investigation team consists of staff from various Australian jurisdictions, most having police or public sector experience before commencing with IBAC. The team also includes specialised support staff from a variety of backgrounds.

Launch of online reporting tool

In May 2018, IBAC added a new 'information report' option to its website, enabling people to provide information about suspected public sector corruption or police misconduct to IBAC securely and anonymously online, without making a formal complaint. The option to make a formal complaint remains.

The new option:

- provides the public with another avenue through which information on public sector corruption and police misconduct can be received
- captures information that may otherwise not be recorded due to a complainant's reluctance to engage in the formal complaint process
- builds IBAC's intelligence by contributing information to existing investigations or preliminary inquiries, and strategic intelligence and research work.

IBAC is monitoring the use and effectiveness of this 'inform' option and will report on its impact in the 2018/19 annual report.

Responding to technological change while meeting compliance requirements

Advances in encryption technology, especially with the increasing use of commercially available messaging applications, present challenges and potential barriers to IBAC investigations. However, IBAC believes encryption is not an insurmountable barrier, and we are committed to utilising technological advances to maintain a strong collections capability while continuing to meet strict compliance requirements.

The constant increase in storage capacity of personal electronic devices has led to a proliferation of data requiring processing and analysis. IBAC will continue to explore methods for bulk data analysis to efficiently process and identify pertinent intelligence.

This increase in collected data has a flow-on effect on IBAC's data storage capacity and IBAC will need to explore alternative methods, including secure cloud-based options, to keep pace with storage requirements.

OUTLOOK

New telecommunications interception capabilities

IBAC has powers to investigate allegations of public sector corruption and police misconduct, including being able to use surveillance devices and intercept telecommunications.

The investigative techniques IBAC uses depend on:

- the nature of the allegation
- whether there are witnesses
- when the alleged conduct occurred
- the seriousness of the conduct.

To ensure IBAC uses these powers appropriately, we must apply to the Supreme Court or other courts and tribunals before exercising some powers. A Public Interest Monitor reviews and may make submissions on IBAC's applications for surveillance device warrants and telecommunications interception warrants. IBAC also reports regularly to various state and Commonwealth bodies on the use of our powers (page 58).

IBAC's telecommunications interception system was inherited from the previous Office of Police Integrity and is now obsolete. To identify a suitable alternative, a competitive procurement process was held, and this was finalised in 2017/18. The solution has a centralised intelligence collection and analysis platform, which meets existing requirements.

In 2018/19, IBAC will continue to implement this new system along with other hardware upgrades that improve analysis of forensic data obtained in investigations.

New case management system

In 2018/19, IBAC will upgrade the administration of investigations and complaints management through the implementation of a new case management system. The new system will streamline case and data management, allowing for more effective use of information/intelligence by all areas of the agency and contribute to more efficient ways of working by reducing duplication and risk in relation to information management.

The new system will also improve intelligence and information sharing between internal and external agencies, and allow for improved reporting capability.

Increasing reviews of external investigations conducted by Victoria Police

When IBAC refers complaints and notifications to Victoria Police to investigate, we select certain matters to review following the police investigation (page 73). IBAC reviews of how police handled these matters helps to identify if their investigation has been conducted appropriately and fairly, and can identify opportunities for Victoria Police to improve their systems and practices.

IBAC selects matters for review based on whether the case involves an issue that has been identified by IBAC as a specific area of focus or risk, such as excessive use of force by police.

While recruitment of investigators with the appropriate high level of expertise continues to be a challenge for IBAC, we will increase our own investigations and the number of reviews we conduct of investigations by Victoria Police in 2018/19.

PREVENTING AND INFORMING

Preventing corrupt conduct and police misconduct is at the centre of IBAC's work. When conducting investigations, reviewing matters referred to Victoria Police and other agencies for action, 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 community about the risks and impacts of corruption and police misconduct, and how it can be identified, reported and prevented. We detail the challenges and opportunities involved in this work, and outline what IBAC will be doing in the year ahead.

STRATEGIC GOAL

Preventing and informing corrupt conduct and police misconduct

CHALLENGES AND OPPORTUNITIES

- Meeting the growing demand for speaking engagements
- Identifying serious or systemic corruption in the absence of complaints
- Supporting public sector heads in meeting their mandatory reporting obligations.

HIGHLIGHTS

- Delivered 92 corruption prevention initiatives, including IBAC's first Corruption Prevention and Integrity Conference
- Released two strategic intelligence reports analysing the major corruption issues associated with the public health and the corrections sectors, respectively
- Released four research reports on the perceptions of corruption of state government employees, local government employees, Victoria Police employees and the Victorian community, providing insights into their awareness of corruption, and attitudes to corruption prevention and reporting
- As part of IBAC's police oversight role, released two public audit reports examining corruption and misconduct risks within Victoria Police, including making 13 recommendations to improve systems and practices
- As a result of investigations, made 18 formal recommendations to public sector agencies aimed at preventing corruption and police misconduct
- Held corruption prevention and integrity insight forums in Warrnambool and Traralgon as part of focused engagement in regional Victoria
- Engaged with the Victorian legal and business sectors to improve understanding of our role, raise awareness about corruption, its impact and how to encourage reporting of suspected public sector corruption and police misconduct.

PERFORMANCE

Table 11: IBAC reviews of investigations conducted by other agencies

	2013/14	2014/15	2015/16	2016/17	2017/18
Reviews of police investigations completed	79	114	96	73	72 ⁸
Number returned as deficient ⁷	n/a	19	35	20	48
Reviews of public sector investigations completed	0	5	8	8	8
Number returned as deficient	-	3	5	2	8

When IBAC refers a matter to Victoria Police or a public sector agency for action, we select certain cases for review. These reviews 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, we may recommend that specific action be taken to address an issue.

In 2017/18, there was an increase of 217 complaints and notifications received for assessment compared to 2016/17, with 1303 more allegations considered. The increase in complaints received reflects increasing awareness about IBAC, publicity about public sector corruption and police misconduct, ongoing engagement activities conducted by IBAC as well as changes to legislation such as mandatory notifications by public sector agencies. IBAC also received a significant number of complaints following the release of reports tabled by oversight and other integrity agencies, including but not limited to the Victorian Ombudsman. Of all reviews, 95 per cent were conducted within 90 days.

72

reviews completed
of matters
investigated by
Victoria Police

8

reviews completed
of matters
investigated by
public sector
agencies

95%

of all reviews
conducted within
90 days

⁷ The main reason why files are returned as deficient is a lack of detail provided

⁸ Reviews are not the only way in which IBAC assesses the adequacy of police investigations following complaints. IBAC may also examine other complaint files - such as the more than 200 complaint files scrutinised as part of our investigation into the conduct of a former Assistant Commissioner PSC (page 72), and the 36 complaint files prompted by concerns with the determination of complaint outcomes and the application of the disciplinary regime (page 74).

IBAC's audits can also identify areas for improvement to help Victoria Police strengthen its complaint-handling processes.

Table 12: Recommendations made under section 159 of the IBAC Act

	2013/14	2014/15	2015/16	2016/17	2017/18
Recommendations made by IBAC	2	24	20	47	18
Recommendations implemented ⁹	1	10	18	20	30
Recommendations being monitored	1	14	16	38	30
Outstanding Office of Police Integrity (OPI) recommendations not fully implemented by Victoria Police (not included in counts above)	14	7	6	3	0

As part of our investigations, we consider broader systemic issues, and gaps or weaknesses in agencies' controls that may have facilitated alleged corruption or police misconduct. As a result, we made 18 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 to inform the community about the actions agencies have advised they are taking, and to share learnings to help other public sector agencies improve their systems and practices to prevent corruption.

IBAC has continued to monitor recommendations arising from OPI investigations. As at 30 June 2018, all had been implemented. The outstanding recommendations from 2016/17 related to an OPI investigation concerning the handling of property and exhibits and an investigation resulting in the recommendation to increase liaison and training for priority communities.

18

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

⁹ Includes formal recommendations made in previous years.

PERFORMANCE (CONT)

Table 13: Corruption prevention initiatives

	2013/14	2014/15	2015/16	2016/17	2017/18
Number of corruption prevention initiatives delivered (for example, training sessions, speaking opportunities and prevention resources)	74	76	78	93	92
Satisfaction rating with prevention and education initiatives delivered to stakeholders	100%	100%	99%	99%	99%

IBAC has specific prevention and education functions under our legislation. We aim to make the greatest impact on preventing public sector corruption and police misconduct by focusing on three key strategies:

- 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.

In 2017/18, we delivered 92 corruption prevention initiatives, with a 99 per cent satisfaction rating. As part of our ongoing work to ensure we engage effectively with all Victorians, our regional forums continued, with well-attended forums held in Warrnambool and Traralgon for local public sector leaders (page 41). Other engagement activities included the extension of our community education campaign: *When something's not right. Report it* (page 42), and our first Corruption Prevention and Integrity Conference in Melbourne (page 43).

92

corruption
prevention initiatives
delivered

REVIEW OUTCOMES

IBAC can consider complaints about corruption and misconduct (including improper conduct under the PD Act) 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
- investigate the matter.

As part of this assessment, IBAC also determines which complaints meet the protected disclosure complaint requirements of the PD Act. More information about how we handle complaints is available on our website.

Of the complaints referred to other agencies, IBAC reviews certain matters to ensure they have been investigated thoroughly and fairly. The following reviews of public sector matters were among those finalised in 2017/18. Reviews of Victoria Police matters are in chapter seven.

Review results in criminal investigation and departmental review of procurement policies

IBAC reviewed an investigation conducted by the former Department of Education and Early Childhood Development (DEECD) into allegations that a former principal fraudulently enrolled students at their school to obtain additional funding.

The Department's investigation substantiated the allegations, and to improve governance, the Department made an extensive list of recommendations, which the school accepted. The investigation also identified the former principal was not compliant with good governance regarding numerous financial transactions. IBAC was satisfied with the standard of the investigation completed by the Department, and agreed with the outcomes reached.

Upon finalisation of the investigation, the former principal was no longer employed at the Department and as such, internal disciplinary action could not be taken. The Department decided not to contact the police. IBAC sought an explanation from the Department regarding its reason for not providing the information to Victoria Police for consideration. In response, the Department acknowledged further consideration was given and the matter was referred to the Victoria Police Crime Investigation Unit.

The response received from the Department appropriately reflects the seriousness of the matter, and IBAC's commitment to ensuring such matters are provided to Victoria Police for potential criminal prosecution.

Review prompts improvements to information contained in mandatory notifications

IBAC received a mandatory notification from a council under section 57(1) of the IBAC Act relating to the provision of free or discounted childcare services to family and staff members employed at the centre.

IBAC referred the matter to the council for them to investigate. No protected disclosure status was granted because the notification did not identify a complainant. IBAC subsequently received a further anonymous complaint, which raised concern with the investigation. As such, IBAC determined to review the completed council investigation file.

The council conducted this investigation with the assistance of external auditors, who determined more than \$50,000 had been misappropriated. As a result of the investigation, a number of staff were dismissed, and others resigned. IBAC's review found no deficiencies with the investigation and concluded that the action taken by the council was appropriate. However, the review confirmed there was a complainant. While IBAC was satisfied that protections were provided to the complainant, it was an opportunity to clarify the provision of information, and ensure IBAC is able to make determinations based on all available information.

Review prompts improvements in complaint management

In 2015, IBAC received a complaint alleging that from 2010, the principal and vice-principal of a school inappropriately spent departmental funds on overseas travel. The complainant also noted the school may be a 'banker school' and made payments to companies or businesses identified in IBAC's Operation Ord. IBAC referred the matter to the Department of Education and Training (DET) and reviewed the findings based on IBAC's ongoing strategic interest in DET matters. The IBAC review of the investigation conduct noted the DET investigation was comprehensive and there was no evidence found to support the allegations.

IBAC recognised that while this investigation involved obtaining financial data and detailed analysis, the investigation duration of two years was considered inappropriate and excessive. As a result of IBAC raising this same concern with a number of other DET investigations, the Department acknowledged the delay taken to finalise investigations was too long and made significant changes to its complaint and investigation management. This included increasing resources and introducing policies and procedures to deliver reduced investigation timeframes. The review resulted in enhanced internal processes and procedures to improve customer service.

ACHIEVEMENTS

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. This approach is founded on the understanding that public sector leaders have a thorough understanding of their organisation's systems, resources, operating environments and risks, and are consequently best placed to develop and implement appropriate integrity and corruption prevention frameworks.

IBAC also works collaboratively with our 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 Inspectorate.

Some examples of our recent prevention and engagement activities are provided on the following pages.

Strategic research identifies red flags of corruption risks in public health and corrections sectors

In 2017/18, IBAC released two strategic intelligence reports analysing the major corruption issues associated with the public health and corrections sectors, respectively, drawing on research and case studies in Victoria, and from across Australia and internationally.

The reports explored the different factors driving corruption risks in these sectors, identifying areas of particular vulnerability, and suggested strategies for strengthening detection, reporting and prevention across these sectors. The reports were released as part of IBAC's work to alert the public sector to key issues and risks and to help agencies strengthen their anti-corruption policies, systems and practices.

For the corrections sector, the key integrity and corruption issues identified included risks around:

- the provision of contraband (such as drugs and mobile phones) to prisoners by corrections officers
- unauthorised access to and disclosure of information to prisoners by corrections officers
- ensuring probity in large-scale procurement processes
- recruitment – particularly during peak periods, and for facilities in small regional communities.

For the public health sector, the key integrity and corruption issues identified by IBAC included risks around:

- theft of controlled drugs
- covering up of clinical malpractice
- fraudulent billing practices
- bullying within the medical profession, which can enable or obscure corrupt conduct.

To read the full reports, visit the IBAC website.

Perceptions of corruption research

In 2017/18, IBAC published four research reports on perceptions of corruption, outlining survey results for four groups – state government employees, local government employees, Victoria Police employees and the Victorian community. The research provides insights into the awareness of corruption, and attitudes to corruption prevention and reporting, in different sectors.

Key results included:

- a large majority of respondents in the state government, local government and Victoria Police employee groups indicated they would report corruption because 'it is the right thing to do'
- a large majority of respondents in all four groups said that if they personally observed corruption they would report it because corruption impacts on the Victorian community
- more than half of respondents in all four research groups agreed that corruption happens in Victoria, and about one-third of respondents in each group agreed that corruption is a problem in Victoria
- when asked to rank scenarios on a scale from 'definitely not corrupt' to 'definitely corrupt', the four groups were fairly consistent in identifying behaviours considered 'probably' or 'definitely' corrupt (ie accepting a bribe to award a contract)
- between 28 per cent and 46 per cent of respondents in all four groups believed they would experience personal repercussions if they reported corruption (the highest percentage was among Victoria Police employees)
- direct managers and protected disclosure coordinators play an important role in supporting employees to report corruption.

The research also highlighted there is an opportunity for Victoria's public sector agencies to do more to educate their employees about corruption prevention and reporting, and to promote the important role managers and protected disclosure coordinators play in supporting employees to speak up and report suspected wrongdoing.

These reports complement earlier research published by IBAC, including in 2016 on the perceptions of corruption of Victorian Government suppliers.

The research informs the efforts of IBAC, the community, Victoria Police and other public sector organisations to develop relevant anti-corruption strategies.

Research reports examining police corruption and misconduct risks

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

Audit of Victoria Police's oversight of serious incidents impacting the public

IBAC conducted an independent audit of how Victoria Police oversees incidents involving its officers that result in death or serious injury to members of the public. The audit examined how Victoria Police handled 142 oversight files closed during 2015/16.

The IBAC audit found issues with how police managed the oversight of serious incidents and made recommendations for these to be immediately addressed. Issues requiring immediate attention included:

- poor management of conflicts of interest
- half of the files failing to consider relevant evidence including statements from independent witnesses
- almost two-thirds of files did not address human rights issues
- significant delays in the timeliness of oversight, with more than one-third taking longer than the permitted 90 days to complete
- almost one-third of files showed signs of inadequate supervision.

IBAC made eight recommendations to Victoria Police to address the issues identified. All these recommendations were accepted by Victoria Police.

IBAC will monitor Victoria Police's implementation of the audit's recommendations. IBAC has requested Victoria Police provide an interim report on its implementation of the audit's recommendations by September 2018 and a final report by March 2019.

ACHIEVEMENTS (CONT)

Audit of complaints investigated by Victoria Police Professional Standards Command

IBAC also conducted an audit of a sample of files investigated by Professional Standards Command (PSC), the central area within Victoria Police responsible for the organisation's ethical health and integrity. The audit examined the adequacy of police handling of complaints involving more serious allegations of misconduct or corruption. The complaints made about police considered in the IBAC audit included allegations of improper criminal associations, drug use or possession, sexual offences, handling stolen goods, threats to kill, interference in investigations and misuse of information.

A total of 59 files closed during 2015/16 were examined. The audit identified several areas for improvement in how PSC investigates complaints:

- concern with the use of the 'work file' classification, including its use when a matter involved allegations
- poor management of conflicts of interest
- inadequate recommended actions
- failure to recommend broader organisational improvements.

IBAC made five recommendations to Victoria Police to improve the way in which PSC investigates complaints. All recommendations were accepted by Victoria Police.

IBAC will monitor Victoria Police's implementation of the audit's recommendations.

Agency responses to IBAC recommendations – ensuring preventive action is taken

IBAC publishes the responses of public sector agencies, including Victoria Police, to IBAC recommendations following investigations, to inform the community about the actions agencies have advised they are taking, and to share learnings to help other public sector agencies improve their systems and practices to prevent corruption.

In 2017/18, we published on our website a range of responses from public sector agencies following several important IBAC investigations into serious corruption and police misconduct.

Agency responses included those from the Department of Health and Human Services, Bendigo Health, Ambulance Victoria, the Department of Education and Training, the Department of Treasury and Finance, Corrections Victoria and Victoria Police.

In some cases, agencies were required under the IBAC Act to respond to IBAC's formal recommendations to improve their systems, practices or controls. Some other responses were voluntary, and demonstrate public sector agencies proactively employing the findings of IBAC investigations to review and improve their corruption prevention strategies.

