

prevent
detect
investigate

Police Integrity Commission
Annual Report 2011-2012



Police Integrity Commission
Level 3, 111 Elizabeth Street Sydney NSW 2000
www.pic.nsw.gov.au

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ABN 22 870 745 340

The Hon Don Harwin MLC
President
Legislative Council
Parliament House
SYDNEY NSW 2000

The Hon Shelley Hancock MP
Speaker
Legislative Assembly
Parliament House
SYDNEY NSW 2000

Dear Mr President and Madam Speaker

In accordance with section 12 of the *Annual Reports (Departments) Act* 1985 and section 99 of the *Police Integrity Commission Act* 1996, the Commission hereby furnishes to you the Police Integrity Commission Annual Report for the year ended 30 June 2012.

This Annual Report has been prepared in accordance with the requirements of the *Annual Reports (Departments) Act* 1985 and the *Police Integrity Commission Act* 1996.

I draw your attention to section 103(2) of the *Police Integrity Commission Act* 1996, pursuant to which I recommend that this Annual Report be made public forthwith.

Yours faithfully

The Hon Bruce James QC
Commissioner

October 2012

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1

Commissioner's Foreword

The second half of the year 2011 – 2012 and the subsequent months have been a relatively calm period for the Police Integrity Commission, compared with the turbulence of the previous period in which the Commission was involved in serious disputes with its Inspector and with the NSW Crime Commission and in which the very existence of the Commission as a separate body was a question being considered in a review of the Police Integrity Commission Act by the responsible Minister.

The Review by the Minister of the Police Integrity Commission Act, in which the outcomes of this review were stated, was published in November 2011. It was concluded in the Review that the policy objectives of the Police Integrity Commission Act remained valid and that those policy objectives would best be served by maintaining the Police Integrity Commission as a separate body and, in particular, as a body separate from the Independent Commission Against Corruption.

It was also concluded in the Review that a permanent Commissioner should be appointed as soon as practicable and that a permanent Inspector of the Commission should be appointed as soon as practicable following the expiration of the term of office of the then Inspector. Pursuant to these conclusions I was appointed Commissioner of the Police Integrity Commission, taking up office in January this year, and the Honourable David Levine AO RFD QC was appointed Inspector of the Commission. Prior to my appointment the Honourable Jerrold Cripps QC had been the Acting Commissioner of the Commission.

Other conclusions in the Review were that the Police Integrity Commission Act should be amended in a number of respects, including that the objects and the functions of the Commission should be amended so as to accord equal priority to the Commission's oversight of NSW Police Force officers, NSW Police administrative officers and NSW Crime Commission officers; to specify additional factors which the Commission would be required to take into account in determining whether a hearing to be conducted by the Commission should be held in public; and to require the Commission, before including in a report any comment about a person which the Commission considered would be adverse to that person, to inform that person of the substance of the grounds of the adverse comment and to give that person an opportunity to make submissions. These amendments and other amendments were subsequently made to the Police Integrity Commission Act by the Police Integrity Commission Amendment Act 2012.

As noted by Mr Cripps in his foreword to the Commission's Annual Report for 2010 – 2011, the NSW Crime Commission had brought proceedings in the Supreme Court against the Commission to restrain the Commission from continuing with certain aspects of its Operation Winjana, the scope and purpose of which was to investigate whether a named employee of the NSW Crime Commission had been involved in criminal activity or serious misconduct and to examine the practices and procedures of the NSW Crime Commission in the conduct of actions under the Criminal Assets Recovery Act 1990. As further noted by Mr Cripps in his foreword, the proceedings brought by the Crime Commission against the Commission were largely unsuccessful.

After the conclusion of the Court proceedings brought by the Crime Commission against the Commission, public hearings in Operation Winjana were held on a number of hearing days in the latter part of the year 2011. These public hearings were presided over by Mr Cripps, who had been appointed an Assistant Commissioner of the Commission in 2010 for the express purpose of conducting Operation Winjana and whose appointment as Assistant Commissioner for that purpose was subsequently renewed by me in January 2012. Due to the complexity of the subject matter and the length of the submissions received by the Commission from Counsel Assisting and from Counsel representing the Crime Commission, the preparation of the Commission's report in Operation Winjana has taken a number of months. However, it is anticipated that the report will be completed and will be furnished to Parliament in the near future.

Apart from the litigation to which I have already referred, the carrying out of the Commission's Operation Winjana was sometimes marked by friction between the Commission and the Crime Commission and at times the relationship between the two Commissions became strained. I believe that with the appointment of a new Commissioner for the Crime Commission there can be an improved relationship between this Commission and the Crime Commission.

I have already referred to the appointment of Mr Levine as the Inspector of the Commission. The Commission fully respects the legitimate role of the Inspector and accepts that there may be occasions when the Inspector considers that it is necessary to make criticisms of the Commission. However, in my view it is not incompatible with, and indeed actually facilitates, a proper performance by both the Commission and the Inspector of their respective functions, if the relationship between the Commission and its Inspector remains civil and cooperative. I can report that so far my relations with Mr Levine have been business-like, civil and constructive.

An important recent event for the Commission was the holding of public hearings in the Commission's Operation Calyx in August and September 2012. Operation Calyx is an investigation into whether there was any police misconduct in the investigation by the NSW Police Force into the death of Adam Salter on 18 November 2009. A number of different types of police misconduct of general significance have been alleged and have been the subject of the investigation.

The public hearings in Operation Calyx were the first public hearings by the Commission into alleged police misconduct since 2009. While the number of public hearings held by the Commission is far from being the only indicator of the Commission's level of performance and is unlikely ever again to approach the number of public hearings held in the aftermath of the Wood Royal Commission, it is important that the Commission hold, and be seen by the Police Force, the public and the media to be holding, public hearings from time to time.

During 2011 - 2012 the Commission began a series of research-based misconduct prevention projects and continued to work on other projects which had been started in previous years. In particular, the Commission commenced Project Mobula, in which the Commission is examining current corruption resistance planning processes used by Police Commands. This project follows directly from Reports 1 and 2 in the Commission's Project Manta, which were published in 2009 and 2011 and represents a further stage in the Commission's efforts to strengthen the ways in which Commands identify, communicate and manage misconduct risks. In some of the other projects begun or continued in 2011 - 2012 the Commission has been examining how effectively the NSW Police Force is managing misconduct risks associated with user-pays policing, police critical incidents, secondary employment of police officers and the use by police officers of human sources. In a further project the Commission is examining how investigations of complaints conducted within the Police Force can be used to identify and develop solutions for systemic problems.

I would like to pay tribute to Mr Cripps who, apart from conducting Operation Winjana, was the Acting Commissioner from January 2011 to December 2011 and who successfully steered the Commission through the most difficult period of its existence. I am personally grateful to Mr Cripps for the assistance he has given me.

I would like to thank all members of the Commission, and especially members of the Commission's Executive group, for their work during the year.

The Hon Bruce James QC

Commissioner

2

Key Directives

Our Vision

Public confidence in the integrity of the NSW Police Force (NSWPF) and NSW Crime Commission (NSWCC).

Our Mission

Contribute to the integrity of the NSWPF and NSWCC by detecting, investigating and preventing serious police misconduct and other misconduct.

Our Values

Integrity, Independence, Fairness, Accountability, Impartiality, Continuous Improvement.

Our Business

Our business is to:

- detect, investigate and expose serious police and other misconduct
- deter serious police and other misconduct
- oversight or review certain police and NSWCC activities
- make recommendations for reform in the NSWPF and NSWCC

and by these actions prevent serious officer misconduct and assure the community that there is vigilant oversight of NSWPF and NSWCC.

Our Charter

The Commission was established upon the recommendation of the Royal Commission into the New South Wales Police Service. The Commission is a statutory corporation constituted under the *Police Integrity Commission Act 1996* (the Act).

The principal functions of the Commission are set out in section 13 of the Act. The principal functions of the Commission are to prevent, detect and investigate serious officer misconduct and manage or oversee other agencies in the detection and

investigation of serious officer misconduct and other officer misconduct.

The Commission can also make recommendations concerning police education programs (section 14) and assemble evidence and information (section 15).

Our Key Goals

The Commission's key goals are outlined in the Corporate Plan for 2007–2011:

Key Goal 1: Reduce incidence of serious police misconduct in the NSWPF.

Key Goal 2: Prevent serious police misconduct by supporting improvements to NSWPF systems and practices.

Key Goal 3: Reduce incidence of and prevent misconduct in the NSW Crime Commission.

Key Goal 4: Promote a culture of learning and development in the Commission.

The Corporate Plan contributes to the NSW Government's 2021 Plan Goals, particularly Goal 16: Prevent and Reduce the Level of Crime – Increase confidence in police; and Goal 18: Improve Community Confidence in the Justice System.

The Commission reports on its progress in achieving its key goals in Chapter 3 of this Annual Report. For further detailed information on achievements in respect of key goals, please refer to the chapters that follow.

The Commission has developed a new Corporate Plan for 2012-2015. This Corporate Plan contains new Key Goals for the Commission. The Commission will be reporting its progress towards achieving these Key Goals in the next reporting period. The Corporate Plan 2012-2015 can be downloaded from the Commission's website www.pic.nsw.gov.au

Key Achievements

Detecting serious misconduct

During 2011–12 the Commission assessed:

- 1005 complaints of misconduct against current and former sworn NSWPF officers
- 25 complaints containing 52 allegations of misconduct against current and former NSWCC officers.

See Chapters 4 and 5 for further details.

Deterring serious police misconduct through effective investigation

During 2011-12 the Commission worked on 187 investigations, including 137 preliminary investigations and 43 full investigations. Of these, 117 investigations were completed and 70 were ongoing as at June 30 2012. See table 7 for further details.

Exposing serious police misconduct

During 2011 – 2012 five of the Commission's full investigations lead to referrals to the Office of the Director of Public Prosecutions for prosecution. Three investigations resulted in information being disseminated to the NSW Police Force for their consideration and action.

See Chapter 5 for further details.

Preventing serious police misconduct

During 2011-12 the Commission:

- oversighted 39 NSW Police Force investigations
- provided the Commissioner of Police and the Police Minister with a confidential report on the management of the misconduct risks associated with the use of human sources in the NSWPF
- worked with the NSWPF to improve its compliance with systems to manage conflicts of

interest and other risks associated with internal investigations

- worked with the NSWPF providing input to its reviews of its *Guidelines for the management and investigation of critical incidents and Declarable Associations Policy* and associated procedures.

Organisational learning and development

During 2011–12 the Commission:

- developed a new Corporate Plan for 2012-2015
- developed a new Commission Risk Register and introduced risk assessment into business planning practices
- built on its achievements in the areas of internal audit, risk management and associated obligations regarding governance arrangements.

In addition, the Commission maintained its commitment to staff development. During 2011-12:

- 10 staff attended five different conferences including the International Surveillance Group Conference, the Security in Government Conference, the Police Defence Leaders Summit and the Australian Institute of Professional Intelligence Officers (AIPIO) Conference
- 64 staff attended specialised training courses covering such topics as Managing Unacceptable Workplace Behaviour, Business Writing Skills, Negotiation and Conflict Resolution Skills, Project Management for Practitioners and Psycholinguistics training
- 12 staff were provided with funding support for tertiary education for ongoing study in courses such as Bachelor of Criminology & Criminal Justice, Master of Leadership & Management and Master of Public Policy.

Achieving our Key Goals

Achieving Key Goal 1: Reduce incidence of serious police misconduct in the NSWPF

The Commission's objectives which underpin the achievement of this key goal are:

- Effective strategies to detect serious police misconduct.
- Deter serious police misconduct through effective investigation.
- Expose serious police misconduct.

Effective strategies to detect serious police misconduct

The Commission detects serious police misconduct by the following strategies:

- Ensure that the public/other agencies are aware of available avenues to contact the Commission with information in relation to serious police misconduct.
- Critically assess information in relation to suspected serious police misconduct.
- Develop intelligence in relation to targeting serious police misconduct risk.
- Use of objective criteria to assess intelligence to determine further action.

Achievements

During 2011–12 the Commission:

- delivered 15 presentations to stakeholders to raise awareness of its functions and promote its research
- participated in planning the Australian Police Integrity Agencies Research Forum in June 2012 which was hosted by the Crime and Misconduct Commission in Brisbane
- assessed 965 complaints against sworn officers and 44 against unsworn officers.

Table 1: Key performance indicators – Detecting serious police misconduct

Indicator	2011–12	2010–11	2009–10
% of staff directly involved in detecting suspected police misconduct	74	76	70
% of total NSWPF complaints that are non – referred ¹	38.5	35	44.5
% of investigations which arise from sources other than referred complaints ²	47	25	31

Further information on the Commission's activities to implement effective strategies to detect serious police misconduct can be found in Chapter 4 and Chapter 5.

Deter serious misconduct through effective investigation

Strategies to ensure effective investigation include:

- efficiently manage resources and processes to investigate suspected police misconduct
- make recommendations for consideration of disciplinary action and prosecution as a result of investigations
- oversight NSWPF's response to recommendations for disciplinary action.

¹ A non-referred complaint is received by the Commission from sources other than the NSWPF or the NSW Ombudsman.

² In this indicator, 'investigations' refers to both preliminary and full investigations.

Achievements

During 2011–12 the Commission:

- worked on 187 investigations, including 137 preliminary investigations and 43 full investigations
- completed 117 investigations by 30 June 2012, with 70 ongoing
- disseminated information to NSWPF from three investigations to assist in the management of NSWPF officers
- referred five investigations to the ODPP, and commenced prosecution action arising from three of these investigations.

Table 2: Key performance indicators – Deter serious police misconduct

Indicator	2011-12	2010-11	2009-10
% of full investigations that resulted in recommendations for consideration of prosecution action	45	19	55
% of full investigations where information was disseminated to NSWPF and resulted in managerial action ³	33	46.6	57
% of investigations referred to the ODPP that resulted in the commencement of prosecution action	60	67	80

Further information on the Commission's activities to implement effective strategies to detect serious police misconduct can be found in Chapter 4 and Chapter 5.

Exposure of serious police misconduct

The Commission exposes serious police misconduct through the following strategies:

- Conducting public hearings as appropriate into serious police misconduct.
- Preparing reports following public hearings into serious police misconduct and making those reports available to Parliament.
- Making recommendations for consideration of changes to policies/practices, criminal charges and disciplinary action arising from investigations.

Achievements

During 2011–12 the Commission:

- held 31 private hearings in relation to six investigations
- held 7 days of public hearings in relation to Operation Winjana
- conducted five investigations which resulted in charges being referred to the Office of the Director of Public Prosecutions
- disseminated information from three investigations to NSW Police Force for their consideration and action.

³ This indicator counts decisions made by the NSWPF to take action under section 173 or section 181D of the Police Act 1990 during 2011-12 which occurred as a result of an opinion expressed by the Commission or the dissemination of information by the Commission to the NSWPF.

Table 3: Key performance indicators – Exposure of serious police misconduct

Indicator	2011–12	2010–11	2009–10
% of hearing days that were public	18.4	4.2	0
Number of Investigation Reports presented to Parliament	0	0	2
% growth in internet traffic to access the Commission website	-3 ⁴	36.6	38.6

Further information on the Commission's activities to expose serious misconduct can be found in Chapter 5.

Achieving Key Goal 2: Prevent serious police misconduct by supporting improvements to NSWPF systems and practices

The Commission's objectives which underpin the achievement of this key goal are:

- Provide informed advice on improvements to NSWPF systems and practice.
- Regular consultation and feedback to the NSWPF on improving the quality of police investigations and securing commitment to reform recommendations and advice.

Provide informed advice on improvements to NSWPF systems and practices

The Commission provides informed advice through application of the following strategies:

- Undertake research projects emphasising the prevention of suspected police misconduct, either as a single agency or jointly with others.
- Form research networks with other agencies to improve knowledge of corruption prevention practices and identify emerging corruption issues.
- Draw on the results of investigations and research to develop knowledge that will help the Commission develop advice in relation to preventing serious police misconduct.
- Where appropriate using investigations and hearings to examine policies and practices that may have contributed to serious police misconduct.
- Making recommendations in investigations and projects to improve systems and practices.

Achievements

During 2011–12 the Commission:

- provided the Commissioner of Police and the Police Minister with a confidential report on the

⁴ The amount of internet traffic to the Commission's website can be related to the number, and subject matter of public hearings, and whether reports are tabled in Parliament. During this reporting period the Commission did not table any reports in Parliament.

management of the misconduct risks associated with the use of human sources in the NSWPF

- worked with the NSWPF to improve its compliance with systems to manage conflicts of interest and other risks associated with internal investigations
- worked with the NSWPF providing input to its reviews of its Guidelines for the management and investigation of critical incidents and Declarable Associations Policy and associated procedures
- commenced new projects examining the misconduct risks associated with: critical incidents; authorised secondary employment; and 'user pays' policing
- commenced a new project exploring ways in which NSWPF complaint investigations can be more effectively used to identify organisational problems and develop solutions
- commenced a new project evaluating corruption resistance planning in NSWPF commands.

Table 4: Key performance indicators – Informed advice to the NSWPF

Indicator	2011–12	2010–11	2009–10
Number of recommendations to the NSWPF on systems and practices	6	20	23
% of recommendations accepted	50 ⁵	92	91

Further information on the Commission's activities to provide informed advice to the NSWPF can be found in Chapter 6.

⁵ Three of the six recommendations made during the reporting year were made in the Project Skadi report, which concerns the management of misconduct risks associated with the management of human sources. It is noted that the work in relation to this project is ongoing. The Commission will seek to revisit these recommendations or satisfactory alternatives in the future and seek their implementation.