The responses published included:

- Bendigo Health response to *Operation Liverpool: an investigation into allegations of corrupt conduct by Bendigo Health's Chief Executive Officer and a former construction manager*
- Department of Health and Human Services response to *Operation Liverpool*
- Ambulance Victoria voluntary response to recommendations arising from *Operation Liverpool*, and response to *Operation Tone: a special report concerning drug use and associated corrupt conduct involving Ambulance Victoria paramedics*
- Victoria Police response to recommendations arising from the *Special report concerning illicit drug use by Victoria Police officers: Operations Apsley, Hotham and Yarrowitch*
- Corrections Victoria response to *Operation Nepean: an investigation into the conduct of a former employee of the Dame Phyllis Frost Centre*
- Department of Education and Training response to *Operation Dunham and Operation Ord: investigations into the conduct of several employees of the Department of Education and Training in connection with the Ultranet project, 'banker schools', and related matters*
- Department of Treasury and Finance response to *Operation Dunham*.

For more information about the investigations and to view the agency responses, visit the investigation section of the IBAC website.

Victoria Police also responded to recommendations arising from these IBAC research and audit projects:

- *Transit Protective Services Officers – An exploration of corruption and misconduct risks*
- *Drink driving detections of Victoria Police officers*
- *Audit of Victoria Police complaints handling systems at regional level*

These responses can also be viewed on the IBAC website.

Supporting Protected Disclosure Coordinators

Protected Disclosure Coordinators (PDCs) provide 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 senior managers usually 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.

As part of our work to support PDCs, IBAC held the fifth annual PDC forum in Melbourne in May 2018, attracting more than 60 participants from across the state, and virtual attendees in regional Victoria who participated via a live webinar. IBAC Commissioner The Honourable Robert Redlich QC opened the forum, emphasising the unique and important role PDCs play in identifying and addressing organisational integrity problems.

Ms Cheryl Batagol PSM, Chair of Environment Protection Authority Victoria, gave the keynote address and focused on the importance of a constructive organisational culture and leadership at all levels as providing the best defence against fraud and corruption.

Another important initiative to support PDCs was the development of a new Protected Disclosure Community of Practice (PDCOP). The PDCOP will provide coordinators with more tailored opportunities to network, share knowledge and build their skills in managing protected disclosure reports. The PDCOP was introduced following consultations with PDCs and their recommendation that a PDCOP would be a valuable means of support for their work/role. The PDCOP is organised by a committee chaired by IBAC and comprising PDC representatives from state government agencies, local councils, Victoria Police and the Victorian Ombudsman's office. PDCOP events will be held in 2018/19.

In 2017/18, IBAC also published three new fact sheets on protected disclosures to help PDCs support and inform people considering making a protected disclosure. A presentation about the protected disclosure regime was also developed for use by PDCs in their organisations or workplaces to raise awareness about protected disclosures.

At 30 June 2018, the Integrity and Accountability Legislation Amendment (Public Interest Disclosures, Oversight and Independence) Bill 2018 was before the Victorian Parliament. The Bill proposes changes to several areas of Victoria's integrity system including improvements to enable IBAC, the Victorian Ombudsman and other relevant bodies to better share information to resolve complaints. It also proposes changes to the PD Act to support 'whistleblowers', or people making disclosures in the public interest. Should the Bill be passed by Parliament, IBAC will then support PDCs in the implementation of the new legislation.



'Misconduct is much more likely to be reported when the culture is a healthy, constructive one.'

Cheryl Batagol PSM, Chair of Environment Protection Authority Victoria, speaking at the PDC forum in May 2018

Sharing integrity insights in regional Victoria

IBAC has a dedicated program of regional engagement to ensure anti-corruption resources are accessible for public sector employees and community members working in regional Victoria.

In 2017/18, IBAC held regional Corruption Prevention and Integrity Insights forums in Warrnambool and Traralgon. More than 140 people attended the regional forums, which provided an opportunity for public sector leaders, including senior executives from local councils, state government agencies and Victoria Police, to learn about corruption risks and prevention strategies.

The Warrnambool forum, held in December 2017, was opened by Mr Bruce Anson, Chief Executive of Warrnambool City Council. Other presenters included the

ACHIEVEMENTS (CONT)

Victorian Auditor-General Mr Andrew Greaves, Deputy Ombudsman Ms Megan Philpot, Chief Municipal Inspector Mr David Wolf, and Executive Director Health Service Policy and Commissioning, Department of Health and Human Services Dr Margaret Grigg. Topics included corruption risks, integrity challenges and best practice in corruption prevention.

The Traralgon forum, held in April 2018, was opened by Mr Gary Van Driel, CEO of Latrobe City Council. Presenters included IBAC CEO Mr Alistair Maclean, Deputy Ombudsman Ms Megan Philpot, Chief Municipal Inspector Mr David Wolf, Assistant Auditor-General Mr Bill Gilhooly, and Executive Director for the Gippsland region from the Department of Justice and Regulation, Ms Gabrielle Levine.

IBAC has now held five regional public sector forums across Victoria, and will continue this engagement in 2018/19.

Engaging with Victoria's legal and business sectors

In 2017/18 IBAC engaged with the Victorian legal sector to improve understanding of our role, and raise awareness about corruption, its impact and how to encourage reporting of suspected public sector corruption and police misconduct and to encourage reporting.

IBAC's remit covers the whole Victorian public sector and this includes judges, magistrates and other judicial members. Therefore, it is important the legal sector understands what we do and how they can support their clients who may wish to report corruption and police misconduct, or otherwise be involved in an IBAC inquiry.

As part of this work, IBAC held roundtable meetings with peak bodies and representatives, undertook continuing professional development sessions and a range of other actions. An article by IBAC's Commissioner, in the *Victorian Bar News*, enhanced communication with the legal community.

IBAC also attended events including a Victorian Legal Aid Foundation executive meeting in November 2017, met with key organisations including Victoria Legal Aid and Victorian Women Lawyers, made presentations to legal forums, and provided background information and communication material for sector publications.

We also commenced focused engagement with Victoria's business sector. Several IBAC investigations have highlighted a range of corruption vulnerabilities and risks that exist when the public and business sectors interact.

Our focus is to increase awareness of these corruption risks and the public sector standards that exist for businesses supplying goods and services to local councils and state government agencies. Work with these sectors will continue in 2018/19 and extend to other sectors, including the not-for-profit sector.

Extending IBAC's community education campaign

As part of our work to raise awareness about corruption, what it is and how to report it, in 2016/17 we ran our first community education campaign: *When something's not right. Report it.* This 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 (available on IBAC's YouTube channel) 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.

Evaluation of this campaign showed an increase in community engagement as measured via IBAC website hits, which linked people to information about corruption and how to report it. Based on the initial positive results, the campaign was extended for August and September 2017.

A series of print advertisements were also run in major Victorian metropolitan daily newspapers, regional press and non-English language papers during May and June 2018 to further support IBAC's legislative responsibility to inform the community about the impacts of corruption and how to report and prevent it.

Figure 8: Newspaper advertisement from the extended *When something's not right. Report it.* community education campaign



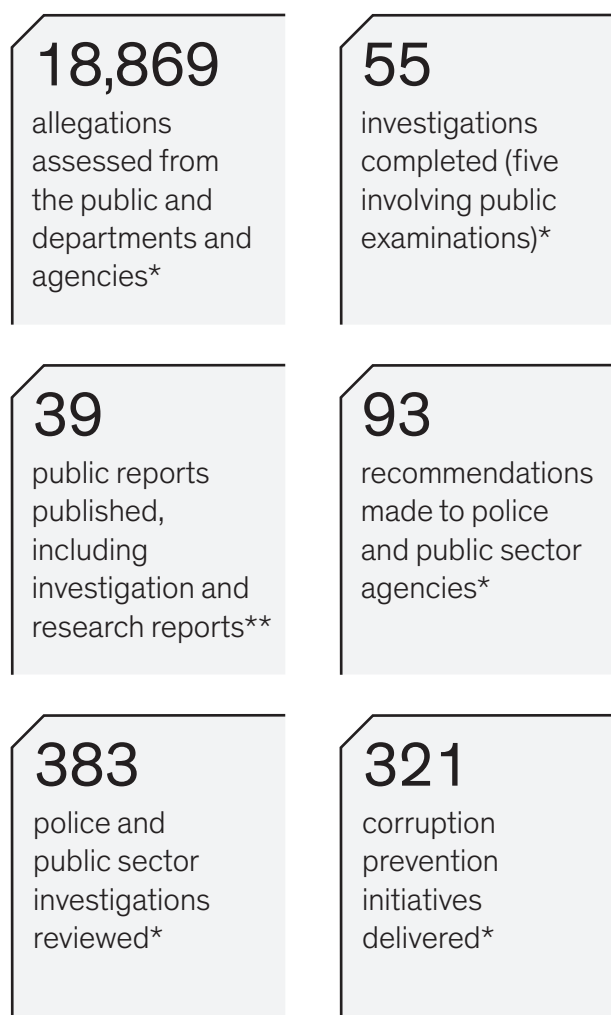
Special report on IBAC's first five years

In December 2017, IBAC published a special report on the major activities and achievements in our first five years.

The report coincided with IBAC's foundation Commissioner, Mr Stephen O'Bryan QC, completing his non-renewable five-year term.

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

Figure 9: Key activities and achievements in IBAC's first five years



*Data is the sum of financial year figures from 1 July 2013 to 30 June 2017.

**Total figure from when IBAC become fully operational in February 2013 to the end of 2017, excluding guidelines.

Corruption Prevention and Integrity Conference

IBAC held a Victorian Corruption Prevention and Integrity Conference in Melbourne in October 2017. The conference gave people from across the Victorian public sector an opportunity to learn from one another through case studies, research and advice, to help inform the way departments and agencies work together to prevent corruption and misconduct.

IBAC delivered a broad conference program to some 400 attendees. Registrations and speakers included public sector leaders and eminent integrity experts such as: organised crime and mafias expert Dr Anna Sergi, of Essex University (who gave the keynote address); Professor AJ Brown, of Griffith University; international anti-corruption specialist Professor Emeritus Leslie Holmes; and former Victorian Court of Appeal judges The Hon Stephen Charles AO QC and The Hon Murray Kellam AO. Also participating were Commissioners from interstate anti-corruption bodies: The Hon Bruce Lander QC (SA ICAC), The Hon John McKechnie QC (WA CCC) and Alan MacSporran QC (Qld CCC).

The strong participation in the conference of Victorian public sector leaders and executives with integrity responsibilities demonstrated their commitment to deliver the best possible services to our community, by providing a public sector free of corruption.

'Leadership and culture don't have a start and finish date. While we need to have systems, processes and policies, we also need to equip leaders with the skills and confidence to be able to create an environment in which people can achieve their best within a framework of strong ethical conduct.'

Rebecca McKenzie, Glen Eira City Council Chief Executive Officer
Presenter at the Corruption Prevention and Integrity Conference

ACHIEVEMENTS (CONT)

Improving the accessibility of communication resources

IBAC's commitment and approach is to be as open and transparent as possible in providing information to the public.

However, IBAC is sometimes limited in what information we can share externally. This is mainly due to legal and operational reasons such as the requirement to not compromise an investigation or the need to ensure natural justice. When IBAC can share information about our work, we focus on producing quality, accessible and relevant communications. We produce a broad range of publications and other resources including video and other digital communication, available on the IBAC website.

In 2017/18, IBAC produced three special reports, 44 media releases/statements, four issues of our *IBAC Insights* quarterly e-newsletter as well as other communication and engagement activities to increase awareness of our work to expose and prevent corruption.

This year we expanded our digital and social media content and translated more information into community languages, focusing on our most accessed publications such as a local council complaints flowchart and videos about IBAC, including one about how to report corruption. IBAC's community education campaign also featured advertisements translated into five community languages. These were published in six Victorian non-English community newspapers.

One of IBAC's most widely read publications is *IBAC Insights*, a quarterly publication with a focus on sharing key information on corruption prevention. *IBAC Insights* has more than 2700 subscribers, and is on-shared with many others. IBAC uses social media as a further way to engage with the public sector and wider community, and to share information on corruption. IBAC's Twitter engagement increased, with the number of followers reaching more than 2200. IBAC media releases are often picked up and shared via Twitter, providing a quick way for people to learn about the latest IBAC information. Information is also shared via the IBAC LinkedIn account and email alerts are frequently sent to *IBAC Insights* subscribers. Through these avenues, IBAC continued to raise awareness about corruption and share information on how it can be prevented.

Subscribe to *IBAC Insights* via our website.

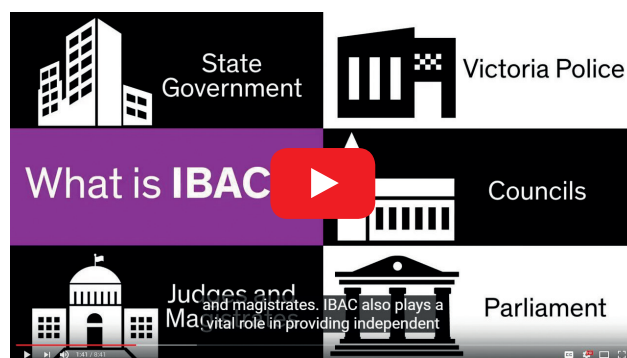
Ensuring IBAC resources are accessible to all Victorians, including those with disabilities, is an ongoing focus. An accessibility audit of the IBAC website was undertaken this year and included testing by users who rely on a range of technologies to access information online. We also worked to improve the accessibility of website content.

We improved descriptions and key words associated with web content to optimise discovery via search engines such as Google. This work supported a 20 per cent increase in visits to IBAC's website via organic (non-paid) search results. As a result of these efforts, along with other communication initiatives and new resources, unique visits¹⁰ to the IBAC website grew by nine per cent, from 84,062 in 2016/17 to 91,886 in 2017/18.

In 2017/18, IBAC:

- delivered two new videos to further explain our role, and encourage reporting of public sector corruption
- developed 15 new digital resources to help the Victorian public sector encourage prevention and reporting of corruption
- introduced an additional way for Victorians to securely provide IBAC with information about corruption online, to complement the formal complaints option
- expanded our social media reach
- worked with the mainstream and social media to share research and other reports
- provided more material in community languages.

Figure 10: IBAC video explaining our role and the impacts of public sector corruption (released July 2017)



¹⁰ A 'unique visit' is a person/IP address who visited the IBAC website at least once during the reporting period. If the same IP address accessed the website many times, it still counts as only one visitor.

CHALLENGES AND OPPORTUNITIES

Meeting the growing demand for speaking engagements

As awareness of IBAC's role increases, so do the requests to engage face-to-face with stakeholders to discuss corruption risks and mitigation strategies. While IBAC is committed to engaging directly with stakeholders, the agency is small in comparison with the size of the jurisdiction for which it is responsible. IBAC's jurisdiction extends across the whole Victorian public sector, including Members of Parliament, the judiciary, police, and state and local government. This adds up to about 300,000 Victorian public sector employees, in about 3500 organisations. While in 2017/18 we undertook 40 engagements, our capacity to meet all invitations is naturally limited.

We address this challenge by assessing each invitation against IBAC's key objectives and functions in accordance with our legislation, corporate plan and corruption prevention strategy. In making our decision, we also consider a number of practical criteria, such as: the timing and importance of issues to be discussed at the event, and the composition of the audience.

We continue to explore how we can use online and digital tools, and other approaches to meet demand and maximise our reach to help build the capacity of the Victorian public sector to prevent corruption.

Identifying serious or systemic corruption and misconduct in the absence of complaints

By its nature, corruption and misconduct are hidden activities and therefore difficult to detect. We rely on people coming forward with information to help us detect and expose such activity and associated risks within the public sector and Victoria Police.

While we receive allegations of public sector corruption and police misconduct via complaints from the public and notifications from agencies, and now via the new 'inform' option on our website (page 31), these sources may not identify particular cases, or can result in significant delays in suspected corruption or misconduct being brought to our attention.

Consequently, IBAC is enhancing our data analysis, predictive modelling and knowledge-sharing capabilities to better identify and expose complex patterns of corruption and misconduct. In 2017/18 IBAC's strategic intelligence function was subject to an independent audit as part of IBAC's ongoing internal audit plan. IBAC has accepted all of the audit's recommendations and is implementing measures that will enhance our intelligence and research capabilities.

Mandatory notifications progress report

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 one of several measures to strengthen the state's integrity system. Victoria Police was already required to notify IBAC of complaints of corrupt conduct or police misconduct.

Coming into effect on 1 December 2016, the legislation required 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 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.

IBAC's report on the first year of implementing this legislation (ending 30 November 2017) shows we received a total of 109 mandatory notifications from the heads of public sector bodies. Most (61) came from state government agencies and 48 notifications from local councils. The report provides a high-level overview of emerging trends and patterns in mandatory notifications. The report has been shared with heads of agencies and is available on the publications section of the IBAC website.

To support agency heads in meeting their mandatory reporting obligations, we produced new resources, including case studies of examples of mandatory notifications. These are also available on the IBAC website.

IBAC considers there remains scope to improve the timeliness and quality of the mandatory notifications provided by relevant principal officers across state and local government. Supporting compliance will continue to be an active area of focus in the year ahead.

OUTLOOK

Key research planned in 2018/19

Strategic intelligence reports

IBAC's strategic intelligence work helps identify significant corruption and police misconduct issues and emerging risks. The Strategic Intelligence Unit monitors changes in the Victorian public sector and police environments and produces assessments of specific issues in particular sectors. For example, it is working on assessments of corruption risks associated with public regulatory authorities, public sector employment practices, unauthorised information access and disclosure, social housing, and the delivery of Victorian Government-funded services by non-profit organisations. Reports from several of these projects will be published in 2018/19. These assessments inform IBAC's decision-making on operational, prevention and engagement priorities and strategies, and help inform and alert the public sector to corruption issues and risks.

Victoria Police audits

As mentioned in chapter seven, since 2015, IBAC has conducted three audits of how Victoria Police handles complaints or oversights of serious incidents (page 75). These audits examined timeliness, impartiality and thoroughness of investigations. IBAC is committed to conducting an ongoing program of these audits as part of our independent police oversight role. The purpose of the audits is to identify areas for improvement to help Victoria Police strengthen its complaint-handling processes. To date, Victoria Police has accepted all recommendations made by IBAC as a result of these audits. IBAC will conduct a fourth Victoria Police audit in 2018/19.

IBAC also plans to conduct an audit of how a public sector agency handles its complaints. One area to be examined as part of this audit will be mandatory notifications to help agency heads in meeting their reporting obligations.

Integrity framework reviews

During 2017/18, IBAC commenced two research projects reviewing integrity frameworks. One project is examining integrity frameworks in a sample of local councils, and the other in a sample of state government agencies.