Regular consultation and feedback to the NSWPF to improve the quality of police investigations and securing commitment to reform recommendations and advice

The Commission achieves this goal through the following strategies:

- Oversight selected investigations and recommend improvement where deficiencies are identified.
- Work with senior NSWPF officers with a view to securing a commitment to Commission recommendation.
- Provide advice to the NSWPF in relation to internal systems for managing and monitoring misconduct risk.

Achievements

During 2011–12 the Commission:

- oversighted 39 NSWPF investigations into complaints against sworn and/or unsworn officers
- reviewed 54 NSWPF investigations containing an allegation of misconduct against a sworn or unsworn officer for purposes other than oversight
- monitored the implementation of recommendations regarding Manta Reports 1 and 2, concerning the identification, communication and management misconduct risks at command level
- monitored the implementation of recommendations regarding Project Ostara, concerning the management of misconduct risks associated with the execution of search warrants
- engaged with the NSWPF on its reviews of the *Guidelines for the management and investigation of critical incidents* and *Declarable Associations Policy* and associated procedures.

Table 5: Key performance indicators – Consultation and feedback

Indicator	2011–12	2010–11	2009–10
% of complaints assessed which are oversighted	4	4.3	4.43
Number of consultations with senior NSWPF Officers	6	12	13
% of requests for advice which are met	100	100	100

Further information on the Commission's activities to consult and provide feedback to the NSWPF can be found in Chapter 4 and Chapter 7.

Achieving Key Goal 3: Reduce the incidence of and prevent misconduct in the NSWCC

Progress towards this key goal is underpinned by Commission efforts in respect of the following objective.

Effectively detect, investigate and prevent misconduct in the NSWCC

The Commission achieves this objective through the following strategies:

- Ensure that the public / other agencies are aware of available avenues to contact the Commission with information in relation to misconduct.
- Critically assess information related to suspected misconduct by NSWCC officers.
- Efficiently manage resources and processes to investigate misconduct by NSWCC officers.
- Provide informed recommendations and advice on improvements to NSWCC systems and practices.

Achievements

During 2011–12 the Commission assessed 25 complaints containing 52 allegations of misconduct against current and former NSWCC officers.

Table 6: Key performance indicators – Detecting, preventing & investigating misconduct in the NSWCC

Indicator	2011–12	2010–11	2009–10
% of complaints related to suspected misconduct by NSWCC officers	2.5	0.8	2
% of staff directly involved in detecting suspected misconduct by NSWCC Officers	n/a ⁶	2.7	1.5
% of Commission investigations related to the NSWCC	13	9.48	16.5
Number of recommendations to the NSWCC	Nil	Nil	13
% of recommendations accepted	n/a	n/a	100

⁶ The effort in gathering information to populate this indicator is substantial and its validity as an ongoing measure of 'performance', is arguable. It will no longer be used as a performance indicator.

Achieving Key Goal 4: Promote a culture of learning and development in the Commission

The Commission's objectives which underpin the achievement of this key goal are:

- Continued accountability and efficiency.
- A safe, fair, equitable and productive working environment.

Continued accountability and efficiency

The Commission achieves this through the following strategies:

- Further development of planning processes by aligning individual and business performance with the corporate plan.
- Maintaining effective records and financial management systems.

A safe, fair, equitable and productive working environment

The Commission achieves this through the following strategies:

- Continued commitment to safe and fair practices in the Commission.
- Implementation and maintenance of a training and development plan.
- Encouraging our development as an organisation through the sharing of knowledge.

Achievements

Performance in respect of each of these strategies is measured through the successful implementation and/or maintenance of a number of key organisational systems and processes.

During 2011-12 the following was achieved:

- the Commission developed a new Corporate Plan 2012-2015

- the Commission undertook a major review of 28 personnel policies
- the Commission reviewed and updated its Disability Action Plan
- there was uniform compliance with OH&S and recruitment policies
- a broad range of training and development opportunities were provided to staff.

Further information on the Commission's activities around organisational learning and development can be found throughout this report, in particular, in Appendix 1.

Plans for 2012-13

In 2012–13 the Commission will undertake the following key activities:

- review the National Intelligence investigative model which commenced in the 2008/09 year
- finalise Project Mobula, an examination of corruption resistance planning at the command level
- publish the results of Project Santuri, an examination of the risks associated with authorised secondary employment, and further advance Project Teo into understanding the integrity hazards and associated corruption risks with user-pays policing
- trial the Data Warehouse project to better utilise Commission data holdings
- review the Information Security Management Systems and develop the 2013-15 Information, Communications and Technology Strategic Plan
- complete improvements to the Case Management System and implement the new records and document management system
- embed risk management in the Commission's business planning processes.

4

Assessing Information and Complaints

Introduction

Section 13 of the *Police Integrity Commission Act 1996* (the Act) states that a principal function of the Commission is to detect officer misconduct.

The Commission discharges these functions through a number of processes including the assessment of information and complaints regarding misconduct. The Commission's assessment process is linked to the Corporate Plan for 2007–2011 through its key goal of reducing the incidence of serious police misconduct in the NSWPF.

Complaints come to the Commission in a variety of ways. Complaints may be:

- extracted from the NSWPF complaints management system (c@ts.i), in the case of complaints against sworn NSWPF officers
- made directly to the Commission by a complainant or someone acting on their behalf, such as a legal representative, or a Member of Parliament
- initiated by the Commission as a result of its investigations or research, intelligence and analysis
- referred to the Commission by other agencies, including the NSWPF.

Identifying complaints of serious misconduct from the NSWPF complaints management system (c@ts.i)

The Commission has a specialised role in dealing with police misconduct. It is required by its legislation to focus its attention on the most serious forms of police misconduct. This means its processes must be geared towards identifying the most serious complaints that are most likely to achieve an investigative outcome. Each year, the Commission's complaint assessment officers sift through large volumes of complaints in an attempt to identify matters warranting investigation. During 2011–12, the Commission assessed 1005 complaints against NSWPF officers, 13 of which went on to become full investigations.

The Commission's complaint assessment process is best thought of as a series of filters. A large volume of complaints is inducted into the process, with successive filtration or assessment stages reducing the number of matters until only a very small number of complaints are considered for investigation. The Commission applies these assessment stages in a timely manner given that delays can, amongst other things, lead to the loss of investigative opportunities. There is also sufficient flexibility built into the process to allow complaints requiring urgent attention to be fast-tracked through the assessment stages. The following points summarise the process used by the Commission to assess complaints from the NSWPF complaints system (c@ts.i).

Stage 1: Scanning and preliminary assessment. The Commission scans the NSWPF complaints system, c@ts.i, for new complaints of serious police misconduct a number of times each week. As a guide to identifying those matters that may require the attention and resources of the Commission, a set of criteria is applied to all new c@ts.i complaints. Amongst other things, these criteria include serious offences commonly linked with acts of serious police misconduct.

Stage 2: Assessment. The criteria used to assess complaints in this stage of the process include: the relative seriousness of the misconduct; the credibility of the complainant or the source of

information; whether or not the misconduct is likely to be indicative of a wider or systemic problem; and the extent to which the independence or the special powers and resources of the Commission are needed to resolve the allegations.

Stage 3: Referral. Complaints that rate highly against the assessment criteria in Stage 2 are referred to the Tasking and Coordination Group (T&CG), new business meeting. The T&CG, made up of members of the complaints assessment team and representatives of the Investigations Unit, jointly reviews these complaints and determines those that are to be the subject of preliminary investigations. The T&CG may also make recommendations to the Commissioner on whether to initiate a full investigation. In making these decisions and recommendations the T&CG considers the assessment criteria, such as the relative seriousness of the allegations, the availability of resources and the likelihood of obtaining evidence of police misconduct or other misconduct.

Complaint oversight

The Commission may oversight the handling of complaints against sworn and unsworn NSWPF officers. The Commission generally oversights complaints by reviewing a final NSWPF investigation report. However, the Commission can request regular status reports and review material available on the complaints management system as the investigation progresses. Indications of questionable decision making or a poor standard of resourcing may provoke more regular review. The Commission's oversight may also include reviewing decisions made by the NSWPF not to investigate a complaint or to resolve a complaint by other means such as conciliation.

When the Commission reviews a final NSWPF investigation report it either accepts the recommendations or makes further inquiries. These inquiries may be satisfied with additional information, or may lead to further investigation, management or administrative action. Oversight is concluded when the Commission advises the NSWPF that it is satisfied with the investigation and/or the subsequent response to matters raised.

Additionally, the Commission also reviews a number of complaint investigation reports, independent of the oversight process, for a variety of reasons. For example, the Commission may have an interest in collecting data about specific types of misconduct, or commands or police officer duty types.

Complaints profile

During 2011-12, the Commission assessed **1005**⁷ complaints against sworn and unsworn NSWPF officers. Of these, **18** were classified as public interest disclosures under the *Public Interest Disclosures Act 1994* or, if they were received before 1 January 2012, protected disclosures under the *Protected Disclosures Act 1994*. The Commission also received **498** telephone calls raising various complaint-related issues. Of the telephone calls received, **416** were assessed as containing allegations of misconduct. In 2011-12, **13** full investigations and **83** preliminary investigations were initiated on the basis of complaints, all of which were in relation to sworn officers.

⁷ Made up of 965 complaints which included an allegation against a sworn officer and 44 complaints which included an allegation against an unsworn officer or both sworn and unsworn officers. The total complaints assessed (1005) is therefore less than the sum of these two figures.

In 2011-12 the Commission oversighted **39** NSWPF investigations.⁸ **54** final investigation reports were reviewed for other purposes. The remaining complaints were either referred to the NSWPF with oversight arrangements to be determined by the Ombudsman (in the case of complaints against

sworn officers), a decision was deferred by the Commission or no further action was required. The following table provides further information on complaints against sworn and unsworn NSWPF officers.

Table 7: Complaints assessed against police and unsworn NSWPF officers

Action	2011-12		2010-11		2009-10	
	Police	Unsworn	Police	Unsworn	Police	Unsworn
Complaints assessed	965	44	1154	40	948	51
Telephone calls:						
• Calls received ⁹	498	0	534	7	629	8
• Calls assessed ¹⁰	416	0	339	6	320	4
Full investigations arising from complaints	13	0	9	0	6	0
Complaints oversights concluded	39 ¹¹		51		42	3
Final reports reviewed (not oversighted)	54 ¹²		50		99	4

Of the **965** complaints assessed by the Commission in regard to sworn NSWPF officers, **381** were made direct to the Commission, **584** were extracted from c@ts.i or were otherwise referred by the NSWPF or the Ombudsman. Of the **44** complaints assessed in regard to unsworn NSWPF officers **8** were made direct to the Commission and **36** were referred by the NSWPF.

⁸ A small number of officers in investigations oversighted by the Commission were not able to be identified. It is therefore not clear whether they were sworn or unsworn.

⁹ This figure does not include calls that were received and assessed as being outside of the Commission's jurisdiction or where an allegation was not made or related to the ongoing administration of a complaint.

¹⁰ Calls assessed are not included in the complaints assessed total unless treated in accordance with section 127 (5) of the Police Act 1990.

¹¹ A small number of officers in investigations oversighted by the Commission were not able to be identified. It is therefore not clear whether they were sworn or unsworn.

¹² *ibid.*

5

Investigating Serious Police Misconduct

Introduction

A principal function of the Commission is to detect and investigate officer misconduct as identified in section 13 of the *Police Integrity Commission Act 1996* (the Act). As far as practicable, the Commission is required to turn its attention to serious officer misconduct. Officer misconduct means misconduct by NSW Police Force officers and NSW Crime Commission officers.

This chapter will provide an overview of the Commission's operating model, the Data Warehouse Project, the investigations process and a profile of the more significant Commission investigations during the reporting period.

Our Operating Model

During 2011-2012 the Commission continued to use the adapted National Intelligence Model, which was introduced in 2009. The Commission's current operating model consists of:

- a Tasking and Coordination Group (T&CG) that identifies and manages investigative priorities and coordinates resource allocation
- a Dedicated Source Handling Unit (DSU) which provides valuable intelligence towards achieving the Commission's investigative objectives
- a Research and Development Team that undertakes intelligence projects and provides advice on new targeting opportunities
- a Case Management System (CMS) that captures all Commission information, intelligence and case decisions.

Tasking and Coordination Group (T&CG)

The Tasking and Coordination Group (T&CG) is a central part of the Commission's operating structure. It has been reviewed in order to reflect the changes in working practices and operational activity.

The T&CG performs three key functions:

- Assessment of new matters
- Resourcing and tasking for investigations

- Coordinating covert activity.

The T&CG reports to the Operations Advisory Group (OAG), providing detailed information relating to current operations and the management of resources and operational capability. The T&CG provides a platform for senior managers to make operational decisions.

Dedicated Source Handling Unit (DSU)

During the last reporting period, the Commission's Investigations Unit (IU) began operating a new specialist covert resource known as the Dedicated Source Handling Unit (DSU). This unit was set up in order to professionalise the use and management of Covert Human Intelligence Sources (CHIS) in the anti-corruption environment.

During the last year the DSU has provided input to a number of Commission investigations. The use of human sources has allowed several Commission investigations to be finalised more efficiently than if more traditional investigation methods were used. The Operation Silba case study later in this chapter provides an example of this.

Research and Development Team

The Research and Development Team, is a dedicated group of analysts that undertakes preliminary investigations and intelligence projects with the aim of developing new investigative opportunities for the Investigations Unit. At present, the team manages approximately half of all preliminary investigations conducted by the Commission.

Case Management System

In the past twelve months the Commission has made numerous enhancements to its Case Management System (CMS). The CMS is the tool that the Commission uses to record its operational information and activities. The CMS is comprised of relational databases which identify and record complex relationships between disparate sets of data. Enhancements to this system in the last reporting period have included an increased capability to link disparate data; automated data

retrieval options and improved business activity reporting. These changes have increased the intelligence value of the Commission's database holdings.

Data Warehouse Project

In mid-2012, the Commission began a Data Warehouse Project to enable Commission staff to better manage and interrogate the various data sources available to them. This data is currently maintained in separate systems and analysing this data is difficult. A prototype of the Data Warehouse has been demonstrated successfully, and it is envisioned that a working trial version will be rolled out to selected personnel within the next reporting period. The proposed data warehouse is a key feature of the Commission's operating model with its emphasis on a strategic approach to corruption prevention.

The Investigation Process

Once information has been received, an initial assessment is made to see if the information presents a new investigative opportunity for the Commission. The information is passed on to the Pre T&CG for assessment. The Pre T&CG conducts an assessment using the Case Categorisation Prioritisation Model (CCPM) to determine if the information should be pursued further through a preliminary investigation by the Commission.

The results of preliminary investigations are reviewed by the T&CG. On recommendation by the T&CG or Director Operations, a preliminary investigation may be referred to a multidisciplinary team made up of senior investigators, a financial investigator, an operational analyst, a researcher and a lawyer.

The investigation team reports on the conduct of the investigation to the T&CG and the OAG. The OAG provides strategic oversight of the Commission's operations.

Commission officers use a number of techniques in order to obtain evidence. This may include the use of overt, covert and technical facilities. Sources of information for investigations also include complaints and other information received from the public, open source information and sensitive source information including information from other law enforcement agencies and telecommunications data. An added stream of information now comes from the DSU, who covertly and discretely obtain information from human sources.

Commission hearings in private and public may also be employed to obtain evidence to further the investigation. Commission investigators also use more traditional investigative techniques and frequently interview witnesses outside the formal hearing process to progress investigations.

At the conclusion of each investigation, a final assessment is made, which takes into account each possible outcome. These outcomes may include, but are not limited to the following:

- referral to the Office of the Director of Public Prosecutions (ODPP), recommending consideration be given to criminal charges
- referral to NSWPF for any managerial action it considers appropriate
- dissemination of relevant information to another agency
- in the case of an investigation where public hearings have been held, a report to Parliament under s96 of the Act
- no further action.

Commission Hearings

The Commission may hold hearings as part of its investigation process. The decision to hold a hearing in private or public is made by the Commissioner who must have regard to the relevant legislation, including section 33(3A) of the PIC Act, when making this decision.

The Commission can summons persons to appear at hearings and can compel witnesses to answer questions.

During 2011-2012 the Commission conducted 31 private hearings in relation to six investigations, and seven public hearing days in relation to Operation Winjana. Further details on Operation Winjana can be found at page 43.

Profile of investigations during 2011-12

During 2011-12 the Commission worked on 187 investigations, including 137 preliminary investigations and 43 full investigations. Of these, 117 investigations were completed and 70 were ongoing as at June 30 2012.

A description of the types of allegations investigated during the reporting year is presented in the following table.