This research, which builds on previous research work reported by IBAC in 2014/15, aims to identify strengths and weaknesses in integrity frameworks to help prevent corruption across local government and state government. Reports on this research will be published in 2018/19.

Preparations for national anti-corruption conference

IBAC is preparing to host the seventh biennial Australian Public Sector Anti-corruption Conference (APSACC). APSACC is the leading anti-corruption event for the public sector in Australia. Its focus is on preventing, exposing and responding to corrupt conduct and corruption risks in public institutions, including all levels of government, elected bodies, the judiciary and statutory bodies.

The conference will be held in Melbourne in October 2019, and planning and organising commenced in 2017/18. It is expected to attract some 500 delegates and will provide the opportunity for anti-corruption and other public sector agencies, and experts from the private sector, academia and other practitioners to discuss and share their experience and expertise.

The program is being developed in partnership with anti-corruption agencies nationally, and will comprise plenary sessions, discussion panels and workshops that focus on research, trends, case studies and new methods for preventing, investigating and exposing corruption and police misconduct.

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 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

CHALLENGES AND OPPORTUNITIES

- Recruiting specialists with suitable skills and values to meet investigative and other demands
- Implementing the Victorian Protective Data Security Framework.

HIGHLIGHTS

- Developed the new Corporate Plan for 2018-21, setting our strategic direction and plan of work for the next three years
- Enhanced IBAC's information security system to continue to meet best practice standards
- Maintained gender balance, with 77 females and 85 males, working across most business areas.

WORKFORCE PROFILE

Comparative workforce data as at 30 June 2018 ⁽ⁱ⁾⁽ⁱⁱ⁾⁽ⁱⁱⁱ⁾

Table 14: Full time equivalents (FTE) staffing trends

	2014	2015	2016	2017	2018
FTE	136.2	140.6	133.9	168.77	179.44

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
June 2018	162	143	19	156.61	22.83

Table 16: Details of employment levels

	June 2014			June 2015			June 2016			June 2017			June 2018		
	Ongoing		Fixed term/casual	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	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	85	84.36	4.6
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	77	72.25	6.4
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	1.0	1.0	1.0
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	50	48.65	4.6
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	50	46.71	1.6
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	43	42.46	2.2
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	18	17.80	1.6
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	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	1.0	1.0	0.00
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	32	29.99	2.60
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	39	37.87	3.60
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	60	57.96	3.80
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	27	26.80	1.00
STS	8.0	8.0	1.0	4.0	4.0	0.0	4.0	4.0	0.0	3.0	3.0	0	3.0	3.0	0.00
Total	124	120	16.2	110	106.4	34.2	106	102.5	31.4	150	145.94	9	162	156.61	11.00

VPS/STS employees have been correctly classified in the above workforce data collection. For Executive officer data, see pages 16 and 49.

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 include 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.

Table 17: Annualised total salary, by \$20,000 bands, for executives and other senior non-executive staff

Income band (salary)	2017/18			2016/17		
	Executives	STS	Others	Executives	STS	Others
\$140,000 - \$159,999				1		1
\$160,000 - \$179,999	5*	2	1	7^	2	
\$180,000 - \$199,999	3**	1	1	1	1	
\$200,000 - \$219,999						
\$220,000 - \$239,999						
\$240,000 - \$259,999				1		
\$260,000 - \$279,999	2			1		
\$280,000 - \$299,999	1			1		
\$300,000 - \$319,999						
\$320,000 - \$339,999						
\$340,000 - \$359,999						
\$360,000 - \$379,999				1		
\$380,000 - \$399,999						
\$400,000 - \$419,999	1					
Total	12	3	2	13	3	1

Note:

The salaries reported above are for the full financial year, at a 1-FTE rate, and exclude superannuation.

* Included in this number is an employee who was employed on a part-time basis at a 0.9 FTE rate.

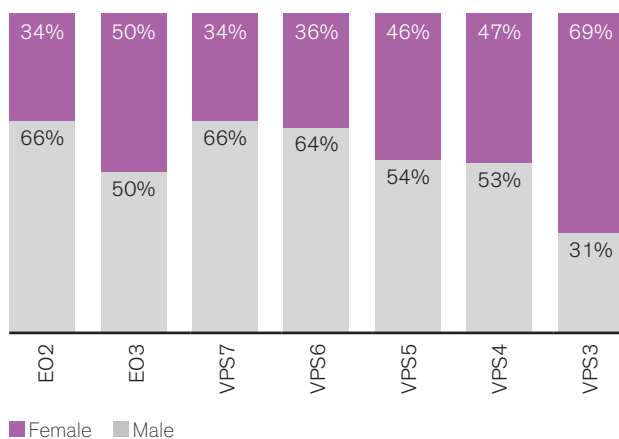
** Included in this number is an employee was employed on a part-time basis at a 0.93 FTE rate.

^ Included in this number are two employees who were employed on a part-time basis at a 0.93 and 0.9 FTE rate.

Ongoing staff

At 30 June 2018, IBAC had 162 ongoing staff, a modest increase of eight 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 25-34 and 35-44 age brackets (31 per cent of the total workforce in each bracket). The largest change in workforce age bracket was within the 55-64 age bracket, in which the workforce increased from eight per cent in 2016/17 to 11 per cent in 2017/18.

Figure 11: IBAC's gender balance percentage by Victorian Public Service grade



Gender equity

As at 30 June 2018, IBAC continues to demonstrate gender balance, with 77 females and 85 males. Only one business unit, High Tech Crime, has 100 per cent males. Female representation at senior levels within the organisation is positive, with 34 per cent of EO2 and 50 per cent of EO3 positions held by females. However, broader industry trends in gender diversity continue to be replicated in IBAC – in information technology, traditionally a male-dominated profession, 20 per cent of employees are female. In both human resources and communication, traditionally female dominated areas, IBAC has 40 per cent male employees.

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, plus the Respect in the Workplace Policy and Guidelines, enhance our commitment to employee welfare.

WORKFORCE PROFILE (CONT)

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

In 2017/18, IBAC implemented a strategy to enhance our internal communication. The strategy was informed by staff surveys and consultation. New resources and approaches introduced included:

- manager-delivered team talks on key organisational matters
- quarterly all staff meetings with addresses from the CEO and Commissioner, or other executive team members
- posters on key initiatives
- regular updates to all-staff via a CEO update
- *in case you missed it*, a weekly 'wrap-up' email of the latest IBAC news (internal and external)
- guest speakers on topics of interest to employees.

Social connections

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

Information and communication technology

Table 18: Information and communication technology (ICT) expenditure in 2017/18

	\$m
Business as usual (BAU) ICT expenditure	\$4.24
Non-BAU ICT expenditure (total operational expenditure and capital expenditure)	\$2.85
Operation expenditure	\$1.05
Capital expenditure	\$1.80

In 2017/18, IBAC's total ICT expenditure was \$7.09 million, an increase of 44 per cent compared to 2016/17. This is due to a number of key IT asset replacements and new IT system purchases during the year, which had a flow-on effect on depreciation and other associated costs. 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 ICT capabilities. BAU ICT expenditure is all other ICT expenditure and primarily relates to ongoing activities to operate and maintain ICT capability.

ACHIEVEMENTS

Upgrading information security

In 2017/18, IBAC enhanced its information security system to incorporate:

- a compliance activity program based on the ISO27k information security standards that cross-references IBAC's other compliance regimes to provide:
 - a calendar of scheduled activities, focusing on higher priorities
 - progress achieved between formal audits: level of maturity and conformance
 - a communications plan to ensure security messaging links activities to the right audiences
 - a competency and skills matrix to shape a training program for various information security roles within the organisation.
- a new intranet to house all information security management information
- the use of the Department of Premier and Cabinet's IT security program to receive and share reported IT security threats with other agencies
- the design and implementation of digitised business systems and information asset register.

New Corporate Plan for 2018-21

In 2017/18, IBAC developed its next three-year Corporate Plan (2018–21). We engaged staff in the development of the plan, drawing on the achievements and challenges from our first five years' operation.

The plan sets out our strategic direction and plan of work. It explains our focus, priorities and how we will achieve our legislated responsibilities and purpose of preventing and exposing public sector corruption and police misconduct in Victoria.

In the next three years, IBAC will:

- develop better reporting of suspected corrupt conduct and police misconduct, in particular by the public sector and police
- increase the number and improve the timeliness and quality of investigations, and of our reviews of matters that we refer to other bodies for investigations, including Victoria Police
- enhance our intelligence and research capabilities
- build the capacity of the public sector and police to prevent corrupt conduct
- help develop an effective and meaningful integrity system at the state and national level
- adapt and respond to changes in our legislation, or challenges to our powers and jurisdiction
- attract and retain the best people with the right skills and qualifications, values, behaviour, and experience
- demonstrate integrity in all our work by being a model for corruption-resistant culture, policies and practices.

The Corporate Plan is available on the IBAC website in the publications section.

CHALLENGES AND OPPORTUNITIES

Recruiting specialists with suitable skills and values to meet investigative demand

Finding suitably qualified and experienced employees with compatible values remains a challenge for IBAC. With the recent expansion in our investigative capacity, the difficulty in recruiting staff to fill highly specialised roles remains.

On 1 May 2018, IBAC went live with an online eRecruitment module as part of a new Human Resources Information System. This system provides IBAC with a centralised online recruitment system, access to additional job boards and greater reach in the marketplace (page 53). The system allows IBAC to promote recruitment opportunities on its website and enables potential candidates to register to receive job alerts.

In 2018/19, IBAC will undertake further work to develop a long-term workforce plan, identifying skills gaps and potential talent, and continuing to invest in its people. This work will help ensure that IBAC has the right people and skills for the future.

Resources required to meet data security standards

The approach to manage protective data security risks in Victoria's public sector is known as the Victorian Protective Data Security Framework. A project to implement the framework at IBAC has required considerable resourcing effort and engagement across IBAC.

IBAC undertook an independent review of its compliance with standards in the framework in early 2017/18 to understand the scope of work required. The review identified that while IBAC had reasonably mature data security policies and processes in place, due to pre-existing alignment with the Commonwealth Protective Security Policy Framework, we needed to make significant adjustments.

Specific challenges of this work included:

- determining the appropriate level to identify and document information assets
- ascertaining the value of individual information assets
- identifying project scope boundaries and ensuring consistency with ISO 27001 Standards to minimise gaps and duplication.

The work to re-align IBAC processes and practices from the Commonwealth to the Victorian framework will continue in 2018/19.

OUTLOOK

Budget Independence

The Commissioner is an independent officer of the Victorian Parliament. IBAC is independent of government when performing its duties and functions and exercising its powers.

As of 30 June 2018, Parliament was considering a Bill that would enhance IBAC's budgetary independence, consistent with the independent status of the Commissioner and IBAC itself. If passed, the Bill will provide that IBAC's budget be determined by a parliamentary committee, rather than appearing as part of a government department's annual appropriation.

IBAC has completed a high-level budget independence assessment in anticipation of the passage of the Bill and found that the organisation is ready for this change.

IBAC already has a fully functioning Corporate Services team that is capable of managing the additional responsibilities and requirements associated with these reforms. Any gaps in knowledge or IBAC resources will be further assessed in 2018/19 and addressed as required.

Technologies to extend reach and interaction

To support the Corporate Plan objectives, IBAC has developed a technology strategy that will be rolled out from 2018/19. The strategy focuses on nine activities across the following four themes:

- audio/visual and digital technologies to increase the reach and interaction within IBAC and with external organisations
- investment in contemporary analytical technologies and skills to advance the use of information for proactive, strategic, tactical and organisational benefit
- continue the information security program to ensure consistency with compliance obligations and changing landscape
- increased flexibility and mobility through virtual and cloud-based technologies.

Streamlining human resources management and reporting

IBAC is committed to improving and streamlining human resources management and reporting. In 2017/18, IBAC commenced a multi-year project by undertaking a tender process for a Human Resources Information System, with the tender awarded in November 2017. Implementation of the new system has commenced and is intended to streamline recruitment, learning and development, performance, talent and succession. The goal is to bring significant efficiencies to internal processes and provide powerful reporting to management.

The first two modules, relating to recruitment and the induction of employees, went live on 1 May 2018. The performance and learning modules are set to go live as part of the new performance cycle in 2018/19. The intent of these modules is to improve how formal and informal performance planning for staff takes place, how staff develop and align their performance goals to business plans, and how they develop and align their learning goals to their performance plan.

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*.

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.

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 to print only when necessary. We also provide paper recycling bins and recycle ink cartridges.

OCCUPATIONAL HEALTH AND SAFETY

Table 19: OH&S information

		2013/14	2014/15	2015/16	2016/17	2017/18
Incidents	No of incidents	9	3	16	11	10
Claims	No of standard claims ⁽ⁱ⁾	1	0	1	3	2
	No of lost time claims ⁽ⁱ⁾	0	0	0	0	1
	No of claims exceeding 13 weeks ⁽ⁱ⁾	0	1	1	3	2
Fatalities	Fatality claims	0	0	0	0	0
Claim costs	Average cost per standard claim ⁽ⁱ⁾	\$4595	\$68,545	\$60,828	\$49,946	\$79,948
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	Completed
	Evidence of OH&S criteria in purchasing guidelines (including goods, services and personnel)	Completed	Completed	Completed	Completed	Completed
Consultation and participation	Evidence of agreed structure of designated workgroups (DWGs), health and safety representatives (HSRs) and issue resolution procedures (IRPs)	Completed	Completed	Completed	Completed	Completed
	Compliance with agreed structure on DWGs, HSRs and IRPs	Completed	Completed	Completed	Completed	Completed
Risk management	Percentage of internal audits/ inspections conducted as planned	100%	100%	100%	100%	100%
Percentage of issues identified actioned arising from:						
	Health and safety representative provisional improvement notices	0	0	0	0	0
	WorkSafe notices	0	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.

IBAC is committed to providing and maintaining a healthy, safe working environment for staff and visitors in accordance with the *Occupational Health and Safety Act 2004* and associated regulations.

Introduced in 2017/18, IBAC now provides skin checks. Less than one-quarter (20 per cent) of those who participated received referrals for further medical follow-up. We also continued our flu vaccination program, in which more than half (54 per cent) of our staff participated, up from 50 per cent last year. This increase was due to improved promotion and providing more flexible appointments. One-third of staff participated in the comprehensive health checks of which one-third were referred for further medical follow-ups.

OH&S Strategy

This two-year strategy to 2018/19 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 2017 and rolled out an enhanced wellbeing program for 2017/18. This program included flu vaccinations, a more comprehensive health check, skin check, 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 General Manager 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 strives to prevent work-related illness and injuries. In our operations, the risk assessment process and appropriate planning are the keys 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.

DISABILITY ACTION PLAN

IBAC's Disability Action Plan aims to 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 what actions 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
- Enabling people to make corruption 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.

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

- Incorporating questions into our staff survey (undertaken every three years) to gather information about attitudes towards disability. This information is 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 attributes¹¹ 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.

¹¹ 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

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. Our focus is on using our powers and resources appropriately and ensuring Victorians have confidence in us. We 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.

STRATEGIC GOAL

Ensuring accountability and independence

CHALLENGES AND OPPORTUNITIES

- Responding to government legislative initiatives in relation to three key areas of Victoria Police oversight
- Balancing the need to be accountable, with communicating clearly to the community about corruption prevention, given legal and operational restrictions on public statements.

HIGHLIGHTS

- Tabled before Parliament three special reports on operational and prevention activities
- Strengthened our governance and risk management by developing an integrated assurance program and commencing the implementation of a governance, risk and compliance software system.

ENSURING ACCOUNTABILITY (CONT)

Table 20: Oversight activity

Body	Role	2017/18 activity
IBAC Parliamentary Committee	<ul style="list-style-type: none"> Monitors and reviews IBAC performance and functions Examines reports published by IBAC 	<p>The Committee conducted three inquiries into IBAC's functions and legislation:</p> <ul style="list-style-type: none"> A framework for monitoring the performance of the Independent Broad-based Anti-corruption Commission (November 2017) The Performance of the Independent Broad-based Anti-corruption Commission and the Victorian Inspectorate, 2017/18 (December 2017) External oversight of police corruption and misconduct in Victoria (yet to report). <p>Transcripts of IBAC's testimony before the Committee's hearings are available at www.parliament.vic.gov.au.</p> <p>The Committee also considered three IBAC special reports tabled before Parliament regarding our operational and prevention activities:</p> <ul style="list-style-type: none"> Operation Tone (page 24) Operation Lansdowne (page 23) IBAC's first five years (page 43).
Victorian Inspectorate (VI)	<ul style="list-style-type: none"> Monitors IBAC compliance with the IBAC Act and other laws Oversees IBAC's performance under the PD Act Receives and investigates complaints about IBAC 	<p>IBAC submitted two reports setting out statistical data on its controlled operation activity, under the <i>Crimes (Controlled Operations) Act 2004</i>. The VI conducted two inspections to ensure record-keeping requirements relating to surveillance devices, telecommunications interception warrants and controlled operations were legally compliant.</p> <p>The VI submitted two preliminary reports relating to reviews of:</p> <ul style="list-style-type: none"> IBAC's performance in relation to protected disclosures the receipt and assessment of police misconduct complaints.
Victorian Special Minister of State	<ul style="list-style-type: none"> Receives reports on telecommunications interception warrants 	<p>As required by the <i>Telecommunications (Interception) (State Provisions) Act 1988</i>, IBAC submitted reports on its use and communication of information obtained by telecommunications interceptions under warrant.</p>
Victorian Attorney-General	<p>Receives reports on:</p> <ul style="list-style-type: none"> telecommunications interception warrants surveillance device warrants assumed identities 	<p>IBAC provided annual reports detailing statistical data on telecommunications interception warrants, surveillance device warrants and assumed identities. These reports discharged IBAC's obligations under the:</p> <ul style="list-style-type: none"> <i>Crimes (Assumed Identities) Act 2004</i> <i>Telecommunications (Interception) (State Provisions) Act 1988</i> <i>Surveillance Devices Act 1999</i>.
Public Interest Monitor	<ul style="list-style-type: none"> Reviews IBAC applications for surveillance device and telecommunications interception warrants 	<p>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.</p>
Supreme Court Magistrates' Court	<ul style="list-style-type: none"> Receives reports on IBAC surveillance device warrants 	<p>The issuing judge or magistrate for all IBAC surveillance device warrants received reports setting out details relating to each warrant.</p>
Commonwealth Ombudsman	<ul style="list-style-type: none"> Monitors IBAC compliance with Chapters 3 and 4 of the <i>Telecommunications (Interception and Access) Act 1979</i> (stored communications warrants and telecommunications data) 	<p>The Ombudsman inspected IBAC's telecommunications data and stored communications records to ensure compliance with the <i>Telecommunications (Interception and Access) Act 1979</i>.</p>
Minister for Home Affairs (formerly the Commonwealth Attorney-General)	<ul style="list-style-type: none"> Receives reports on IBAC's telecommunications interception warrants, telecommunications data authorisations and stored communications warrants 	<p>Under the <i>Telecommunications (Interception and Access) Act 1979</i>, IBAC submitted an annual report setting out statistical data and other details in relation to telecommunications interception warrants, stored communications and telecommunications data authorisations. IBAC also submitted reports setting out required details in relation to each telecommunications interception warrant.</p>

Oversight of IBAC

For legal and operational reasons, we cannot report on some activities publicly. Consequently, it is essential for IBAC to have robust reporting and external oversight in place to demonstrate compliance with the law.

Corporate governance

IBAC has robust governance processes to ensure it complies with stringent reporting and legislative obligations, and meets stakeholder expectations.

In 2017/18, IBAC implemented a governance committee portal for the electronic distribution of papers. We also developed and commenced implementing a new governance, risk and compliance system, which will enhance the management, monitoring and reporting of IBAC's risks, incidents and compliance obligations.

Governing business decisions

Strategic direction is provided by the Commissioner and CEO, and articulated through our Corporate and annual business plans. Two key decision-making committees, comprising executive officers, oversee and 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)
 - investigations
 - prevention, research and engagement
 - legal affairs.

IBAC has a collaborative business planning process that identifies the key priorities and actions required to meet the objectives and outcomes set out in our Corporate Plan and required under legislation.

In 2017/18, IBAC developed the new 2018-21 Corporate Plan (page 51).

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 *Financial Management Act 1994* (FM Act), in particular the Standing Directions of the Minister for Finance.

The committee met four times in 2017/18, 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 \$27,725 (ex GST) for 2017/18. External members during 2017/18 are listed on page 60.

ENSURING ACCOUNTABILITY (CONT)

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 Sara Watts

Ms Watts is an experienced non-executive director and audit and risk committee chair. Her key strengths are in financial management, technology deployment and governance. Ms Watts is a Trustee of the Australian Museum, an Independent Director of Vision Australia Limited and the Vision Australia Trust, and also chairs the Audit and Risk Committee of the Victorian Auditor-General's Office. Her previous executive positions include Vice-Principal Operations at the University of Sydney and Chief Financial Officer of IBM A/NZ Holdings. Ms Watts is a Fellow of CPA Australia and a Fellow of the Australian Institute of Company Directors.

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 2017/18, several key risk management actions were undertaken including:

- desktop scenario exercises and an externally facilitated exercise to test IBAC's responsiveness to business disruption
- development and implementation of an online risk management module, mandated for all staff
- tailored risk management training for managers and team leaders
- assessment of IBAC's security risk profile
- a comprehensive analysis of strategic risk assurance gaps and activities
- development of draft key risk indicators and key control indicators to improve the objectivity of control effectiveness assessments
- an update of the strategic risk profile.

We reported to the Audit and Risk Management Committee, providing updated strategic risk registers, an updated risk management policy, procedure and plan, and activity reports. The committee provided expert guidance and advice throughout the year, including helping to strengthen IBAC's risk profile assessment. The committee assessed the framework as effective.

Assurance program

In 2017/18, IBAC commenced strengthening assurance for its strategic risk controls by developing an assurance program using a 'three lines of defence' assurance model. The program utilises a range of information on strategic risks and controls, which is combined into an overall view of the effectiveness of strategic risk management. Data sources include incident reports, self and peer audits, audit actions and risk and control self-assessments. IBAC also developed a compliance management policy which documents compliance management principles, requirements and responsibilities.

Internal audit program

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

IBAC and the internal auditor report 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 2017/18, we undertook comprehensive internal audits on financial management compliance, HR planning and capability, complaints and notifications management, and strategic intelligence. The four completed audits resulted in 23 recommended actions. All actions were endorsed by the Executive and the Audit and Risk Management Committee.

As at the last report tabled at the Audit and Risk Management Committee in May 2018, the following audit actions were outstanding:

- two relating to financial management compliance
- four relating to exhibits and property management
- two relating to physical security IT systems
- three relating to HR planning and capability
- four relating to complaints and notifications management
- nine relating to strategic intelligence.

Subsequent to the meeting, as at 30 June 2018, 16 of these actions were not yet due for completion and eight were overdue. The overdue audit actions relate to financial management compliance, exhibits and property management, physical security IT systems and HR planning and capability. Three overdue actions were completed early in the following quarter.

FINANCIAL MANAGEMENT COMPLIANCE ATTESTATION

I, Robert Redlich QC, certify that the Independent Broad-based Anti-corruption Commission has complied with the applicable Standing Directions of the Minister for Finance under the *Financial Management Act 1994* and Instructions.



The Honourable Robert Redlich QC
Commissioner
6 September 2018

ACHIEVEMENTS

Strengthening risk management and governance

IBAC strengthened its governance and risk management by developing an integrated assurance program and commencing the implementation of a governance, risk and compliance software system.

The assurance program assesses strategic risk control effectiveness by collating data from five sources: incident reporting, key risk indicators, assurance activities, audit actions and risk register reviews. By tapping this larger evidence base, senior management and the Audit and Risk Management Committee will have greater oversight of the status of strategic risks.

In developing the program, existing assurance activities were mapped and assessed. A governing principle is that assurance work is prioritised based on the level of risk.

The governance, risk and compliance software will enable risk management, incident reporting, audit actions and compliance to be managed within one system. This supports the assurance program by providing whole-of-organisation oversight of IBAC's risk management and internal controls.

CHALLENGES AND OPPORTUNITIES

Responding to government oversight initiatives

In 2017/18, IBAC responded to government legislative initiatives in relation to three key areas of Victoria Police oversight. These areas include amendments to the:

- *Sex Offenders Registration Act 2004*, which commenced on 1 February 2017, expanding IBAC's inspection of Victoria Police records to include monitoring compliance with recordkeeping requirements relating to the reporting obligations of registered sex offenders. This is in addition to monitoring compliance with information required to be kept on the Sex Offender Register.
- *Witness Protection Act 1991*, which commenced on 1 July 2017, introducing an IBAC oversight function to monitor the Chief Commissioner of Police's compliance with the recordkeeping requirements under the Act.
- *Firearms Act 1996*, which commenced on 9 May 2018, introducing an IBAC oversight function in relation to Victoria Police's compliance in relation to the making of firearms prohibition orders.

The implementation of government initiatives to increase police oversight has been challenging for IBAC to resource, requiring additional resources from within existing organisational structures and funding.

OUTLOOK

Balancing transparency with legal and operational requirements

IBAC shares the findings of its investigations, research and other work so that it can expose and prevent corruption. However, for legal and operational reasons, IBAC cannot always publicly report on all its activities, and certain activities can be reported only when investigations and court cases are completed.

The nature of some of our work, particularly investigations, is long term, with results occurring months or years after an initial complaint or notification. This means we may be limited about if and when we share information about potential criminal prosecutions that may be the result of IBAC investigations. Changes in public sector and community practices may also impact on IBAC's ability to report, or the timing of its report.

IBAC recognises we have serious obligations, responsibilities and powers, and must have robust reporting and external oversight in place to demonstrate we are exercising our powers responsibly and in compliance with the law. The oversight of IBAC is provided, in part, by the Victorian Parliament and the Victorian Inspectorate, as well as other bodies and agencies that have a role to ensure IBAC is compliant with our obligations and warrants the trust placed in us by the community (page 58).

Implementation of the Integrity and Accountability Legislation Amendment (Public Interest Disclosures, Oversight and Independence) Bill 2018

At 30 June 2018, the Integrity and Accountability Legislation Amendment (Public Interest Disclosures, Oversight and Independence) Bill 2018 was still before the Victorian Parliament. The Bill proposes changes to a number of areas of Victoria's integrity system including improvements to enable IBAC, the Victorian Ombudsman and other relevant bodies to better share information to resolve complaints. It also proposes changes to the PD Act to support 'whistleblowers', or people making disclosures in the public interest.

Should the Bill be passed by Parliament, IBAC will provide guidance across government regarding key changes to the protected disclosure system.

COMPLIANCE WITH OTHER LEGISLATION

Table 21: Freedom of Information applications

	2013/14	2014/15	2015/16	2016/17	2017/18
No. applications	3	6	6	7	7
No. acceded to	0	1	1	2	1
No. reviewed	0	0	1	0	0
No. appealed	0	0	1	0	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 accessed 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

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

Protected disclosures

IBAC can consider complaints about corruption and misconduct (including improper conduct in relation to the PD Act) in the Victorian public sector (page 18). As part of its assessment, IBAC determines which complaints meet the protected disclosure complaint requirements of the PD Act (page 19). Under the Act, only IBAC, the Victorian Ombudsman, Victoria Police, the Judicial Commission of Victoria and the Victorian Inspectorate can investigate complaints that have protected disclosure status. IBAC determines which of those agencies is best placed to investigate the particular complaint and accordingly refers the matter to that agency for investigation.

In addition, IBAC also has responsibility under the PD Act for issuing guidelines on handling disclosures and on managing the welfare of people who make protected disclosures, and has a responsibility to provide information and education about the protected disclosure scheme (page 41).

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.

PROVIDING INDEPENDENT OVERSIGHT OF VICTORIA POLICE

The community places great trust in police and Victorians want to be assured there is thorough and effective, independent oversight of Victoria Police. IBAC performs a crucial role in ensuring Victoria Police officers act fairly, impartially and in accordance with the law by providing robust and independent oversight of police. Because of the significant powers exercised by police officers, including powers to detain, search and arrest, use force, enter premises and seize property, this oversight is important for community safety and wellbeing.

We note that at the time of finalising this annual report, the Parliamentary IBAC Committee inquiry into the external oversight of police corruption and misconduct in Victoria was expected to be tabled before State Parliament in September. IBAC provided detailed information and evidence to assist the Committee's inquiry and to inform its consideration of how police oversight may be enhanced. Following the tabling of the report, we will look forward to the Government's response and note that any legislative change as a result of the Committee's recommendations will ultimately be a matter for Parliament.

Independent oversight of Victoria Police is currently provided by:

- receiving complaints and notifications about police personnel conduct (including complaints received by Victoria Police which are mandatorily reported to IBAC)
- 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
- reviewing investigations of selected matters that we have referred to Victoria Police to ensure those matters were handled appropriately and fairly
- conducting 'own motion' investigations into serious police misconduct
- overlooking deaths and serious injuries associated with police contact pursuant to a standing 'own motion' investigation
- conducting private or public examinations as part of our investigations into serious or systemic police misconduct
- ensuring police officers have regard to the *Charter of Human Rights and Responsibilities Act 2006*, including through our reviews of Victoria Police complaint investigations
- undertaking research and other strategic initiatives, including auditing how Victoria Police handles complaints
- informing and educating the community and Victoria Police about police misconduct, encouraging reporting and advising on ways corruption and police misconduct can be prevented.

PROVIDING INDEPENDENT OVERSIGHT OF VICTORIA POLICE (CONT)

During 2017/18, IBAC further strengthened its police oversight function. We have increased the number of investigations of police matters (page 70), and will investigate a larger number of police matters in the future.

IBAC completed 72 reviews of complaints investigated by Victoria Police, to check that police handled the matters appropriately and investigated them thoroughly. IBAC will conduct more of these reviews, and is boosting our capacity in this area in 2018/19.

IBAC also announced it would appoint a second Deputy Commissioner, with a focus on police oversight. This will further build IBAC's capacity to ensure Victoria Police discharges its functions with integrity and in accordance with the law. The appointment process was in progress as at 30 June.

IBAC also conducted two independent audits of how Victoria Police handles complaints (page 75). Both audits recommended a number of improvements to strengthen Victoria Police practice. Victoria Police accepted all these recommendations and will report to IBAC on its implementation of these recommendations.

IBAC released a report into police perceptions of corruption and misconduct, which highlighted an opportunity for police to do more to raise awareness about misconduct and how to report it (page 77).

This chapter highlights some of the important independent police oversight work undertaken by IBAC in 2017/18.

PARLIAMENTARY INQUIRY

In June 2017, the IBAC Committee, which provides Parliamentary oversight of IBAC, commenced an inquiry into the external oversight of police corruption and misconduct in Victoria. The terms of reference for the inquiry include:

- examine the current system for the oversight of police corruption and misconduct in Victoria, in particular the role of IBAC and the Victorian Inspectorate
- identify and assess best practice models for the oversight of police
- identify and review the main challenges to the effective oversight of complaints and disclosures about police in Victoria
- consider best practice strategies to improve the oversight and investigation of police corruption and misconduct and how they may be implemented in Victoria.

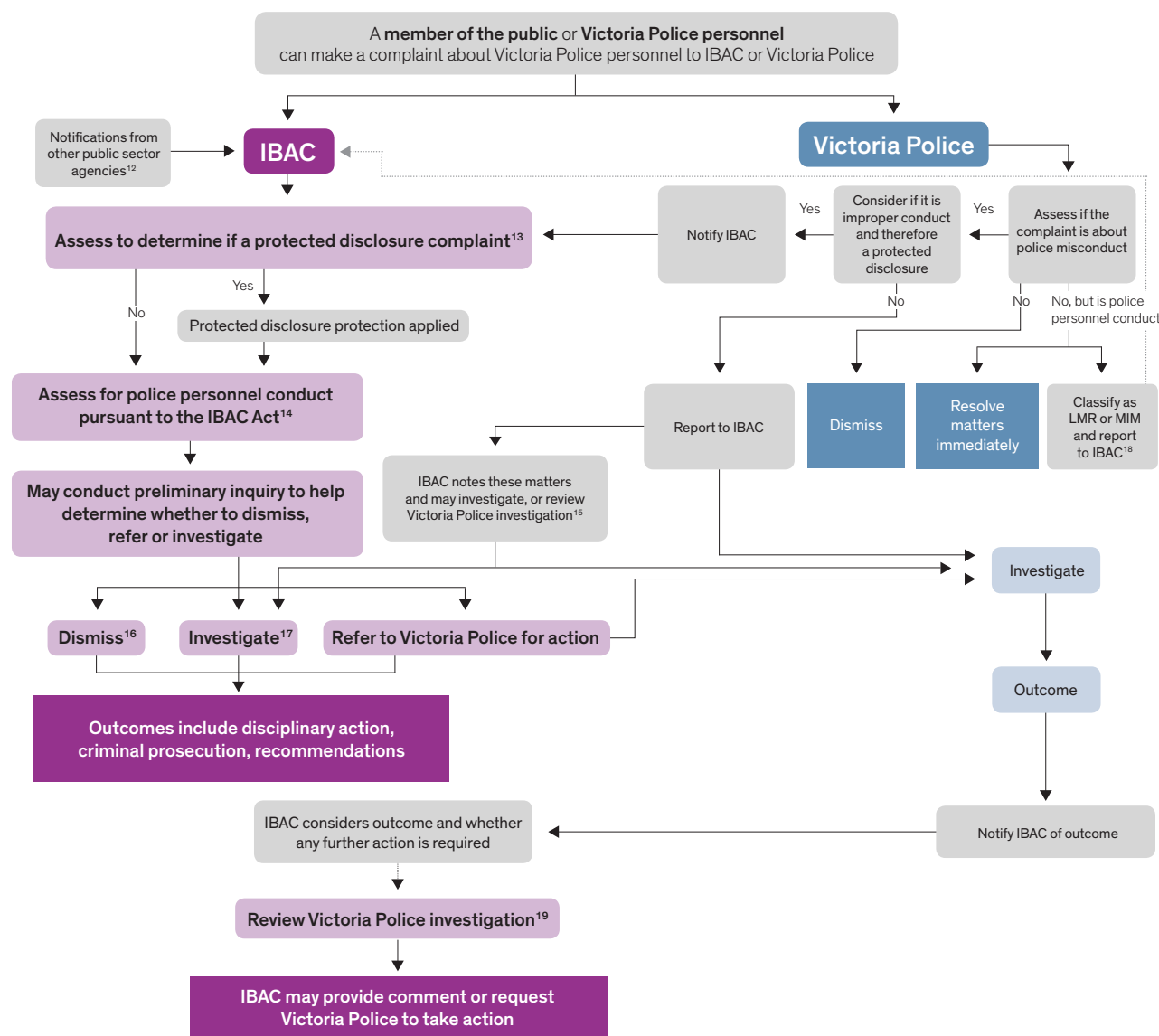
As part of this inquiry, the IBAC Commissioner appeared before the Committee in 2018.

The Committee was scheduled to report to Parliament in September 2018.

HANDLING POLICE COMPLAINTS AND NOTIFICATIONS

IBAC receives complaints and notifications about corrupt conduct and police personnel conduct. All complaints received by Victoria Police about police misconduct are mandatorily notified to IBAC. IBAC assesses these complaints and notifications to determine which matters will be referred to Victoria Police for action, which will be dismissed, and which we will investigate.

Figure 12: Complaints handling process concerning Victoria Police



¹² Notifications from other public sector agencies include notifications from the Victorian Ombudsman concerning police corruption and misconduct, and from the Victorian Auditor-General's Office concerning suspected corrupt conduct.

¹³ All complaints made by a Victoria Police officer about another Victoria Police officer are deemed to be protected disclosures.

¹⁴ IBAC's assessment process includes consideration of whether Victoria Police officers have had regard to the rights set out in the *Charter of Human Rights and Responsibilities Act 2006*.

¹⁵ When IBAC determines not to investigate a particular report and determines that it would be appropriate for Victoria Police to continue its investigation, IBAC may monitor the progress of the investigation and otherwise will await an outcome report at the completion of action taken by Victoria Police. IBAC may determine to review Victoria Police's investigation at any time including following completion of the investigation.

¹⁶ Reasons for dismissed complaints include matters that: are withdrawn; have insufficient information; are too old; have already been investigated; or are frivolous or vexatious. If the complaint is dismissed, the information can help IBAC develop a greater understanding of potential risks of police misconduct, and inform prevention and education activities.