Table 8: Commission Investigations – 2011–12¹³

Primary allegations investigated	Preliminary investigations	Full investigations
Accesses to 'keep tabs' on person that officer or associate has a grievance against (including former spouse / partner)	1	1
Attempting to pervert the course of justice	9	7
Breach of Code of Conduct (not specified elsewhere)	6	2
Bribery	13	8
Collusion between police witnesses	0	1
Convenience accesses - by officer about self or another party at that person's request	1	0
Corrupt a witness	1	
Covering up inappropriate conduct	1	10
Curiosity accesses (involving breach of privacy)	2	0
Dealing or supply	8	2
Delay in investigation	1	0
Disobey reasonable direction	0	1
Explicit threats involving use of authority	2	1
Fabrication of evidence (other than perjury or verballing)	1	0
Fail to check brief/inadequate preparation of brief	1	0
Fail to comply with operational procedures, standing orders or Commissioner's directives (not specified elsewhere)	1	1
Fail to comply with other statutory obligation	3	2
Fail to create/maintain records, reasons for inaction	0	1
Fail to declare a conflict of interest	8	4
Fail to provide adequate / appropriate victim support	1	0
Fail to provide appropriate support / adjustment for vulnerable people	1	0
Fail to report offence	2	3
Fail to report suspected / alleged misconduct	2	0
Failure to interview witnesses	1	2
Failure to investigate	3	1
Giving favours/bias with no or little perceived personal benefit	5	1
Harassment	2	0
Illicit drug use	15	2
Improper / unauthorised search	1	0
Improper association	55	21
Improper interference in an investigation by another police officer	15	5
Improper use of discretion	4	0

¹³ Please note that each investigation in Table 8 may contain multiple allegation categories

Primary allegations investigated	Preliminary investigations	Full investigations
Inadequate investigation / lack of impartiality	4	2
Inappropriate prosecution / misuse of prosecution power	1	0
Incivility/rudeness/verbal abuse (oral complaints of rudeness are a local management issue)	0	1
Inconsiderate timing	1	0
Lied during proceedings / in statement / on affidavit	4	3
Loss of seized property	1	0
Lying to investigator / supervisor conducting inquiries	0	8
Make false statement (verballing)	1	1
Mislead the court	2	0
Misuse authority for personal benefit or the benefit of an associate (including obtaining sexual favours)	27	12
Misuse of email / internet	1	0
Misuse of official vehicle	1	0
Misuse of other facilities / equipment	1	1
Neglect of duty / duty of care	4	1
Of official property	0	1
Of seized property	3	2
Offence punishable upon conviction by a maximum sentence of 5 years or more	4	16
Offence punishable upon conviction by a maximum sentence of not less than 3 years and not more than 5 years	0	2
Other summary offences	3	5
Payback complaints	1	0
Possession (not misappropriation of seized drugs)	0	1
Protection of person(s) involved in drugs	11	3
Pushed / shoved / jostled / grabbed / manhandled / wrestled etc (soft empty hand)	3	1
Pushed to ground / slammed against a wall / punched / kicked / kneed / head butted / struck (hard empty hand)	3	2
Refusal to charge / prosecute / initiate proceedings	1	0
Tampering with or destroying	1	0
Theft from victim, client or other member of public	5	2
Threats / intimidation (not assault, excessive force)	3	1
Trade accesses - accessing information for sale / personal gain	6	6
Unauthorised / improper disclosure of information	56	15
Unauthorised secondary employment	3	2
Unauthorised use of facilities/equipment	1	0
Unnecessary speeding	0	1
Using authority in situation where conflict of interest exists	4	1
Victimisation / bullying	4	1
Vilification	1	0
Withholding or suppression of evidence	1	0
Total	330	168

Investigation Outcomes

The following table reports on the Commission's investigation outcomes for all finalised investigations during 2011-12.¹⁴

Table 9: Preliminary Investigation Outcomes¹⁵ 2011-12

Investigation outcome	Total	%
Investigations that progressed to become full investigations	14	15%
Investigations that resulted in a dissemination of information to the NSWPF	2	2%
Matter referred to current full investigation	2	2%
No further action	71	76%

Table 10: Full Investigation Outcomes 2011-12

Investigation outcome	Total	%
Investigations referred to the ODPP for consideration of prosecution action	5	45.5%
Investigations that resulted in a dissemination of information to the NSWPF	3	27.3%
No further action	3	27.3%

¹⁴ This includes all investigations worked on during the reporting period, including ongoing investigations as at June 30 2012 where an outcome is yet to be recorded.

¹⁵ An investigation can contain more than one outcome.

Significant Commission investigations

Operation Calyx

Operation Calyx commenced in November 2011 following the inquest into the death of Adam Salter, who was shot dead by a member of the NSWPF on 18 November 2009. The Commission commenced its investigation after receiving a complaint from Adam Salter's family about the police investigation into the incident.

The Commission held a public hearing in September 2012 for the purposes of the investigation. The scope and purpose of the public hearing was to *investigate whether there was any police misconduct in the investigation by the NSWPF into the shooting of Adam Salter on 18 November 2009*. Without limiting the generality of that statement, the scope and purpose included:

- *an investigation into whether accounts given by police officers of the circumstances of the shooting of Adam Salter were accurate and truthful*
- *an investigation into the Situation Reports and statements released to the media the NSWPF in relation to the shooting of Adam Salter*
- *an investigation into the critical incident investigation conducted by the NSWPF into the shooting of Adam Salter*
- *an investigation into the review by the NSWPF of the critical incident investigation conducted by the NSWPF into the shooting of Adam Salter*
- *an investigation into the response of the NSWPF to the findings made at the inquest into the shooting of Adam Salter.*

At the time of reporting the exchange of written submissions was taking place. A report to the Parliament will be presented at the end of that process.

Operation Brioni

Operation Brioni is an investigation into the conduct and alleged improper associations of a senior police officer.

A number of similar allegations from various sources have centred on ongoing inappropriate associations of the officer with persons suspected of being involved in serious criminal activity.

The investigation is ongoing.

Operation Binda

Operation Binda is an ongoing Commission investigation into various allegations including money laundering, fraud and migration offences. The investigation centres on the conduct of a serving NSWPF officer and associates.

Operation Madison

Operation Madison was a Commission investigation into allegations of improper associations between a serving NSWPF officer and prominent criminal identities associated with Kings Cross.

During the investigation the Commission confirmed the associations between the officer and persons associated with those criminal identities. As a result of the investigation various issues relating to non-compliance with NSWPF policies and procedures were identified and disseminated to NSWPF for their attention.

Operation Ischia

Operation Ischia commenced in the previous reporting period and is an investigation into a number of serving and former NSWPF officers relating to allegations of drug use, drug supply, release of confidential information and issues relating to the NSWPF medical discharge system. This investigation is ongoing.

A number of private hearings were held during 2011-2012 and criminal briefs are to be referred to the Office of the Director of Public Prosecutions for consideration of prosecution action.

Investigations were also conducted in Queensland with the assistance of Queensland Crime and Misconduct Commission and consideration is being given to prosecution action for suspected offences committed in that State.

Operation Deakin

Operation Deakin commenced in late 2007 after the Australian Customs and Border Protection Service referred information to the Commission that a NSWPF officer departed Australia declaring that he was carrying a large amount of cash.

The investigation involved analysis of a large number of financial transactions to determine if the NSWFP officer was involved in fraud, money laundering and illegal immigration activity. These investigations revealed that the officer had declared large amounts of cash on a number of occasions when departing Australia.

As part of this investigation Commission officers worked closely with other law enforcement agencies including the Australian Customs Service, Department of Immigration and Citizenship, NSWPF and Victoria Police to simultaneously execute search warrants in New South Wales and Victoria in December 2008.

Briefs of evidence were forwarded to the Commonwealth Director of Public Prosecutions in Victoria for consideration of fraud, immigration and passport-related offences.

On 31 May 2012 a suspended NSWPF officer and two civilian associates were charged with a total of 16 Commonwealth offences relation to immigration and passport matters involving travel to and from Vietnam and the obtaining of a false Australian passport and travel documents.

Warrants of arrest have issued for two civilian associates of the suspended NSWPF officer for failing to appear in the Melbourne Magistrates Court in June 2012. The NSWPF officer is currently before the Victorian Courts with further charges being considered. Other matters relating to the *Criminal Assets Recovery Act 1990* are being considered at this time.

Operation Starwood

Operation Starwood is an investigation of serving and former NSWPF officers and was reported on in the 2010 - 2011 Annual Report. Since the last

reporting period the Commission has prepared and forwarded briefs of evidence to the Commonwealth Director of Public Prosecutions and is awaiting advice relating to possible Commonwealth charges.

On 9 October 2012 a civilian witness entered pleas of guilty to three counts of give false or misleading evidence pursuant to s. 107 of the *Police Integrity Commission Act 1996* and is awaiting sentencing.

A former NSWPF Sergeant has been charged with four counts of giving false or misleading evidence pursuant to s. 107 of the *Police Integrity Commission Act 1996* and making a collusive agreement to s. 200(b) of the *Police Act 1990*.

A former NSWPF civilian employee has been charged with a serious offence of misconduct in public office and is awaiting trial.

Operation Kalaminda

Operation Kalaminda was a Commission investigation regarding an alleged improper relationship between a serving NSWPF officer and a female civilian with drug connections. The operation concluded without any adverse findings against the serving NSWPF officer.

Significant intelligence was gathered relating to drug supply within NSW which the Commission disseminated to the NSWPF Drug Squad. The NSWPF used the information provided by the Commission to inform an ongoing Strike Force that has thus far resulted in a number of high profile arrests and significant asset seizures.

Operation Silba

As demonstrated in Operation Kalaminda, Commission investigations can confirm serious police misconduct, they can also provide evidence that disproves allegations of serious police misconduct made against police officers. Operation Silba is another example of this.

Operation Silba commenced in December 2011 to investigate information provided to the Commission that a serving NSWPF member was releasing

sensitive NSWPF information to a civilian with criminal associations.

The investigation used a multidisciplinary approach, encompassing many of the Commission's units. Overt and covert investigative methodologies were used, including the deployment of a Covert Human Intelligence Source under the management of the Commission's Dedicated Source Unit. The source assisted in quickly proving the existence of a relationship between the serving NSWPF officer and the civilian. Moreover, it assisted in demonstrating that this relationship was not corrupt as first suggested to the Commission.

By using the source, evidence and confirmation of the true nature of the relationship between the officer and the civilian was obtained considerably quicker and with less impact on Commission resources than would otherwise be the case in such an investigation.

Hearings were held by the Commission in 2012, which led to a dissemination to the NSWPF advising of the potential conflict of interest that arose from the officer maintaining a relationship with the civilian, particularly where perceptions of corrupt relationship, such as those investigated, could arise. It stressed the need to manage the relationship appropriately for the benefit of NSWPF.

The officer was subsequently reminded of the need to comply with NSWPF Policy and Standard Operating Procedures and continues to work within the same Command.

Operation Shabti

Operation Shabti commenced in 2011 and was reported in the 2011-2012 Annual Report. The investigation involved allegations of drug use, drug supply, improper associations and release of confidential information and misuse of the NSWFP COPS system by NSWPF officers and civilians. Hearings were held by the Commission in June 2011 and resulted in criminal charges against a police officer and two civilians.

The primary NSWPF officer entered pleas of guilty to two offences of misconduct in public office and two offences of giving false or misleading evidence to the Commission. The former NSWPF officer is due to be sentenced. She resigned from NSWPF in August 2011.

Two of the three civilians mentioned in the 2010-2011 Annual Report have entered pleas of guilty to taking a conveyance without the owner's consent, resulting in a \$500 fine for both and bonds for both civilians.

Operation Lantana

Operation Lantana commenced in late 2008 and targeted two NSWPF officers suspected of stealing and selling prohibited drugs. The investigation also uncovered offences relating to stealing and selling tobacco using criminal associates. As reported last year one of the NSWPF officers was sentenced to a minimum term of 13 months imprisonment in February 2011. The sentencing details of the other officer have been suppressed.

In August 2011 the first civilian associated pleaded guilty to a serious offence of conspiracy to obtain property by false pretences and was sentenced to 18 months imprisonment. The second civilian associated pleaded guilty to two offences: false pretences contrary to the *Crimes Act 1900* and procuring a false testimony by a witness. He was sentenced to 23 months imprisonment.

6

Preventing Serious Police Misconduct

Introduction

Preventing serious officer misconduct is one of the Commission's principal legislative functions under section 13 of its Act. As indicated in its Corporate Plan, the Commission seeks to perform this function by supporting improvements to NSWPF systems and practices. It does this, in the main, by making recommendations and providing advice drawn from its research into NSWPF systems and practices.

In 2011-12 the Commission's prevention projects focussed on the following three perspectives:

1. evaluating the effectiveness of corruption resistance planning at command level
2. strengthening the NSWPF approach to individual officers at risk of engaging in misconduct
3. improving other policies and systems of the NSWPF that are intended to prevent misconduct.

In 2011-12, the Commission consulted with the NSWPF in relation to a range of prevention projects and recommendations. In early 2012 the Commission experienced a number of difficulties obtaining information from commands for Project Mobula as a result of a change in internal practice in responding to information requests from the Commission. The Commission was not consulted before this change was introduced. The actions of the NSWPF significantly delayed the information collection process for Project Mobula. This is discussed in further detail below in the section concerning Project Mobula. In April 2012, the Commission wrote to the NSWPF setting out a protocol for collecting information from commands in the NSWPF, the details of which had been previously settled and agreed to by the two agencies. Adherence to this protocol by both agencies should prevent a reoccurrence of the problems experienced in relation to Project Mobula.

Other liaison-related problems experienced during 2011-12, by comparison, were of a minor nature. More importantly, the Commission has found the

NSWPF to be willing to work with the Commission to resolve them and improve systems so that they do not recur. The responsiveness of the NSWPF in providing assistance to some projects continues to be very good.

In its last Annual Report, the Commission reported that it had failed to reach agreement with the NSWPF as to the approach to be adopted in the development of a corporate level corruption prevention plan. It further noted that as a result, the Commission decided to conduct further research into this topic with a view to producing a Research and Issues Paper. The codename for this project is Project Sarras. Drafting continued during the 2011-12 reporting period. However, a resourcing shortfall and the emergence of other higher priorities has delayed progress.

Identifying and managing officers at risk of engaging in misconduct

Early Intervention System

Early Intervention Systems (EIS) are risk management tools which assist law enforcement agencies to identify problematic employee behaviour which, if left unchecked, could potentially lead to serious misconduct. Since January 2003, the Commission, along with the NSW Ombudsman's Office and the Police Association of NSW, has been involved in providing advice to the NSWPF on the development of an EIS. After an initial unsuccessful attempt to develop an EIS, a formal project was initiated by the NSWPF in 2008 to progress the development of an EIS. The Commission has been involved in assisting and providing advice to the NSWPF with the current EIS project since its inception, including the release of an online Research & Issues Paper in late 2008.

In 2009 - 10, the NSWPF advised the Commission that it had deferred the development of the EIS due to a recurrent funding shortfall and indicated that less expensive alternatives to the original proposed

model would be sought. Correspondence from the A/Deputy Commissioner (Specialist Operations) in July 2011 indicated that in October 2010 an amended business case had been submitted to Treasury, after having identified some significant savings from the original proposal. The NSWPF advised the Commission that it was, at that time, awaiting advice from Treasury as to its funding submission. On 30 June 2012 the NSWPF notified the Commission that it had not been possible to source funding for an in-house IT solution to provide an EIS, but that they remain committed to the concept of an EIS and continue to investigate and assess the technical and financial viability of other information technology solutions that could offer an EIS.

Identification and management of misconduct risks by commands

Corruption Resistance Planning Review (Project Mobula)

As part of its role to prevent officer misconduct, the Commission has had an active interest in corruption resistance planning in the NSWPF since 2006. The Commission considers that identifying and managing misconduct risks, and assisting officers to recognise and respond appropriately when they encounter such risks, are significant and practical steps that NSWPF commands can take to minimise future police misconduct. The Commission's Project Manta Report 1 foreshadowed the Commission's continuing interest in this area:

... the Commission will retain an ongoing interest in the ways that the NSW Police Force and individual commands identify, communicate and manage their corruption and serious misconduct risks. This may involve undertaking future research to monitor changes in the ways that commands identify, communicate and manage their misconduct risks.¹⁶

In early 2012 the Commission commenced Project Mobula to contribute to the effective deterrence of serious police misconduct by continuing the Commission's focus on NSWPF corruption resistance planning at the command level. Project Mobula seeks to examine:

- the nature of the corruption resistance plans being developed by commands more than two years after the release of Project Manta Report 1 and 2 years after the release of the NSWPF Guidelines for Local Corruption Resistance Planning
- the process that commands report following to develop their corruption resistance plans, including among other things which if any NSWPF policy, guidelines or other resources that they use to prepare their corruption resistance plans and suggestions that they might have for improving those processes
- what commands do with these plans once they have prepared them
- what information is provided to officers within the command about the nature of the misconduct risks that they may face and how best to respond to these risks.

During February 2012, the Commission selected and contacted a random sample of 20 local area commands to seek a copy of their most recent and their previous corruption resistance plans as well as the name of a contact officer, who would be available to answer questions about corruption resistance planning in that command. It also contacted many of the specialist commands to determine how they go about corruption resistance planning.

¹⁶ Project Manta Report 1, Police Integrity Commission 2009, p. 210.

Information collection for this project was delayed by almost three months following a change in process by the NSWPF. Rather than the previous process of commands responding directly to the Commission, on this occasion the NSWPF initially required its commands to channel their responses to the Commission through their 'chain of command'. Commands differed in their understanding of what this meant. Commands were also instructed to hold any responses to the Commission until they received further advice from Professional Standards Command. Protocols for the Commission's collection of information for research projects have now been established to facilitate a shared understanding of processes for providing information to the Commission and to facilitate the provision of information for future projects.

At the end of the reporting period, documentation and the name of a contact officer had been received from each of the 20 local area commands and from each of the Assistant Commissioners of the Specialist areas. Analysis of this documentation was underway and interviews with contact officers were being planned. It is envisaged that information collection and analysis will continue during 2012-2013 and the results of this project will be reported publically.

Improving NSWPF Systems and Policies

Using NSWPF complaint investigations to identify system problems and solutions (Project Cyril)

Project Cyril commenced in June 2011 and focuses on good practice in complaint investigations, namely how complaint investigators identify systemic and organisational problems (e.g. how systems have broken down) and then suggest recommendations for how they might be fixed (e.g. changes to existing policies, procedures, training, communication or management practices). In particular, Project Cyril aims to:

- examine the guidance investigators receive in respect to identifying systemic and organisational issues, both at the command level and the agency level, and making recommendations for change
- identify examples of good practice of complaint investigation reports that identify systemic and organisational issues and make recommendations for improvements
- provide the NSWPF with advice and recommendations, if needed, to strengthen the capacity of investigators to identify issues and make recommendations for consideration in Complaint Investigation Reports is enhanced.