¹⁷ 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 must refer complaints to specified persons or bodies where it considers it would be more appropriate for that person or body to investigate. IBAC can also conduct 'own motion' investigations into serious or systemic corrupt conduct or misconduct at any time.

¹⁸ Since January 2018, IBAC has been advised of local management resolution (LMR) and management intervention model (MIM) matters.

¹⁹ Of the complaints referred to Victoria Police, IBAC reviews certain matters to ensure they have been investigated thoroughly and fairly.

HANDLING POLICE COMPLAINTS AND NOTIFICATIONS (CONT)

Table 22: Allegations about Victoria Police

	2013/14	2014/15	2015/16	2016/17	2017/18
Total allegations that relate to Victoria Police received through:					
Complaints made by individuals directly to IBAC	1803	1635	1697	2005	2520
Notifications and protected disclosure notifications from Victoria Police	833	1083	1093	1083	1154
Notifications from other sources (eg Victorian Ombudsman, Victorian Auditor-General's Office)	947	261	168	76	35

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

In 2017/18, there was a 26 per cent increase in the number of allegations concerning Victoria Police made by individuals directly to IBAC, compared to the previous year. The number of notifications and protected disclosure notifications from Victoria Police remains broadly consistent with previous years.

The number of allegations relating to Victoria Police arising from notifications from other sources has continued to decrease. This may reflect greater awareness of IBAC's police oversight role, as well as steps taken by the Victorian Ombudsman to encourage complaints about police personnel conduct or misconduct to be made directly to IBAC.

3709

allegations related to Victoria Police received through complaints from individuals, and notifications and protected disclosure notifications from government agencies

26%

increase in the number of allegations concerning Victoria Police made by individuals directly to IBAC

Table 23: Allegation outcomes (Victoria Police)²⁰

	2013/14	2014/15	2015/16	2016/17	2017/18
Investigated	23	17	7	18	27
Referred ²¹	1419	865	1109	924	981
Dismissed ²²	1422	1074	1044	1432	1827
Noted ²³	704	1018	792	792	864
Returned ²⁴	15	5	6	1	10

Twenty-seven Victoria Police allegations assessed during 2017/18 were investigated by IBAC. The matters investigated involved serious, systemic and/or sensitive allegations commensurate with our powers and resources. As highlighted in the above table, the number of Victoria Police allegations investigated by IBAC increased this financial year.

The largest category of outcome is 'dismissed'. IBAC may dismiss a matter for a number of reasons including if a matter is withdrawn, if there is insufficient information, if it is too old, has already been investigated, or if it is frivolous or vexatious. However, even if dismissed, the information provided can assist IBAC to develop our understanding of potential risks of police misconduct, identify trends and patterns, and inform prevention activities.

FALSIFICATION OF PRELIMINARY BREATH TESTS

In September 2017, Victoria Police notified IBAC of a complaint it had received regarding possible falsification of preliminary breath tests (PBTs). In February 2018, Victoria Police advised of the results of initial data analysis regarding this matter. That analysis presented persuasive evidence that, over a five-year period, more than 250,000 roadside PBTs appeared to have been falsified by Victoria Police officers.

IBAC expressed concerns regarding the culture within Victoria Police that enabled this to occur and not be detected or dealt with immediately. IBAC will closely monitor Victoria Police's response to this issue, including the investigation to be overseen by former Chief Commissioner Neil Comrie, to ensure it meets our requirements and community expectations.

²⁰ This data includes, from 2016/17, allegations which were the subject of preliminary inquiries and which were subsequently investigated, referred or dismissed.

²¹ 'Referred' is an outcome used by IBAC when IBAC determines that another public body is the most appropriate body to investigate an allegation. In relation to allegations about Victoria Police, this outcome is predominantly used to refer allegations which come to IBAC via complaints from individuals (rather than via Victoria Police notifications) to Victoria Police for investigation.

²² Includes allegations withdrawn or determined that no further action be taken.

²³ 'Noted' is an outcome used by IBAC when we receive notifications from Victoria Police under section 169 of the *Victoria Police Act 2013*. Unless IBAC determines to investigate the notification, these matters are retained by Victoria Police for action. IBAC 'notes' their receipt and when the outcome report at the completion of action taken by Victoria Police is provided, IBAC may then determine to review Victoria Police's investigation.

²⁴ 'Returned' is an outcome used when IBAC receives a notification under section 21 or 22 of the PD Act and determines the disclosure is not a 'protected disclosure complaint'. Because the notification does not engage the IBAC Act, it does not result in an assessment under section 58 of the IBAC Act to refer, dismiss or investigate. Such matters are recorded as being 'returned' to the notifying agency (including Victoria Police).

PROTECTING THOSE WHO REPORT

As part of our assessment of complaints and notifications, IBAC determines which matters warrant protected disclosure status. Following legislative changes in 2015/16, all complaints made by a police officer about another officer, are automatically defined as 'protected disclosures' under section 3 of the PD Act.

Since this legislative change, there has been a steady increase in the number of protected disclosure allegations, made by individuals as well as those made by Victoria Police as mandatory notifications. In 2017/18, 450 allegations were assessed as protected disclosures. As highlighted in the table below, the number of these complaints has increased since 2015/16.

Under the PD Act, only specific agencies including IBAC and Victoria Police can investigate complaints that have protected disclosure status. IBAC determines which agency is best placed to investigate the particular complaint and refers the matter to that agency for investigation. IBAC primarily investigates police matters that involve serious, systemic and/or sensitive allegations, and which we have the capacity and capability to best handle.

Most complaints/notifications were referred to Victoria Police because it was assessed as the more appropriate body to handle the particular matters.

Table 24: Allegations assessed as protected disclosures due to the allegations coming from a police officer and relating to another police officer (as per section 5 of the PD Act)

	2013/14 ²⁵	2014/15	2015/16	2016/17	2017/18
Complaints made by individuals directly to IBAC ²⁶	n/a	n/a	121	172	206
Notifications from Victoria Police	n/a	n/a	231	202	244
Protected disclosure outcomes:					
Dismissed ²⁷	n/a	n/a	27	109	155
Referred	n/a	n/a	325 (included 7 noted)	265	291
Investigated	n/a	n/a	0	0	4

²⁵ Data from 2013/14 and 2014/15 not provided due to legislative changes.

²⁶ A complaint may include multiple allegations, all of which are individually assessed.

²⁷ This may include matters that: are withdrawn; have insufficient information; are too old; have already been investigated; or are determined to be frivolous or vexatious. If a complaint is dismissed, the information may be used to help IBAC develop a greater understanding of potential risks of police misconduct, determine trends or patterns, and inform prevention and education activities.

INVESTIGATIONS OF ALLEGATIONS CONCERNING VICTORIA POLICE

In 2017/18, IBAC had 27 active investigations into police misconduct.

During the financial year, IBAC strengthened our operational capacity by establishing a fourth multi-disciplinary investigation team (page 31). This new team enables IBAC to conduct more investigations into police matters.

Below (and on the next page) are examples of IBAC investigations into police misconduct during 2017/18.

CONCERNS ABOUT EXCESSIVE USE OF FORCE

A number of IBAC investigations concerned allegations of excessive use of force by police officers, including in relation to vulnerable people. Where relevant, investigations (and reviews) also consider whether police have had sufficient regard to rights under the *Charter of Human Rights and Responsibilities Act 2006* (Charter of Human Rights).

Two investigations into allegations of excessive use of force have resulted in criminal proceedings which are ongoing as at 30 June 2018:

Operation Mersey

IBAC investigated allegations of assault against two Victoria Police senior constables related to an incident in Frankston in February 2016. In December 2017, IBAC charged the two officers with assault, intentionally causing injury and recklessly causing injury.

Operation Poros

IBAC investigated allegations of assault in the cells at Moe Police Station in September 2017. In February 2018, IBAC charged a senior constable with two counts of unlawful assault.

MISUSE OF INFORMATION

Other recurring issues investigated by IBAC include inappropriate access to and unauthorised use of information by police, as well as improper associations by Victoria Police officers. Two such investigations finalised by IBAC in 2017/18 were:

Operation Light

IBAC investigated allegations that a detective leading senior constable, Officer A, had an improper association with a person of interest to a Victoria Police drug trafficking investigation. That person of interest was also later charged with firearms offences. Operation Light investigated the association of another detective leading senior constable (Officer B) with the person of interest. In February 2018, Officer A was charged with seven counts of improperly taking advantage of a regulated person's position, one count of unauthorised disclosure of police information and two counts of possessing a prohibited weapon. Officer B was referred to Victoria Police for possible disciplinary action.

Operation Genoa

IBAC investigated allegations that a leading senior constable maintained inappropriate relationships with people associated with an adult entertainment venue, including the club's manager. The officer resigned while under investigation. In May 2018, the officer was charged with four counts of unauthorised access, use or disclosure of police information.

Both of these investigations were before the courts as at 30 June 2018.

27

active investigations and preliminary inquiries into alleged misconduct or corrupt conduct by police officers

INVESTIGATIONS OF ALLEGATIONS CONCERNING VICTORIA POLICE (CONT)

Operation Cygnet: use of drugs of dependence and misuse of information

In January 2017, IBAC commenced an 'own motion' investigation²⁸ into allegations that a detective leading senior constable had used and trafficked drugs of dependence, and had unlawfully accessed and disclosed Victoria Police information. IBAC found the officer had used drugs of dependence and had unlawfully accessed and used Victoria Police information, but did not substantiate allegations that he had trafficked drugs or disclosed Victoria Police information. The officer resigned while under investigation.

IBAC's investigation identified the officer used secure Victoria Police databases to determine if associates from whom he was buying drugs were the subject of police attention. The officer worked in highly sensitive environments and was subject to drug testing; however, before the investigation, he had been subject only to urine tests which did not return positive results. It is likely the officer's drug use would have been detected through a hair strand drug test because hair testing is more likely to provide indications of long-term use.

Following Operations Apsley, Yarrowitch and Hotham, which investigated allegations that police officers were involved in the use, possession and trafficking of illicit drugs, in December 2016 IBAC recommended that Victoria Police develop a more robust framework to prevent and detect illicit drug use by police, including reviewing the adequacy of the testing regime. IBAC requested that the issues identified in Operation Cygnet be considered in that response. Victoria Police was due to provide a final report on this work to IBAC by 30 June 2018, however it has advised that work has been delayed due to consideration of an internal audit on management of internal illicit drug use.

Operation Oxley: perjury

In 2016, IBAC commenced an 'own motion' investigation into allegations that a senior constable (Senior Constable A) had attained the security clearance needed for a position, by providing false information. IBAC's investigation substantiated this allegation and found that the senior constable had asked two colleagues (a senior sergeant and a senior constable) to corroborate false information in referee reports. Senior Constable A had also provided a false statutory declaration in support of the security clearance application.

In October 2017, Senior Constable A pleaded guilty to perjury and was fined \$8000 without conviction. As a result of this conduct, he received an admonishment notice from Victoria Police. According to Victoria Police policy, admonishment notices are intended to be used for minor breaches of discipline. They are an alternative to the formal discipline process. As the misconduct was dishonest, had resulted in criminal offending and was inconsistent with Victoria Police values, IBAC raised concerns about this outcome with Victoria Police.

IBAC made recommendations to Victoria Police as a result of this investigation, including that Victoria Police seek advice from the Australian Government Security Vetting Agency regarding best practice in ensuring adherence to security clearance processes, including checking the veracity of information provided by applicants and referees. As at 30 June 2018, IBAC was waiting for a response from Victoria Police.

Operation Turon: Conduct of a former Assistant Commissioner

IBAC is investigating allegations regarding the conduct of a former Assistant Commissioner for Professional Standards Command (PSC). PSC is the central area within Victoria Police responsible for the organisation's ethical health and integrity. The allegations concern the posting of inappropriate material using pseudonyms while Assistant Commissioner PSC.

IBAC is examining the extent to which the alleged actions may have affected Victoria Police investigations and outcomes where racism or other forms of discrimination or human rights law may have been relevant. This has involved checking more than 200 complaint files handled by Victoria Police, to consider whether the decision-making in the investigation and any associated disciplinary action was robust and defensible. As a result of this process, certain matters will be subject to a full review by IBAC to assess whether the complaint investigation was thorough and to identify possible systemic changes in practices.

²⁸ IBAC may decide to investigate corrupt conduct or police misconduct on our 'own motion', in addition to investigating matters as a result of complaints from individuals and notifications from public sector bodies. IBAC can start an 'own motion' investigation at any time, in relation to any matter that falls within our jurisdiction.

IBAC REVIEWS OF VICTORIA POLICE COMPLAINT INVESTIGATIONS

When IBAC refers complaints and notifications to Victoria Police to investigate, we select certain matters to review following the police investigation. IBAC reviews serve to identify if an investigation has been conducted appropriately and fairly by Victoria Police, and to identify opportunities for police to improve their systems and practices. IBAC may also decide to review a matter after reviewing the outcome of a Victoria Police investigation.

IBAC selects matters for review because the matter is considered to be in the public interest (for example, because the allegations are serious or have generated significant public concern) or because it concerns issues identified by IBAC as being of strategic interest or risk. Matters of strategic interest include allegations of excessive use of force, treatment of vulnerable persons and information misuse.

Table 25: IBAC reviews of police investigations

	2013/14	2014/15	2015/16	2016/17	2017/18
The number of reviews IBAC conducted of Victoria Police investigations	79	114	96	73	72
Number of files returned as deficient ²⁹	n/a ³⁰	19	35	20	48

In 2017/18, IBAC conducted 72 reviews of Victoria Police investigations. In the previous year, IBAC conducted 73 reviews.

Of the 72 reviews conducted in 2017/18, IBAC identified deficiencies in the way Victoria Police handled 48 files and returned these matters back to Victoria Police for further action. This was a 140 per cent increase on the number of files returned as deficient in 2016/17. A key reason for IBAC returning files was because Victoria Police investigators had failed to complete conflict of interest forms. Conflicts of interest has been an area of strategic focus for IBAC, as highlighted on page 76.

In addition to these 72 reviews, IBAC has scrutinised the outcomes of 36 Victoria Police complaint files (page 74) and examined more than 200 Victoria Police complaint files as part of Operation Turon (page 72).

IBAC is committed to boosting our capacity to increase the number of reviews conducted, to ensure complaints handled by Victoria Police are investigated thoroughly and appropriately.

72

reviews completed
of matters
investigated by
Victoria Police

Below are examples of Victoria Police complaint investigations reviewed by IBAC in 2017/18.

Inadequate investigation of information misuse

In February 2017, IBAC received a notification from Victoria Police alleging that a sergeant photographed a confidential Victoria Police document with his mobile phone and sent it to a member of the public.

Less than 12 months earlier, the sergeant had been disciplined for a separate matter involving inappropriate access to the Victoria Police database, LEAP.

IBAC referred the matter to Victoria Police to investigate. The Victoria Police investigator determined that the allegation was 'not substantiated'.

When IBAC reviewed the matter, we found that the investigation was inadequate because it placed too much weight on some evidence, selective weight on other evidence and too little weight on other parts of the evidence.

In response, Victoria Police reassessed the evidence, and subsequently changed the determination from 'not substantiated' to 'substantiated'. The sergeant was provided with workplace guidance to address the risk presented by his complaint history, especially regarding information management.

IBAC has raised further concerns about this matter, including that the officer was provided with workplace guidance rather than being subject to disciplinary action. In light of the seriousness of the conduct and his previous complaint history, IBAC thought disciplinary action should have been considered by Victoria Police.

²⁹ The main reason why files are returned as deficient is because insufficient detail is provided.

³⁰ No data is available for 2013/14 because there were significant changes to how information was recorded with the establishment of IBAC.

IBAC REVIEWS OF VICTORIA POLICE COMPLAINT INVESTIGATIONS (CONT)

Harassment investigation found to be grossly inadequate

In 2013, IBAC received a complaint from a senior sergeant alleging workplace bullying and sexual harassment. IBAC determined the matter was a protected disclosure complaint and referred it to Victoria Police to investigate. The investigation was then reviewed by IBAC in 2015.

IBAC found the Victoria Police investigation was grossly inadequate. Concerns raised included:

- the allegations had been considered individually rather than as a course of conduct of alleged bullying
- the identity of the complainant had been disclosed to the subject of the complaint, despite the complainant having protected disclosure status
- the investigation took too much time
- a failure to consider Victoria Police bullying and sexual harassment policies, and to seek expert assistance on these issues within the organisation
- a failure to interview all relevant witnesses
- reliance on unsupported, subjective opinions
- inappropriate liaison with officers considered by the complainant to be subject officers
- a failure to consider/investigate the conduct of officers nominated by the complainant.

In response, in 2016 Victoria Police engaged a consultant as an independent third party who conducted further investigations and confirmed IBAC's concerns. The full investigation file was provided to IBAC to review in August 2017. IBAC found that the independent review was comprehensive and systematic. Two allegations were substantiated and the main officer who was the subject of the complaint was admonished. Organisational learnings were also identified by police to improve the way in which allegations of sexual harassment and workplace bullying are investigated. Recommendations have been or are being actioned by Victoria Police.

REVIEWS OF COMPLAINT INVESTIGATION OUTCOMES

As well as reviewing how Victoria Police conducted complaint investigations, during 2017/18 IBAC scrutinised outcomes of a broad range of complaint files. This work was prompted by concerns with the way in which Victoria Police determines outcomes of complaints and how the disciplinary regime is applied.

Based on an examination of 36 complaint files, IBAC raised concerns with Victoria Police about the need to improve its practices in this area. Our concerns included the use of low-level sanctions (such as admonishment or workplace guidance) instead of initiating disciplinary or criminal proceedings for serious misconduct.

For example, one matter examined by IBAC and raised with Victoria Police was a police investigation which substantiated allegations that a senior constable made false entries on Victoria Police's case management system as well as in their diary that they had collected CCTV footage from a service station which had been the subject of an armed robbery. The officer also falsified a disk claiming it was the CCTV footage collected, and prepared a false witness statement attesting that the officer had collected the CCTV footage. The senior constable lied to their supervisors and PSC investigators, including in a disciplinary interview (conducted under section 171 of the *Victoria Police Act 2013* (Victoria Police Act)). The officer did make full admissions after a break in the interview.

The Assistant Commissioner PSC determined that the officer should receive an admonishment, although the substantiated allegations did not represent a minor breach of discipline. IBAC did not consider this an appropriate disciplinary outcome.

IBAC is continuing to examine issues concerning outcomes of complaint investigations by Victoria Police and is raising systemic concerns and concerns relating to specific cases.

AUDITS OF COMPLAINTS HANDLED BY VICTORIA POLICE

As part of our police oversight work, IBAC conducts audits designed to help improve the police complaints system.

Audit of Victoria Police's oversight of serious incidents

IBAC conducted an audit of how Victoria Police oversees incidents involving its officers that result in death or serious injury, or the risk of death or serious injury, to members of the public. The audit examined how Victoria Police handled 142 oversight files closed during 2015/16.

Issues identified by the IBAC audit included:

- poor management of conflicts of interest
- a pattern of deficiencies in oversight of incidents involving the Special Operations Group, including in relation to conflicts of interest
- more than half of the audited files failed to consider relevant evidence, including statements from independent witnesses
- significant delays in the timeliness of oversight, with more than one-third taking longer than the permitted 90 days to complete
- almost one-third of files showed signs of inadequate supervision.

IBAC made eight recommendations to Victoria Police to strengthen the oversight of serious incidents. All of the recommendations were accepted by Victoria Police.

IBAC is monitoring Victoria Police's implementation of the audit's recommendations. IBAC has requested Victoria Police provide an interim report on its implementation of the audit's recommendations by September 2018 and a final report by March 2019.

Audit of complaints investigated by Victoria Police Professional Standards Command

During the year, IBAC also audited a sample of files investigated by PSC. The audit examined the adequacy of police handling of complaints involving more serious allegations of misconduct or corruption. The complaint investigations that IBAC audited included serious allegations of improper criminal associations, drug use or possession, sexual offences, handling stolen goods, threats to kill, interference in investigations and misuse of information.

A total of 59 files closed during 2015/16 were examined. The audit identified several areas for improvement in how PSC investigates complaints:

- poor management of conflicts of interest
- concern with the use of the 'work file' classification, including its use when a matter involved allegations of criminal conduct or corruption

- failure to consistently consult with the Office of Public Prosecutions despite establishing a reasonable belief that a reportable offence had been committed
- inadequate recommended actions
- failure to recommend broader organisational improvements.

IBAC made five recommendations to Victoria Police to improve the way in which PSC investigates complaints. All recommendations were accepted by Victoria Police.

IBAC is monitoring Victoria Police's implementation of the audit's recommendations. IBAC has requested Victoria Police to provide an interim progress report by December 2018 and a final report by June 2019.

'For Victorians to have confidence in our police, we need to know that when a serious complaint is made about police, it will be investigated thoroughly and without bias. More broadly, it is important that Victoria Police applies learnings from complaints, and takes action to address systemic and cultural issues to prevent police misconduct.'

The Honourable Robert Redlich QC
IBAC Commissioner

Both audits found there continues to be issues with Victoria Police officers' understanding and application of the Charter of Human Rights in relation to complaints. The audit of oversight files found that almost one-third of oversight files examined did not address human rights, despite human rights being a key oversight principle. The audit of PSC complaints also found that about one-third of files did not adequately address human rights issues (see next page).

SHOOTING AT INFLATION NIGHTCLUB

In July 2017, two members of the public were shot by Victoria Police officers at the Inflation nightclub, sustaining serious injuries. This incident is being investigated by Victoria Police, with oversight by PSC. IBAC is also actively overseeing the incident and may make findings in relation to Victoria Police's response to and handling of this incident.

ENSURING POLICE OFFICERS HAVE REGARD TO THE CHARTER OF HUMAN RIGHTS

Under the IBAC Act, IBAC has an important obligation to ensure Victoria Police officers have regard to the Charter of Human Rights. Victoria Police complaints and notifications received by IBAC are assessed to identify if the allegation may involve a potential breach of a Charter right. The identification of potential human rights breaches is an important factor to be considered when determining whether an allegation will be investigated by IBAC, or reviewed if referred to Victoria Police for investigation.

IBAC also provides feedback to Victoria Police on human rights identified in the course of IBAC's audits of how Victoria Police handles complaints. As noted above, human rights have been considered in investigations of excessive use of force, and in relation to the investigation into allegations regarding the conduct of a former Assistant Commissioner PSC.

In November 2016, IBAC reported on Operation Ross, an investigation into the alleged excessive use of force against several people at the Ballarat Police Station. IBAC recommended that Victoria Police review and enhance its human rights training to improve officers' understanding of and compliance with the Charter of Human Rights. IBAC also recommended that Victoria Police ensure officers understand and comply with policies on searches, highlighting the need for officers to uphold the human rights of the person being searched.

In April 2018, Victoria Police provided a progress report on its implementation of the Operation Ross recommendations. Victoria Police has developed a human rights e-learning module and facilitator-led training, and incorporated human rights into other programs including foundation and promotion training. IBAC has requested further information on Victoria Police's work in this area.

CONCERNS ABOUT POORLY MANAGED CONFLICTS OF INTEREST

The poor management of conflicts of interest in relation to how Victoria Police investigates complaints against its officers is a persistent concern identified by IBAC. Through reviews of Victoria Police investigations and IBAC audits of how Victoria Police handles complaints, IBAC has identified that actual, perceived or potential conflicts of interest are not consistently identified and managed. This has the potential to significantly erode community confidence in the impartiality of complaint investigations.

To improve impartiality, particularly in relation to complaint investigations concerning officers in regional Victoria, IBAC has proposed to Victoria Police that a complaint investigator should not be from the same division as the subject officer unless the manager allocating the file is satisfied that the investigator comes from a location that is so geographically independent that it will alleviate any concerns about the investigator's impartiality. The manager should also be satisfied there are no previous professional or private associations between the investigator and the subject officer. To date, Victoria Police has advised it does not consider this is necessary, relying on other means of improving its management of conflicts of interest in complaint investigations.

IBAC will continue to monitor how conflicts of interest are identified and managed in complaint investigations conducted by Victoria Police, and to raise concerns with Victoria Police.

CONCERNS ABOUT THE CLASSIFICATION OF LOW-LEVEL COMPLAINTS (LMR AND MIM MATTERS)

Complaints received by Victoria Police are triaged centrally by PSC and assigned a classification which determines how each matter is handled. The lowest-level complaint classifications are local management resolution (LMR) and management intervention model matters (MIM). Only minor complaint and conduct matters (eg customer service complaints) should be classified as LMR or MIM because the focus is on developmental, rather than punitive, action for the officer subject to the complaint.

Victoria Police has not considered LMR or MIM matters to be misconduct complaints as defined in the Victoria Police Act and therefore has not formally notified these matters to IBAC. However, following a request from IBAC, Victoria Police agreed to advise IBAC of LMR and MIM. This arrangement has been in place since January 2018.

For three months from January 2018, IBAC monitored the content of each LMR and MIM to determine if any of these matters constituted 'misconduct' and therefore should have been reported to IBAC under the Victoria Police Act. We found eight per cent of LMR and MIM matters were considered to have involved allegations of potential misconduct and therefore, in IBAC's view, were wrongly classified by Victoria Police. These matters should have been notified to IBAC to enable an independent assessment to determine what, if any, action would be taken.

Some matters were considered to constitute possible misconduct because the allegation concerned potential breaches of the Charter of Human Rights or the *Equal Opportunity Act 2010*.

IBAC supports legislative change to strengthen the notification requirements of the Victoria Police Act, to formalise the arrangements for Victoria Police to notify IBAC of LMRs and MIMs. This would strengthen transparency and enable more rigorous oversight by improving the level of reporting by Victoria Police.

HOW VICTORIA POLICE EMPLOYEES VIEW CORRUPTION

In December 2017, IBAC reported on Victoria Police employees' perceptions of corruption. This research showed that Victoria Police employees demonstrated a strong personal commitment to the values of integrity and honesty.

However, the research also highlighted a large proportion of respondents were concerned they would experience personal repercussions if they reported misconduct or corruption and one-fifth of respondents did not agree that they would report corruption even if they observed it.

This suggests Victoria Police can do more to raise awareness among its employees about how to identify, report and prevent corruption, and the protections available under the PD Act, as well as ensuring Victoria Police officers understand their obligation under the Victoria Police Act to report misconduct and corruption.

Figure 13: Research report – *Perceptions of corruption: Survey of Victoria Police employees*



MONITORING VICTORIA POLICE COMPLIANCE WITH VARIOUS ACTS

As part of our police oversight role, IBAC monitors Victoria's Police's compliance with various Acts, including:

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*. IBAC inspection reports are now provided to the Minister for Police for tabling in each House of Parliament.

Witness Protection Act 1991

IBAC monitors Victoria Police compliance with the recordkeeping requirements in the *Witness Protection Act 1991*. 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.³¹

Firearms Act 1996

Legislation commencing on 9 May 2018 created three IBAC oversight functions in relation to the firearms prohibition order scheme: a quarterly case review, a standing monitoring power and biennial ministerial reporting. IBAC ministerial reports are tabled in each House of Parliament. During this commencement phase, IBAC was not required to review any firearm prohibition orders.

³¹ Due to necessary legal restrictions, the content of inspection reports related to the *Witness Protection Act 1991* and the *Drugs, Poisons and Controlled Substances Act 1981* cannot be detailed.

FINANCIAL REPORT

Commissioner's, Accountable Officer's and Chief Financial Officer's declaration

The attached financial statements for the Independent Broad-based Anti-corruption Commission (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 2018 and financial position of IBAC as at 30 June 2018.

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 6 September 2018.

R Redlich QC
Commissioner
IBAC



Melbourne
6 September 2018

A Maclean
Accountable Officer
IBAC



Melbourne
6 September 2018

J Koops
Chief Financial Officer
IBAC



Melbourne
6 September 2018

INDEPENDENT AUDITOR'S REPORT



Victorian Auditor-General's Office

Independent Auditor's Report

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

Opinion	<p>I have audited the financial report of the Independent Broad-based Anti-corruption Commission (the Commission) which comprises the:</p> <ul style="list-style-type: none">• balance sheet as at 30 June 2018• 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. <p>In my opinion the financial report presents fairly, in all material respects, the financial position of the Commission as at 30 June 2018 and their financial performance and cash flows for the year then ended in accordance with the financial reporting requirements of the <i>Financial Management Act 1994</i> and applicable Australian Accounting Standards.</p>
Basis for Opinion	<p>I have conducted my audit in accordance with the <i>Audit Act 1994</i> which incorporates the Australian Auditing Standards. I further describe my responsibilities under that Act and those standards in the <i>Auditor's responsibilities for the audit of the financial report</i> section of my report.</p> <p>My independence is established by the <i>Constitution Act 1975</i>. 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 <i>Code of Ethics for Professional Accountants</i> (the Code) that are relevant to my audit of the financial report in Victoria. My staff and I have also fulfilled our other ethical responsibilities in accordance with the Code.</p> <p>I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.</p>
Commissioner's responsibilities for the financial report	<p>The Commissioner is responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards and the <i>Financial Management Act 1994</i>, 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.</p> <p>In preparing the financial report, the Commissioner is responsible for assessing the Commission's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless it is inappropriate to do so.</p>

Auditor's responsibilities for the audit of the financial report

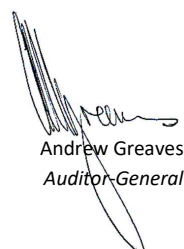
As required by the Audit Act 1994, my responsibility is to express an opinion on the financial report based on the audit. My objectives for the audit are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and 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
9 September 2018



Andrew Greaves
Auditor-General

IBAC FINANCIAL REPORT

COMPREHENSIVE OPERATING STATEMENT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

	Note	2018 \$'000	2017 \$'000
Income from transactions			
Grants	2.1	39,695	36,372
Total income from transactions		39,695	36,372
Expenses from transactions			
Employee expenses	3.1.1	24,539	22,732
Depreciation	4.1.1	3,225	2,775
Interest expense	6.1.2, 7.1.1	18	32
Other operating expenses	3.2	11,913	10,833
Total expenses from transactions		39,695	36,372
Net result from transactions (net operating balance)		-	-
Other economic flows included in net result			
Other gains from other economic flows	8.2	75	132
Total other economic flows included in net result		75	132
Net result		75	132
Comprehensive result		75	132

The accompanying notes form part of these financial statements.

BALANCE SHEET AS AT 30 JUNE 2018

	Note	2018 \$'000	2017 \$'000
Assets			
Financial assets			
Cash and cash equivalents	6.2	7,456	7,459
Receivables	5.1	9,465	8,699
Total financial assets		16,921	16,158
Non-financial assets			
Non-financial physical assets held for sale	8.7	-	37
Property, plant and equipment	4.1	9,495	10,376
Other non-financial assets	5.3	1,638	847
Total non-financial assets		11,133	11,260
Total assets		28,054	27,418
Liabilities			
Payables	5.2	1,395	1,607
Borrowings	6.1	1,375	1,147
Employee related provisions	3.1.2	4,774	4,174
Other provisions	5.4.1	163	164
Total liabilities		7,707	7,092
Net assets		20,347	20,326
Equity			
Accumulated surplus		14,868	14,793
Contributed capital		5,479	5,533
Net worth		20,347	20,326
Commitments for expenditure	6.3		
Contingent assets and contingent liabilities	7.2		

The accompanying notes form part of these financial statements.

IBAC FINANCIAL REPORT (CONT)

STATEMENT OF CHANGES IN EQUITY FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

	Accumulated surplus \$'000	Contributed capital \$'000	Total \$'000
Balance at 1 July 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
Net result for the year	75	-	75
Net assets disposed	-	(54)	(54)
Balance at 30 June 2018	14,868	5,479	20,347

The accompanying notes form part of these financial statements.

CASH FLOW STATEMENT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

	Note	2018 \$'000	2017 \$'000
Cash flows from operating activities			
Receipts and payments			
Receipts from government		38,931	34,233
Payments to suppliers and employees		(37,212)	(32,742)
Interest paid		(18)	(32)
Net cash flows from operating activities	6.2.1	1,701	1,459
Cash flows from investing activities			
Purchases of non-financial assets		(1,748)	(1,609)
Proceeds from finance leases		338	314
Net cash flows used in investing activities		(1,410)	(1,295)
Cash flows from financing activities			
Repayment of finance leases		(294)	(299)
Net cash flows used in financing activities		(294)	(299)
Net decrease in cash and cash equivalents		(3)	(135)
Cash and cash equivalents at beginning of financial year		7,459	7,594
Cash and cash equivalents at end of financial year	6.2	7,456	7,459

The accompanying notes form part of these financial statements.

1 ABOUT THIS REPORT

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 2018. The purpose of this report is to provide users with information about IBAC's stewardship of resources entrusted to it.

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). Our principal address is 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.

BASIS OF PREPARATION

This financial report:

- is presented in Australian dollars
- is rounded to the nearest \$1,000, unless otherwise stated
- is prepared in accordance with the historical cost unless a different measurement basis is specifically disclosed in the note associated with the item measured on a different basis
- applies an accrual basis of accounting 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.

Consistent with the requirements of Accounting Standards Board (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.

Judgements, estimates and assumptions are made about financial information being presented:

- where amounts are affected by significant judgements, these are disclosed in the notes
- 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 Australian Accounting Standards (AASs) that have significant effects on the financial report and estimates relate, with a risk of material adjustments in the next year, are disclosed in the notes under the heading 'Significant judgement or estimates'.

COMPLIANCE INFORMATION

This general purpose financial report has been prepared in accordance with the *Financial Management Act 1994* and applicable AASs which include Interpretations, issued by the 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.

IBAC'S OBJECTIVES

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.

2 FUNDING DELIVERY OF OUR SERVICES

INTRODUCTION

The primary purpose of IBAC is to strengthen the integrity of the Victorian public sector, and to enhance community confidence in public sector accountability. It does this by receiving grants from the Department of Premier and Cabinet (DPC).

2.1 GRANTS

	2018 \$'000	2017 \$'000
General purpose grants	39,695	36,372
Total income from transactions	39,695	36,372

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

Included in the income from grants of \$39,695K is an annotated income of \$325K. During 2017/18, IBAC organised a Corruption Prevention and Integrity Conference where conference fees amounting to \$325K were collected. IBAC is permitted to have conference fees annotated to the annual grants under section 29 of the *Financial Management Act 1994*. The receipts are first paid into the Consolidated Fund and IBAC received these funds subsequently through our annual grants.

3 THE COST OF DELIVERING SERVICES

INTRODUCTION

This section provides an account of the expenses incurred by IBAC in delivering services and outputs. In section 2, the funds that enable the provision of services were disclosed and in this note the cost associated with provision of services are recorded.

3.1 EXPENSES INCURRED IN THE DELIVERY OF SERVICES

3.1.1 Employee benefits in the comprehensive operating statement

	2018 \$'000	2017 \$'000
Salaries, wages and long service leave	22,445	20,735
Defined contribution superannuation expense	1,813	1,629
Termination benefits	255	343
Defined benefit superannuation expense	26	25
Total employee expenses	24,539	22,732

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

Termination benefits are payable when employment is terminated before the normal retirement date, or when an employee accepts an offer of benefits in exchange for the termination of employment. Termination benefits are recognised when IBAC is either demonstrably committed to terminating the employment of current employees according to a detailed formal plan which has no possibility of withdrawal, or providing termination benefits as a result of an offer made to encourage voluntary redundancy.

3.1.2 Employee benefits in the balance sheet

Provision is made for benefits accruing to employees in respect of wages and salaries, annual leave and long service leave (LSL) for services rendered to the reporting date and recorded as an expense during the period the services are delivered. Assumptions for employee benefit provisions are made based on likely tenure of existing staff, patterns of leave claims, future salary movements and future discount rates.

	2018 \$'000	2017 \$'000
Current provisions		
Current employee benefits – annual leave [ⓐ]		
Unconditional and expected to settle within 12 months	1,209	1,072
Unconditional and expected to settle after 12 months	173	155
Current employee benefits – long service leave [ⓐ]		
Unconditional and expected to settle within 12 months	384	315
Unconditional and expected to settle after 12 months	1,872	1,606
Total current employee benefits	3,638	3,148
Current provisions for on-costs		
Unconditional and expected to settle within 12 months	236	212
Unconditional and expected to settle after 12 months	241	209
Total current on-costs	477	421
Total current provisions	4,115	3,569
Non-current provisions		
Employee benefits [ⓐ]	591	543
On-costs	68	62
Total non-current provisions	659	605
Total provisions	4,774	4,174

Note:

[ⓐ] Provisions for employee benefits consist of amounts for annual leave and long service leave accrued by employee. On-costs such as payroll tax and workers' compensation insurance are not employee benefits and are reflected as a separate provision.