At the end of the 30 June 2012 interviews with 14 complaint investigators had been conducted. These investigators were interviewed to obtain their insights into how they approach completing this part of the Complaint Investigation Report and for any suggestions as to how guidance provided by the NSWPF can be improved. An additional six interviews with other relevant stakeholders had been conducted. In 2012 – 2013 an online Research & Issues Paper outlining the findings and recommendations from this research will be written and published.

User-pays policing: Understanding the integrity hazards and associated corruption risks and how best to manage them (Project Teo)

User-pays (also known as ‘user-charges’) policing is policing with a difference. NSWPF officers undertaking this work are paid time-and-a half to undertake duties such as manage crowd control on their rostered day off. While funds to pay police on user-pay duty come from a party other than the NSW Police Force, officers undertaking user-pays work as police officers, not as security guards, alongside on-duty officers.

Given that this work is paid at a higher rate than normal rostered duties and involves interaction with commercial entities, officers undertaking this work may face integrity hazards and corruption risks which differ from those faced by officers in their regular duties. The Commission has encountered a variety of allegations concerning officers undertaking user-pays policing, for example: inappropriate solicitation of tickets for entertainment events, false claims of having performed user-pays and unauthorised changes to rosters to enable them to undertake user-pays work. Police undertaking user-pays policing also face corruption risks associated with other policing duties such as use of excessive force.

The Commission commenced Project Teo in November 2011 to contribute to the effective deterrence of serious police misconduct by improving understanding of the range of integrity hazards and corruption risks associated with user pays policing in NSW and hence to provide informed advice to the Commission and to the NSWPF on:

1. The nature of the integrity hazards (that is, what if any, aspects of the nature of the work, work practices or procedures have the potential to harm or compromise the integrity of the employee) and corruption risks (that is, what forms of corruption could occur) associated with NSWPF user-pays policing.
2. Strategies for communicating these hazards and associated corruption risks.
3. Strategies for managing the corruption risks associated with user-pays policing.

To the Commission’s knowledge there has not previously been a systematic attempt to identify the range of integrity hazards and corruption risks associated with user pays policing and hence attention has not been given to how best manage the range of associated corruption risks. Project Teo does not seek to examine risks other than misconduct risks, such as operational risks or financial risks. Nor does it include matters that would be caught in a standard financial audit. Furthermore, it is not the intention to examine whether or not individual officers undertaking user pays policing have engaged in police misconduct.

To better understand the operation of user-pays policing as undertaken by the NSWPF and hence to better understand some of the integrity hazards and corruption risks associated with this form of police work, during 2011-2012 the Commission has identified and reviewed relevant:

- NSW Government and NSWPF policies, procedures and training material
- legislation
- complaints made to the Commission, NSWPF investigation reports and other Commission investigative holdings
- published literature
- strategies employed by the NSWPF to manage the corruption risks associated with user-pays policing.

It is envisaged that analysis of this material will continue into 2012-2013. Where information gaps are identified relevant stakeholders will be interviewed to further develop a better understanding of the operation of the user pays policing and of its integrity hazards.

Misconduct risks associated with critical incidents in NSW (Project Harlequin)

Project Harlequin was commenced during 2011-12 and is examining the misconduct risks associated with critical incidents and critical incident investigations. Further information on Project Harlequin will be reported in the Commission's 2012-13 Annual Report.

Commission Input to NSWPF Review of Critical Incident Policy

In October 2011 the Commission, along with other relevant stakeholders, were invited by the NSWPF Professional Standards Command to comment on a revised version of the NSW Police Force Guidelines for the Management and Investigation of Critical Incidents. In light of the response received from the NSWPF in November 2011 the Commission, along with the NSW Ombudsman's Office, raised further concerns with four aspects of the Guidelines through a joint letter and meeting with representatives from the Professional Standards Command. These issues and the results of consultations with the Professional Standards Command are listed below.

- 1) The omission of public interest considerations from the definition of what constitutes a critical incident – public interest was reinstated as a matter to consider by the Region Commander in whether or not to categorise an incident as critical.
- 2) The inadequate identification of conflicts of interest – the Professional Standards Command would consider developing a process that will document potential conflicts of interest in respect of key individuals involved in a critical incident investigation.
- 3) The revised definition of 'serious injury' in the guidelines – the Professional Standards Command will reinstate relevant parts of the 2006 definition of serious injury providing a broader scope.

Misconduct risks associated with authorised secondary employment (Project Santuri)

Almost 10 per cent of NSW police officers are currently engaged in authorised secondary employment. The NSW Police Force defines secondary employment as 'any paid work performed other than for the NSW Police Force' and requests that all employees seek approval prior to engaging in secondary employment. However, despite seeking approval to engage in secondary employment outside the NSW Police Force officers are potentially exposed to risks of corruption and misconduct. Examples of corruption risks associated with secondary employment can include: the release of confidential information, both in terms of police intelligence and police procedures and methodology; the risk of an improper association between officers and the owners, employees or clients with whom they associate in their secondary employment; the rorting of sick leave and falsifying of timesheets to conduct secondary employment; and the misuse of public resources.

In November 2011 the Commission commenced a research project, codenamed Santuri, examining a number of issues associated with the NSW Police Force's systems to manage secondary employment, including:

- the level of compliance by sworn officers with all aspects of the NSW Police Force policies and procedures governing secondary employment
- whether there are opportunities for the corruption prevention aspects of the policy to be strengthened and if required provide advice and recommendations for managing conflicts of interest and corruption risks associated with authorised secondary employment.

The Commission has randomly selected 21 Commands and requested all secondary employment applications for the period 1 March 2011 to 1 March 2012. After the Commission has completed its collection and analysis of information

for Project Santuri the Commission will consult with the NSW Police Force as to the conclusions of its research. A Research & Issues Paper outlining its conclusions will be published on the Commission's website at the completion of the consultative process with the NSW Police Force.

Misconduct risks associated with the use of human sources (Project Skadi)

The use of human sources is recognised by the NSW Police Force as a valuable tool to assist in the detection, investigation and prosecution of crime. In many instances, human sources provide first-hand knowledge of criminal activity. However, relationships between police officers and sources are fraught with risks, including risks of corruption and misconduct. In Project Skadi, the Commission examined how well the NSWPF is managing two key corruption risks arising from this policing activity, namely:

1. That the association between a human intelligence source and his or her police handler –
 - a. is improper (unbeknownst to the officer's managers) and that the officer is engaged in acts of corruption in conjunction with the source, or
 - b. may become improper, leading the officer to engage in acts of corruption in conjunction with the source.
2. That confidential police information identifying the human intelligence source may be deliberately leaked by a police officer for corrupt motives.

The Commission finalised its confidential report in June 2011 and has sent a copy to the Commissioner of Police in September 2011. The report identified three areas where the systems and practices of the NSWPF could be strengthened so as to manage the misconduct risks mentioned above. The Commission asked for the Commissioner's response to its findings. In October 2011, the Commission received a response from the NSWPF. In the Commission's view, the NSWPF response

does not adequately address the risks identified within its report. The Commission continued to liaise with the NSWPF in relation to Project Skadi in an attempt to work with the NSWPF to identify other strategies for managing the risks identified in its report. It has also obtained information on NSWPF practices which may assist in developing further recommendations and advice to the NSWPF on the management of risk in this area of policing.

Input to NSWPF Declarable Associations Policy Review

In May 2010, the Commission issued a Research & Issues paper on compliance with the improper association guidelines within the NSWPF. Subsequently, the NSWPF commenced a review of its policy. In July 2011, the NSWPF provided the Commission with a draft of the *Declarable Association Policy and Guidelines* – having decided to change the title of the policy in line with the Commission's recommendation – for formal comment. The Commission provided detailed feedback and suggestions throughout the review process, the majority of which were incorporated by the NSW Police Force. The revised *Declarable Association Policy and Guidelines* includes a range of communication and training strategies aimed at increasing awareness of and compliance with the policy and guidelines. The NSWPF review concluded during the 2011-12 reporting period and it is not anticipated any further input will be required from the Commission. The Commission is satisfied with the new *Declarable Associations Policy and Guidelines*.

Police Corruption Education and Prevention Programs

Section 14 of the Act refers to the Commission's obligation to make recommendations on corruption education programs and to provide advice on how to eliminate police misconduct. These obligations are closely linked with the Commission's principal function to prevent police misconduct.

During 2011-12 the Commission discharged this function by:

- raising awareness of the Commission's functions by delivering presentations to the NSWPF and other key stakeholders
- promoting its prevention research by briefing key stakeholders and making its research widely available
- sharing knowledge by participating in corruption prevention and detection conferences and significant meetings
- supporting corruption prevention programs.