3 THE COST OF DELIVERING SERVICES (CONT)

Reconciliation of movement in on-cost provision

	2018 \$'000	2017 \$'000
Opening balance	483	411
Additional provisions recognised	332	351
Increase/(Reduction) resulting from re-measurement	-	(7)
Reductions arising from payments/other sacrifices of future economic benefits	(270)	(272)
Closing balance	545	483
Current	477	421
Non-current	68	62
Total	545	483

Wages and salaries, annual leave and sick leave

Liabilities for wages and salaries (including non-monetary benefits, and annual leave and on-costs) are recognised as part of employee benefit provision as current liabilities and measured at undiscounted rates, because IBAC does not have an unconditional right to defer settlements of these liabilities. The liabilities are recognised at remuneration rates which are current at the reporting period.

No provision has been made for sick leave as all sick leave is non-vesting and it is not considered probable that the average sick leave taken in the future will be greater than the benefits accrued in the future. As sick leave is non-vesting, an expense is recognised in the comprehensive statement as it is taken.

Employment on-costs such as payroll tax, workers' compensation and superannuation are not employee benefits. They are disclosed separately as a component of the provision for employee benefits when the employment to which they relate has occurred.

Long service leave

Unconditional LSL is disclosed 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:

- undiscounted 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 in the net result.

3.1.3 Superannuation contributions

IBAC contributes to both defined benefit and defined contribution plans for its employees. The defined benefit plan provides benefits based on years of service and final average salary while the defined contribution plan is contribution by IBAC based on a fixed percentage of the employees' salaries.

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:

The amount recognised in the comprehensive operating statement in relation to superannuation is employer contributions for members of both defined benefit and defined contribution superannuation plans that are paid or payable during the reporting period. IBAC does not recognise any defined benefit liabilities because it has no legal or constructive obligation to pay future benefits relating to its employees. Instead, Department of Treasury and Finance (DTF) discloses in its annual financial report the net defined benefit cost related to the members of these plans as an administered liability (on behalf of the State as the sponsoring employer).

	Paid contribution for the year		Contributions outstanding as at year end ⁽ⁱ⁾	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
Fund				
Defined benefit plan				
State Superannuation Fund – revised and new	26	25	-	-
Defined contribution plans				
VicSuper	1,207	1,137	28	25
Other	566	459	12	8
Total	1,799	1,621	40	33

Note:

⁽ⁱ⁾ Prior year comparatives have been adjusted to reflect accrued superannuation in relation to bonus payments.

3 THE COST OF DELIVERING SERVICES (CONT)

3.2 OTHER OPERATING EXPENSES⁽ⁱ⁾

	2018 \$'000	2017 \$'000
Contractors and professional services	2,463	2,438
Operating lease rental expenses - minimum lease payments	2,453	2,312
Technology service costs	2,194	1,518
Accommodation and property expense	1,316	1,385
Other	1,054	723
Training	761	616
Marketing and promotion	598	968
Communications and office expenses	581	381
Travel and transport	457	457
Auditors' remuneration	36	35
Total other operating expenses	11,913	10,833

Note:

⁽ⁱ⁾ Prior year comparatives have been adjusted to appropriately reflect operating lease rental expenses and communications and office 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.

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.

IBAC uses the financial systems and services provided by DPC. The cost of these services have been recognised in IBAC's financial report in 2017/18 but not in 2016/17 as the fair values of these services could not be reliably determined then.

4 KEY ASSETS AVAILABLE TO SUPPORT OUTPUT DELIVERY

INTRODUCTION

IBAC controls assets that are utilised in fulfilling its objectives and conducting its activities. They represent the key resources that have been entrusted to IBAC to be utilised for the delivery of those outputs.

4.1 TOTAL KEY ASSETS

All key assets are classified by purpose group as 'Public safety and environment'.

	Gross carrying amount		Accumulated depreciation		Net carrying amount	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
Leasehold improvements	11,412	11,412	6,266	4,269	5,146	7,143
Assets under construction at cost	461	310	-	-	461	310
Computer and communication equipment at fair value	3,967	4,611	2,298	3,947	1,669	664
Plant and equipment at fair value	2,698	2,937	1,871	1,842	827	1,095
Motor vehicles at fair value	80	149	60	90	20	59
Motor vehicles under finance lease	1,818	1,515	446	410	1,372	1,105
Total	20,436	20,934	10,941	10,558	9,495	10,376

4 KEY ASSETS AVAILABLE TO SUPPORT OUTPUT DELIVERY (CONT)

Initial recognition

Items of property, plant and equipment, 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.

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.

The initial cost of non-financial physical assets under a finance lease 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.

Subsequent measurement

Property, plant and equipment are subsequently measured at fair value less accumulated depreciation and impairment. Fair value is determined with regard to the assets highest and best use (considering legal or physical restrictions imposed on the asset, public announcements or commitments made in relation to the intended use of the asset) is summarised in the following paragraphs by asset category. Additional information is disclosed in section 7.3 in connection with how those fair values were determined.

Leasehold improvements

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

Computer, communication equipment, and plant and equipment

Computer, communication equipment, and 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 replacement 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 fleet managers who set the relevant depreciation rates to reflect the utilisation of the vehicles.

4.1.1 Depreciation and impairment

Depreciation

	2018 \$'000	2017 \$'000
Leasehold improvements	1,997	1,760
Computer and communication equipment	557	381
Plant and equipment	365	336
Motor vehicles under finance lease	292	297
Motor vehicles	14	1
Total depreciation	3,225	2,775

All property, plant and equipment, and other non-financial physical assets that have finite useful lives are depreciated. The exceptions to this rule include items under operating leases and assets held for sale.

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. 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

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

During the year ended 30 June 2018, the estimated useful lives of all non-financial physical assets were reviewed. As a result of technology advancements, the estimated useful lives of a number of individual assets were reduced. The net financial impact of this reassessment in the current financial year is an increase in depreciation expense for IBAC of \$6,499.

Leasehold improvements are depreciated over the shorter of the lease term and their useful lives.

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).

Impairment

Non-financial physical assets, including items of property, plant and equipment are tested for impairment whenever there is an indication that the asset may be impaired.

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

If there is an indication that there has been a reversal in impairment, the carrying amount shall be increased to its recoverable amount. However, this reversal should not increase the asset's carrying amount above what have been determined, net of depreciation and amortisation, if no impairment loss had been recognised in prior years.

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.

4 KEY ASSETS AVAILABLE TO SUPPORT OUTPUT DELIVERY (CONT)

4.1.2 Reconciliation of movements in carrying values of key assets

	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	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
Opening balance	7,143	6,839	310	1,957	664	959	1,095	1,229	59	60	1,105	1,047	10,376	12,091
Additions	-	-	1,624	417	116	107	99	202	-	-	792	616	2,631	1,342
Disposals	-	-	-	-	(27)	(21)	(2)	-	(25)	-	(233)	(224)	(287)	(245)
Transfer in/out of assets under construction	-	2,064	(1,473)	(2,064)	1,473	-	-	-	-	-	-	-	-	-
Depreciation	(1,997)	(1,760)	-	-	(557)	(381)	(365)	(336)	(14)	(1)	(292)	(297)	(3,225)	(2,775)
Transfers to asset held for sale	-	-	-	-	-	-	-	-	-	-	-	(37)	-	(37)
Closing balance	5,146	7,143	461	310	1,669	664	827	1,095	20	59	1,372	1,105	9,495	10,376

5 OTHER ASSETS AND LIABILITIES

INTRODUCTION

This section sets out those assets and liabilities that arose from IBAC's controlled operations.

5.1 RECEIVABLES

	2018 \$'000	2017 \$'000
Current receivables		
Contractual		
Other receivables	19	6
Statutory		
Amount owing from Government	8,787	8,088
Total current receivables	8,806	8,094
Non-current receivables		
Statutory		
Amount owing from Government	659	605
Total non-current receivables	659	605
Total receivables	9,465	8,699

Contractual receivables are classified as financial instruments and categorised as loans and receivables. They are initially recognised at fair value plus any directly attributable transaction costs. Subsequent to initial measurement they are measured at amortised cost using the effective interest method, less any impairment. See note 7.3 for additional, specific financial instrument disclosures.

Statutory receivables do not arise from contracts and are recognised and measured similarly to contractual receivables (except for impairment), but are not classified as financial instruments. Amounts recognised from the Victorian Government represent funding for all commitments incurred and are drawn from the Consolidated Fund as the commitments fall due.

Doubtful debts: Receivables are assessed for bad and doubtful debts on a regular basis. 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. 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*.

Bad debts considered as written off by mutual consent are classified as a transaction expense. Bad debts not written off, but included in the provision for doubtful debts, are classified as other economic flows in the net result.

5.1.1 Ageing analysis of contractual receivables

As at 30 June 2018, the carrying amount for contractual receivables was \$19K which was made up of \$16K that was less than one month past due and \$3K that was more than one year but less than five years past due. Both amounts are not impaired. As at 30 June 2017, the carrying amount for contractual receivables was \$6K which was 1-3 months past due but not impaired.

There are no material financial assets that 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.

5 OTHER ASSETS AND LIABILITIES (CONT)

5.2 PAYABLES

	2018 \$'000	2017 \$'000
Current payables		
Contractual		
Supplies and services	1,383	1,567
Unearned income	-	11
Statutory		
FBT payable	12	29
Total current payables	1,395	1,607
Total payables	1,395	1,607

Contractual payables are classified as financial instruments and measured at amortised cost. Accounts payable represent liabilities for goods and services provided to IBAC prior to the end of the financial year that are unpaid. See note 7.3 for additional, specific financial instrument disclosures.

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 contract.

Payables for supplies and services have an average credit period of 30 days.

The terms and conditions of amounts payable to the government and agencies vary according to the particular agreements and as they are not legislative payables, they are not classified as financial instruments.

5.2.1 Maturity analysis of contractual payables

As at 30 June 2018, the carrying and nominal amount of contractual payables were \$1,383K, all with maturity dates less than one month. As at 30 June 2017, the carrying and nominal amount of contractual payables were \$1,578K, all with maturity dates less than one month.

5.3 OTHER NON-FINANCIAL ASSETS

	2018 \$'000	2017 \$'000
Current other assets		
Prepayments	970	712
Total current other assets	970	712
Non-current other assets		
Prepayments	668	135
Total non-current other assets	668	135
Total other non-financial assets	1,638	847

Other non-financial assets include rental, hardware and software maintenance and licences prepayments. Prepayments 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.

5.4 OTHER PROVISIONS

Other provisions is made up of make good provisions relating to lease of IBAC's office premises. The make good provision reflects a requirement in terms of the lease of IBAC's premises to restore the property at the end of the lease term. As at 30 June 2018, the make-good provisions classified as non-current is \$163K (2016/17: \$164K).

Other 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, 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.

5.4.1 Reconciliation of movements in other provisions

	2018 \$'000	2017 \$'000
Opening balance	164	153
(Decrease)/Increase resulting from re-measurement	(1)	11
Closing balance	163	164

6 HOW WE FINANCED OUR OPERATIONS

INTRODUCTION

This section provides information on the sources of finance utilised by IBAC during its operations, along with interest expenses (the cost of borrowings) and other information related to financing activities of IBAC.

This section includes disclosures of balances that are financial instruments (such as borrowings and cash balances). Notes 7.1 and 7.3 provide additional, specific financial instrument disclosures.

6.1 BORROWINGS

FINANCE LEASE LIABILITIES (IBAC AS LESSEE)

	Minimum future lease payments		Present value of minimum future lease payments	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
Finance lease liabilities payable ⁽ⁱ⁾				
Not longer than one year	758	585	727	559
Longer than one year but not longer than five years	675	599	648	588
Minimum future lease payments	1,433	1,184	1,375	1,147
Less future finance charges	(58)	(37)	-	-
Present value of minimum lease payments	1,375	1,147	1,375	1,147
Included in the financial statements as				
Current borrowings	727	559	727	559
Non-current borrowings	648	588	648	588
Total	1,375	1,147	1,375	1,147

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.

IBAC's borrowings consist of finance leases which relate to motor vehicles with lease terms of two to five years. Generally, IBAC has no options to purchase the motor vehicles at the conclusion of the lease agreements.

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 leased asset or, if lower, the present value of the minimum lease payment, each determined at the inception of the lease. The leased asset is accounted for as a non-financial physical asset and depreciated over the shorter of the estimated useful life of the asset or the term of the lease.

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

6.1.1 Maturity analysis of borrowings

	Maturity dates					
	Carrying amount \$'000	Nominal amount \$'000	Less than 1 month \$'000	1–3 months \$'000	3 months – 1 year \$'000	1–5 years \$'000
2018						
Finance lease liabilities	1,375	1,433	127	146	485	675
Total	1,375	1,433	127	146	485	675
2017						
Finance lease liabilities	1,147	1,184	114	52	420	598
Total	1,147	1,184	114	52	420	598

6.1.2 Interest expense

Interest expense relates to the interest component of finance lease repayments on leased motor vehicles. Interest expenses are recognised in the period in which they are incurred.

6.2 CASH FLOW INFORMATION AND BALANCES

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

	2018 \$'000	2017 \$'000
Cash	92	95
Funds held in trust ^①	7,364	7,364
Balance as per cash flow statement	7,456	7,459

Note:

^① These funds represent the balance in IBAC trust funds at the end of each reporting period.

6.2.1 Reconciliation of net results for the period to cash flow from operating activities

	2018 \$'000	2017 \$'000
Net result for the period	75	132
Non-cash movements		
Depreciation of non-current assets	3,225	2,775
Other non-cash movements	(344)	(373)
Movements in assets and liabilities		
Increase in receivables	(766)	(1,855)
Increase in other non-financial assets	(791)	(264)
(Decrease)/Increase in payables	(302)	434
Increase in provisions	604	610
Net cash flows from operating activities	1,701	1,459

6 HOW WE FINANCED OUR OPERATIONS (CONT)

6.2.2 Trust account balances

IBAC trust fund was created with the purpose being the establishment of IBAC. There were no movements in the trust fund during the year. As at 30 June 2018, the balance in the trust fund was \$7,364K (2016/17: \$7,364K).

6.3 COMMITMENTS FOR EXPENDITURE

Commitments for future expenditure include operating and capital commitments arising from contracts. These commitments are disclosed at their nominal value and exclusive of the GST payable. 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.

6.3.1 Total commitments payables

	Less than 1 year \$'000	Between 1-5 years \$'000	More than 5 years \$'000	Total \$'000
2018				
Capital expenditure commitments				
Computer system	838	-	-	838
Total capital expenditure commitments	838	-	-	838
Operating lease commitments				
Office lease [®]	2,235	3,645	-	5,880
Total operating lease commitments	2,235	3,645	-	5,880
Other commitments				
Other contractual	915	1,766	-	2,681
Total other commitments	915	1,766	-	2,681
Total commitments	3,988	5,411	-	9,399

Note:

[®] 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.

	Less than 1 year \$'000	Between 1-5 years \$'000	More than 5 years \$'000	Total \$'000
2017				
Capital expenditure commitments				
Computer system	948	-	-	948
Total capital expenditure commitments	948	-	-	948
Operating lease commitments				
Office lease [ⓐ]	2,168	5,888	-	8,056
Carpark	227	-	-	227
Equipment	36	-	-	36
Total operating lease commitments	2,431	5,888	-	8,319
Other commitments				
Other contractual	455	935	82	1,472
Total other commitments	455	935	82	1,472
Total commitments	3,834	6,823	82	10,739

Note:

[ⓐ] 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.

7 RISKS, CONTINGENCIES AND VALUATION JUDGEMENTS

INTRODUCTION

IBAC is exposed to risk from its activities and outside factors. In addition, it is often necessary to make judgements and estimates associated with recognition and measurement of items in the financial statements.

This section sets out financial instrument specific information (including exposures to financial risks), as well as those items that are contingent in nature or require a higher level of judgement to be applied, which for IBAC related mainly to fair value determination.

7.1 FINANCIAL INSTRUMENTS SPECIFIC DISCLOSURES

Introduction

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*.

Categories of financial instruments

Loans, receivables and cash 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 (and for assets, less any impairment). IBAC recognises the following assets in this category:

- cash and cash equivalents, \$7,456K (2016/17: \$7,459K)
- receivables (excluding statutory receivables), \$19K (2016/17: \$6K).

Financial liabilities at amortised costs 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 profit and loss over the period of the interest-bearing liability, using the effective interest method. IBAC recognises the following liabilities in this category:

- payables (excluding statutory payables), \$1,383K (2016/17: \$1,578K)
- borrowings (including finance lease liabilities), \$1,375K (2016/17: \$1,147K).

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 profit or loss, are subject to annual review for impairment.

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*.

Derecognition of financial liabilities: A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires.

7.1.1 Financial instruments: Net holding gain/ (loss) on financial instruments by category

	2018 \$'000	2017 \$'000
Contractual financial liabilities		
Financial liabilities at amortised cost	(18)	(32)
Total contractual financial liabilities	(18)	(32)

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.

7.1.2 Financial risk management objectives and policies

As a whole, IBAC's financial risk management program seeks to manage these risks and the associated volatility of its financial performance.

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 7.3.

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.

IBAC uses different methods to measure and manage the different risks to which it is exposed. Primary responsibility for the identification and management of financial risks rests with the Chief Financial Officer. The carrying amounts of financial assets and financial liabilities that are exposed to interest rates are set out in the following table.

7 RISKS, CONTINGENCIES AND VALUATION JUDGEMENTS (CONT)

Interest rate exposure of financial instruments

	Weighted average interest rate %	Carrying amount [Ⓢ] \$'000	Interest rate exposure	
			Fixed interest rate \$'000	Non-interest bearing \$'000
2018				
Financial assets				
Cash and cash equivalents	-	7,456	-	7,456
Receivables	-	19	-	19
Total financial assets		7,475	-	7,475
Financial liabilities				
Payables				
Supplies and services	-	1,383	-	1,383
Borrowings				
Finance lease liabilities	3.27	1,375	1,375	-
Total financial liabilities		2,758	1,375	1,383
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

Note:

[Ⓢ] The carrying amounts disclosed here exclude statutory amounts.

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

Contingent assets

Contingent assets are possible assets that arise from past events, whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity.

There were no contingent assets as at 30 June 2018 and 30 June 2017.

Contingent liabilities

Contingent liabilities are:

- possible obligations that arise from past events, whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity; or
- present obligations that arise from past events but are not recognised because:
 - it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligations or
 - the amount of the obligations cannot be measured with sufficient reliability.

As at 30 June 2018, there is a proceeding against IBAC which may result in damages. Hearings have not commenced and it is too early to determine the extent of damages, if any, that may be incurred.

There were no contingent liabilities as at 30 June 2017.

7.3 FAIR VALUE DETERMINATION

How this section is structured

For those assets and liabilities for which fair values are determined, the following disclosures are provided:

- carrying amount and the fair value (which would be the same for those assets measured at fair value)
- in respect of those assets and liabilities subject to fair value determination using Level 3 inputs:
 - a reconciliation of the movements in fair values from the beginning of the year to the end
 - details of significant unobservable inputs used in the fair value determination.

This section is divided between disclosures in connection with fair value determination for financial instruments (refer to note 7.3.1) and non-financial physical assets (refer to note 7.3.2).

Significant judgement: Fair value measurement of assets and liabilities

Fair value determination requires judgement and the use of assumptions. This section discloses the most significant assumptions used in determining fair values. Changes to assumptions could have a material impact on the results and financial position of IBAC.

This section sets out information on how IBAC determined fair value for financial reporting purposes. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The following assets and liabilities are carried at fair value:

- financial assets and liabilities at fair value through profit and loss, and
- property, plant and equipment.

In addition, the fair values of other assets and liabilities that are carried at amortised cost, also need to be determined for disclosure purposes.

IBAC determines the policies and procedures for determining fair values for both financial and non-financial assets and liabilities as required.

7 RISKS, CONTINGENCIES AND VALUATION JUDGEMENTS (CONT)

Fair value hierarchy

In determining fair values a number of inputs are used. To increase consistency and comparability in the financial statements, these inputs are categorised into three levels (also known as the fair value hierarchy). The levels are as follows:

- 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.

IBAC determines whether transfers have occurred between levels in the hierarchy by reassessing 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.

7.3.1 Fair value determination: Financial assets and liabilities

The carrying amounts of financial assets and financial liabilities recognised at the balance sheet, which consist of cash and cash equivalents (see note 6.2), receivables (see note 5.1), payables (see note 5.2) and borrowings (see note 6.1), are a reasonable approximation of fair value, either due to their short-term nature or with the expectation that they will be paid in full.

7.3.2 Fair value determination: Non-financial physical assets

The fair value of non-financial physical assets (plant, equipment and vehicles) are 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.

IBAC applies only Level 3 valuation techniques, using significant unobservable inputs, such as useful life, depreciation method and cost, to determine the fair values of its non-financial physical assets.

There have been no transfers between levels and no changes in significant unobservable inputs during the period (see note 4.1).

8 OTHER DISCLOSURES

INTRODUCTION

This section includes additional material disclosures required by accounting standards or otherwise, for the understanding of this financial report.

8.1 SUBSEQUENT EVENTS

IBAC had no events occur between the end of the reporting period and the date when the financial statements are authorised for issue that would require adjustment to, or disclosure of in our financial statements.

8.2 OTHER ECONOMIC FLOWS INCLUDED IN NET RESULT

Other economic flows are changes in volume or value of assets or liabilities that do not result from transactions. Other gains or losses from other economic flows include gains or losses from:

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

	2018 \$'000	2017 \$'000
Other gains from other economic flows		
Net gain arising from revaluation of annual leave and long service liability	4	69
Net gain arising from revaluation of make good provision	1	-
Net gain from disposal of property, plant and equipment	70	63
Total other gains from other economic flows	75	132

8 OTHER DISCLOSURES (CONT)

8.3 REMUNERATION OF EXECUTIVES AND OTHER PERSONNEL

8.3.1 Remuneration of executives

The number of executive officers, other than Ministers and Accountable Officer, and their total remuneration during the reporting period are shown in the table following. 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.

	2018 \$'000	2017 \$'000
Remuneration		
Short-term employee benefits	1,382	1,413
Post-employment benefits	99	105
Other long-term benefits	33	35
Termination benefits	-	300
Total remuneration	1,514	1,853
Total number of executives	5	5
Total annualised employee equivalents (AEE) [ⓐ]	5.00	4.99

Note:

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

8.4 RESPONSIBLE PERSONS

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

	Total remuneration	
	2018 No.	2017 No.
Income band		
\$80,000 – 89,999	1	-
\$290,000 – 299,999	1	-
\$430,000 – 439,999	-	2
\$470,000 – 479,999	1	-
Total number of responsible persons	3	2

Names

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

Special Minister of State ^(a)	The Hon Gavin Jennings MP	1 July 2017 to 30 June 2018
Commissioner	Stephen O'Bryan QC	1 July 2017 to 31 December 2017
	Robert Redlich QC	1 January 2018 to 30 June 2018
Chief Executive Officer ^(a)		1 July 2017 to 30 June 2018

Note:

^(a) The Hon Daniel Andrews MP, The Hon James Merlino MP and The Hon Tim Pallas MP acted in the office of the Special Minister of State in the absence of The Hon Gavin Jennings MLC.

^(a) Executives Robert Sutton and Christine Howlett acted in the office of the Chief Executive Officer in the absence of Alistair Maclean.

8.5 REMUNERATION OF AUDITORS

	2018 \$'000	2017 \$'000
Victorian Auditor-General's Office		
Audit of the financial statements	36	35
	36	35

8 OTHER DISCLOSURES (CONT)

8.6 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.

All related party transactions have been entered into on an arm's length basis.

Key management personnel of IBAC includes the Special Minister of State, the Commissioner and the Chief Executive Officer. The compensation detailed in the following table 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.

	2018 \$'000	2017 \$'000
Compensation of KMPs		
Short-term employee benefits	818	829
Post-employment benefits	20	22
Other long-term benefits	18	20
Termination benefits	-	-
Total remuneration	856	871

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. by paying 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.

8.7 NON-FINANCIAL ASSETS HELD FOR SALE

	2018 \$'000	2017 \$'000
Non-financial physical assets classified as held for sale		
Motor vehicles under finance leases held for sale	-	37
Total non-financial physical assets held for sale	-	37

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
- 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.

8 OTHER DISCLOSURES (CONT)

8.8 AUSTRALIAN ACCOUNTING STANDARDS ISSUED THAT ARE NOT YET EFFECTIVE

Issued but not yet effective Australian accounting and reporting pronouncements

IBAC has assessed the impact of all of the standards that became effective for reporting periods after 30 June 2018. IBAC has only included those standards where we believe the financial statements may be significantly impacted.

Standard/ Interpretation	Summary	Applicable for annual reporting periods beginning on	Impact on IBAC financial statements
AASB 16 <i>Leases</i>	The key changes introduced by AASB 16 include the recognition of operating leases (which are currently not recognised) on balance sheet.	1 Jan 2019	The assessment has indicated that most operating leases, with the exception of short term and low value leases will come on to the balance sheet and will be recognised as right of use assets with a corresponding lease liability. In the operating statement, the operating lease expense will be replaced by depreciation expense of the asset and an interest charge. There will be no change for lessors as the classification of operating and finance leases remains unchanged.
AASB 1058 <i>Income of Not-for-Profit Entities</i>	AASB 1058 standard will replace the majority of income recognition in relation to government grants and other types of contributions requirements relating to public sector not-for-profit entities, previously in AASB 1004 <i>Contributions</i> . The restructure of administrative arrangement will remain under AASB 1004 and will be restricted to government entities and contributions by owners in a public sector context. AASB 1058 establishes principles for transactions that are not within the scope of AASB 15, where the consideration to acquire an asset is significantly less than fair value to enable not-for-profit entities to further their objective.	1 Jan 2019	The current revenue recognition for grants is to recognise revenue up front upon receipt of the funds. This may change under AASB 1058, as capital grants for the construction of assets will need to be deferred. Income will be recognised over time, upon completion and satisfaction of performance obligations for assets being constructed, or income will be recognised at a point in time for acquisition of assets. The revenue recognition for operating grants will need to be analysed to establish whether the requirements under other applicable standards need to be considered for recognition of liabilities (which will have the effect of deferring the income associated with these grants). Only after that analysis would it be possible to conclude whether there are any changes to operating grants. The impact on current revenue recognition of the changes is the phasing and timing of revenue recorded in the profit and loss statement.

In addition to the new standards and amendments above, the AASB has issued a list of other amending standards that are not effective for the 2017-18 reporting period. In general, these amending standards include editorial and references changes that are not relevant to IBAC, and expected to have insignificant impacts on public sector reporting.

8.9 GLOSSARY OF TECHNICAL TERMS

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 amount included in the operating statement representing total change in net worth other than transactions with owners as owners.

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 or
- 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 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 or
- 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.

8 OTHER DISCLOSURES (CONT)

Financial report

A complete set of financial report comprises:

- a) a balance sheet as at the end of the period
- b) a comprehensive operating statement for the period
- c) a statement of changes in equity for the period
- d) a cash flow statement for the period
- e) notes, comprising a summary of significant accounting policies and other explanatory information
- f) comparative information in respect of the preceding period as specified in paragraph 38 of AASB 101 *Presentation of Financial Statements*
- g) a balance sheet as at the beginning of the preceding period when an entity applies an accounting policy retrospectively or makes a retrospective restatement of items in its financial report, or when it reclassifies items in its financial report in accordance with paragraph 41 of AASB 101.

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.

Interest expense

Costs incurred in connection with the borrowings. It includes 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.

Leases

Leases are rights 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 leases whenever the terms of the lease transfer substantially all the risks and rewards of the ownership from the lessor to the lessee. All other leases are classified as operating leases.

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 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.

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.

DISCLOSURE INDEX

Payables

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

Receivables

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

Supplies and services

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

Transactions

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

Style conventions

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

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

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	118
FRD 12B	Disclosure of major contracts	9
FRD 15E	Executive officer disclosures	16
FRD 22H	Employment and conduct principles	48-50
FRD 22H	Occupational health and safety policy	54-55
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 <i>Freedom of Information Act 1982</i>	64
FRD 22H	Compliance with building and maintenance provisions of <i>Building Act 1993</i>	53
FRD 22H	Statement on National Competition Policy	9
FRD 22H	Application and operation of the <i>Protected Disclosure Act 2012</i>	64
FRD 22H	Application and operation of the <i>Carers Recognition Act 2012</i>	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	50
FRD 24D	Reporting of office-based environmental impacts	53
FRD 25C	Victorian Industry Participation Policy disclosures	9
FRD 29C	Workforce Data disclosures	48
SD 5.2	Specific requirements under Standing Direction 5.2	79
Compliance attestation and declaration		
SD 5.1.4	Attestation for compliance with Ministerial Standing Direction	79
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	79
Other requirements under Standing Direction 5.2		
SD 5.2.1(a)	Compliance with Australian accounting standards and other authoritative pronouncements	86
SD 5.2.1 (a)	Compliance with other Ministerial Directions	79
SD 5.2.1 (b)	Compliance with Model Financial Report	79-117
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	110-112
FRD 103G	Non-Financial Physical Assets	93-96
FRD 110A	Cash Flow Statements	85
FRD 112D	Defined Benefit Superannuation Obligations	91

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
<i>Audit Act 1994</i>	80, 81
<i>Building Act 1993</i>	53
<i>Carers Recognition Act 2012</i>	50
<i>Charter of Human Rights and Responsibilities Act 2006</i>	56, 65, 67, 71, 75 - 77
<i>Constitution Act 1975</i>	80
<i>Crimes (Assumed Identities) Act 2004</i>	58
<i>Crimes (Controlled Operations) Act 2004</i>	58
<i>Disability Act 2006</i>	56
<i>Drugs, Poisons and Controlled Substances Act 1981</i>	78
<i>Equal Opportunity Act 2010</i>	77
<i>Financial Management Act 1994</i>	1, 7, 8, 59, 61, 80, 86, 111
<i>Firearms Act 1996</i>	62, 78
<i>Freedom of Information Act 1982</i>	64
<i>Independent Broad-based Anti-corruption Commission Act 2011</i>	Throughout
<i>Occupational Health and Safety Act 2004</i>	55
<i>Parliamentary Salaries and Superannuation Act 1968</i>	112
<i>Protected Disclosure Act 2012</i>	1, 19, 22, 37, 41, 58, 63, 64, 69, 70, 77
<i>Public Administration Act 2004</i>	13, 16, 48, 112
<i>Sex Offenders Registration Act 2004</i>	62, 78
<i>Surveillance Devices Act 1999</i>	58
<i>Telecommunications (Interception and Access) Act 1979</i>	58
<i>Telecommunications (Interception) (State Provisions) Act 1988</i>	58
<i>Victorian Industry Participation Policy Act 2003</i>	9
<i>Victoria Police Act 2013</i>	69, 74, 77
<i>Whistleblowers Protection Act 2001</i>	11
<i>Witness Protection Act 1991</i>	62, 78

GLOSSARY

	Page
Australian Public Sector Anti-corruption Conference	APSACC
Business as usual	BAU
Chief Executive Officer	CEO
Closed-circuit television	CCTV
Department of Education and Early Childhood Development	DEECD
Department of Education and Training	DET
Designated workgroups	DWG
Freedom of information	FOI
Full time equivalent	FTE
Goods and services tax	GST
Health and safety representatives	HSR
Human resources	HR
Independent Commissioner Against Corruption South Australia/Office for Public Integrity	SA ICAC
Information and communication technology	ICT
Issue resolution procedures	IRP
Local management resolution	LMR
Management intervention model	MIM
Minster (Legislative Council)	MLC
New South Wales	NSW
Occupational Health and Safety	OH&S
(former) Office of Police Integrity	OPI
Office of Public Prosecutions	OPP
Preliminary breath tests	PBT
Protected disclosure	PD
Protected Disclosure Community of Practice	PDCOP
Protected Disclosure Coordinator	PDC
Professional Standards Command	PSC
Queensland Corruption and Crime Commission	QLD CCC
Senior Technical Specialist	STS
State Budget Paper No. 3 Service Delivery	BP3
Technical and further education	TAFE
Victoria Public Service	VPS
Western Australia	WA
Western Australia Corruption and Crime Commission	WA CCC

INDEX

	Page
Who we are	11
Audit and risk management	7, 59-62
Bendigo Health	40
Bendigo Kangan Institute	23, 28
Budget Paper No 3 performance measures	10
City of Ballarat	27, 29
Code of Conduct	11
Committees	
Audit and Risk Management	7, 59-62
Executive	7, 59
IBAC Parliamentary	4, 58
Occupational Health and Safety	55
Operations and Prevention	59
Complaints and notifications	6, 10, 18, 34, 67, 68, 73
Corporate Plan	16, 47, 51, 52, 59
Corrections Victoria	22, 40
Corruption Prevention and Integrity Conference	41, 43
Corruption Prevention Strategy	45
Community education campaign	5, 9, 10, 36, 42, 44
Dame Phyllis Frost Centre	40
Department of Education and Early Childhood Development	37
Department of Education and Training	23, 29, 37, 40
Department of Health and Human Services	25, 40
Department of Premier and Cabinet	23, 51, 60, 87
Department of Treasury and Finance	40, 60, 91
Disability action plan	56
Employment conditions	49, 50
Environmental reporting	53
Examinations/hearings	
Operation Lansdowne	4, 18, 23, 28
Financials	8, 9, 79-117
Freedom of Information	64
Governance and accountability	37, 57, 59, 62
Information and communication technology	8, 15, 49, 50
Intelligence assessments	46

	Page
Investigations	
Operation Apsley	29
Operation Barron	26, 29
Operation Carson	27, 29
Operation Cygnet	72
Operation Dunham	40
Operation Fitzroy	29, 30
Operation Genoa	71
Operation Hotham	72
Operation Lansdowne	4, 18, 21, 23
Operation Light	71
Operation Liverpool	40
Operation Mersey	71
Operation Murano	25, 30
Operation Nepean	40
Operation Oxley	29, 72
Operation Ord	29, 37, 40
Operation Poros	71
Operation Ross	28, 76
Operation Royston	27, 29
Operation Tone	4, 24, 25, 29, 40, 58
Operation Yarrowitch	29
Learning and development	7, 53
Local Government Inspectorate	12, 38
Mandatory notifications	
Victoria Police	18, 19, 22, 45, 70
Relevant principal officers of public sector bodies	6, 18, 22, 34, 37, 45, 46, 70
Occupational health and safety	54, 55
Office of Public Prosecutions	14, 20, 23, 75,
Organisational structure	13, 62
Prosecution outcomes	29, 30
Protected disclosures	6, 11, 19, 20, 41, 64, 67, 70
Protected Disclosure Coordinators	6, 10, 39, 41,
Public Transport Victoria	29, 30

INDEX (CONT)

	Page
Publications and reports	
Research	
Audit of complaints investigated by Professional Standards Command	4, 75
Audit of Victoria Police's oversight of serious incidents	4, 39, 75
Corruption risks associated with the corrections sector	38
Corruption risks associated with the public health sector	38
Perceptions of Corruption	39, 66, 77
Special reports	
Operation Lansdowne: An investigation into allegations of serious corruption involving Victorian vocational education and training, and public transport sectors	23, 28
Operation Tone: Special report concerning drug use and associated corrupt conduct involving Ambulance Victoria paramedics	24
Special report on IBAC's first five years	43
Recommendations	2, 20, 23, 25-27, 33, 35, 37, 39, 40, 43, 45, 59, 65, 66, 72, 74-76
Recruitment	7, 8, 23, 32, 49, 52, 53, 56
Reviews	
Integrity frameworks	46
Reviews of investigations by other agencies	32, 34, 37, 66, 73, 74, 76
South West Institute of TAFE	23, 28
Victorian Auditor-General's Office	12, 38, 60, 67, 68, 111
Victorian Inspectorate	6, 12, 19, 58, 63, 64, 66
Victorian Ombudsman	6, 12, 19, 34, 38, 41, 63, 64, 67, 68
Victoria Police	
Operation Apsley	29
Operation Cygnet	72
Operation Genoa	71
Operation Hotham	72
Operation Light	71
Operation Mersey	71
Operation Oxley	29, 72
Operation Poros	71
Operation Ross	28, 76
Operation Yarrowitch	29
Oversight	4, 12, 39, 46, 65-78
Professional Standards Command	4, 40, 72, 75
Victorian Public Sector Commission	23, 38, 112
V/Line	23, 28
Workforce data	48, 49



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