Corruption prevention presentations

During 2011-12 the Commission delivered 15 presentations to raise awareness of its functions and to promote its prevention research:

- Commission staff delivered 11 lectures to NSWPF internal investigations training courses, raising awareness amongst officers of the functions of the Commission
- Commission staff attended a forum of Professional Standards Managers in March 2012 and discussed a Commission prevention project, Project Cyril, the details of which are provided above
- Commission staff delivered a lecture on the management of improper associations to students undertaking the Graduate Certificate in Integrity Studies at the University of Wollongong in December 2011

- Commission staff delivered a presentation on the role of corruption prevention research and education to participants in Graduate Certificate in Integrity at the University of Wollongong in March 2012
- Commission staff gave a presentation to a planning day involving PSC misconduct prevention staff on corporate level misconduct prevention in June 2012.

Working with other agencies

On 7-8 June 2012, representatives of the Commission attended the Australian Police Integrity Agencies Research Forum in Brisbane. The forum was organised by the Queensland Crime and Misconduct Commission and was attended by police oversight agencies from different jurisdictions throughout Australia. Guest speakers and agency representatives gave a series of presentations on topics of current interest to participating agencies, including use of force issues. Commission staff participated by giving a presentation on managing conflict of interest risks associated with police internal investigations. The Commission also participated in the inter-agency working group that convened via teleconferences on a number of occasions to plan and organise the forum.

The Commission also meets regularly with key stakeholders in its oversight capacity to promote its research or to provide assistance or advice:

- in September 2011 the Commission provided advice to the UK Inspectorate of Constabulary (HMIC) with regard to its Integrity Review of the England and Wales Police Service
- in October 2011 the Commission provided feedback to the Victorian Office of Police Integrity (OPI) on assessing public sector attitudes for corruption
- on 2 November 2011 the Commission provided a presentation to the NSW Ombudsman's Office on its project examining the misconduct risks associated with the execution of search warrants

- in November 2011 the Commission met with a researcher from the Gothenburg Research Institute, a part of School of Law and Economics at the University of Gothenburg (Göteborg), Sweden and provided an overview of the work of the Commission
- in May 2012 the Commission provided advice on identifying corruption risks to the Federal Department of Agriculture, Fisheries and Forestry
- in May 2012 the Commission provided advice to researchers from the University of Ghent, Belgium on research into perceptions of corruption and nature of corruption and
- in June 2012 the Commission provided advice to:
 - o the Queensland Crime and Misconduct Commission (CMC) in relation to research into corruption and misconduct and measuring corruption;
 - o a number of Australian police oversight agencies on identifying corruption and misconduct hazards;
 - o the OPI regarding sources of information about corruption risks; and
 - o the Integrity Commission, Tasmania and the Commonwealth Ombudsman on the methods for framing recommendations for organisational improvement.

7

Tracking the Commission's Recommendations

Introduction

Misconduct prevention recommendations are the principal means by which the Commission seeks to improve systems and practices in the NSWPF, to reduce opportunities for misconduct, improve transparency and accountability and otherwise deter officers from engaging in acts of misconduct.

Under section 99(2)(c) of the Police Integrity Commission Act 1996 (the Act), the Commission is required to include in each Annual Report an evaluation of the responses by the Commissioner of Police, or senior police executives, to the Commission's conclusions and recommendations. In addition section 99(2)(f) of the Act requires the Commission to report on "the extent to which its investigations have resulted in ... disciplinary action or the making of an order under section 173 or 181D of the Police Act 1990...etc". The purpose of this Chapter is to report the evaluation of NSWPF responses to the Commission's misconduct prevention recommendations and recommendations for managerial action arising from investigations.

Misconduct risks associated with the execution of search warrants: (Project Ostara)

In May 2011, the Commission published a report assessing how well the NSWPF is managing the misconduct risks associated with the execution of search warrants.

The eight recommendations presented in the Commission's Project Ostara report were aimed at strengthening the management of corruption risks associated with the use of search warrants. The NSWPF accepted and proposed implementation action in regard to recommendations 1, 2, 3, 4, 5 and 6a. The NSWPF supported recommendation 8 stating that consideration is ongoing to identify the most appropriate way to progress this recommendation.

- **Recommendation 1** was aimed at improving the guidance on the reviewing and compliance management arrangements for search warrant videos.

- **Recommendation 2** was aimed at improving the guidance provided to officers as to when specific corruption prevention measures, namely the filming of searches and the involvement of an independent observer, should be used.
- **Recommendation 3 & 4** were aimed at strengthening record-keeping requirements in relation to search warrants.
- **Recommendation 5** was aimed at strengthening the guidance provided to officers appointed to perform key roles during searches.
- **Recommendation 6a** was aimed at increasing the amount of information captured through filming searches.
- **Recommendation 8** was aimed at ensuring the guidance about the use of crime scene warrants is consistent with the search warrant standard operating procedures.

As a means of implementing these recommendations the NSWPF has amended its Command Management Framework (CMF) material on search warrants. The CMF is a risk-based, self-assessment process, focussing on the audit function used by commands. CMF is designed to be a tool to better manage operations and improve accountability at a local level. The NSWPF has also amended the Search Warrants Standard Operating Procedures to address the Commission's recommendations. The Commission is satisfied that the amendments to these documents address the issues raised in its recommendations. The NSWPF has advised that officers will be provided guidance as to their obligations in the *Policing Issues & Practice Journal*, due for publication in November 2012. Following the publication of this article, these recommendations, with the exception of recommendation 8, will be considered implemented. The Commission will seek advice from the NSWPF during 2012-13 as to its plans for implementing this recommendation.

The NSWPF did not support recommendations 6b, 6c, 7a and 7b. These recommendations relate to: commencing video recording of searches before

entry; video recording a reading to the occupier of a list of seized exhibits; review of the reasons for low compliance for recording an occupier's objection to recording of their verbal comments during a search; and, development of a strategy to improve compliance in this area.

In relation to recommendation 6b, the NSWPF indicated that it was concerned the strategy proposed by the Commission would impact upon operational safety and could potentially compromise police methodology. The Commission acknowledges these concerns are reasonable and has advised the NSWPF that this recommendation can be considered closed. However, the Commission has also informed the NSWPF that should information come to light to suggest there is a misconduct or other risk associated with the conduct of officers in the stages prior to the commencement of a search, the NSWPF may need to revisit this recommendation or consider alternative strategies.

In relation to recommendation 6c, the NSWPF advised the Commission that this recommendation is adequately catered for by existing police practice, in which the occupier, if present, is provided, in the presence of the Independent Observer, with a list of property seized during the search. The intent of recommendation 6c was to strengthen, rather than replace, current arrangements by also requiring that a list of the exhibits seized be read out to the occupier and recorded on video. On reviewing the NSWPF's response, the Commission agreed that the current NSWPF arrangement is adequate and advised that recommendation 6c could be considered closed. It noted, however, that should information come to light to suggest there is a misconduct or other risk associated with that stage of a search where information on items seized are communicated to the occupier, the NSWPF may need to revisit this recommendation or consider alternative strategies.

Identifying and managing high risk officers in the NSW Police Force: Project Odin

In Project Odin, the Commission examined the practice of identifying and managing high risk officers in the NSWPF. The Commission had observed over time that NSWPF commands had identified and labeled officers as high risk. Project Odin was undertaken to assess the effectiveness of the practice as a misconduct prevention strategy and to provide the NSWPF with advice on:

- how best to define the term 'high risk officer'
- how best to identify high risk officers
- how best to manage officers who are identified as such.

The report for Project Odin was released by the Commission in September 2009. It carried six recommendations for reform. In summary, those recommendations were for the NSWPF to:

- **Recommendation 1** develop a high risk officer policy
- **Recommendation 2** ensure that the focus of the policy was on officers with demonstrated conduct issues
- **Recommendation 3** develop an intervention framework
- **Recommendation 4** develop an identification tool
- **Recommendation 5** develop relevant guidelines for managing high risk officers
- **Recommendation 6** allocate responsibility for the policy, tool and guidelines to a NSWPF command.

The NSWPF provided the Commission with an interim response to the recommendations in March 2009. A formal response was provided in August 2010. In both, it expressed support for all six recommendations, save two limbs of Recommendation 4, which the Commission did not press.

In March 2010, the Commission was informed that the NSWPF intended to implement the Project Odin recommendations through its own project known as Project Lancaster. After consulting further with the Commission, the Commission agreed with the NSWPF that there was a degree of overlap between the previous proposal and Project Lancaster.

In last year's Annual Report, the Commission noted that it had written to the NSWPF in April 2011 seeking agreement to make some inclusions in Project Lancaster to give full expression to the Project Odin recommendations and the previous agreement by the NSWPF to them. The Commission subsequently secured an agreement by the NSWPF to many of its suggestions in August 2011. The 2010-11 Annual Report also noted that the relevant Project Lancaster policy documents developed by Professional Standards Command were being readied for final corporate endorsement within the NSWPF.

In August 2012, the Commission received advice from the NSWPF that the Project Lancaster policy documents had only been endorsed in July 2012. Further, two of the three suggestions made by the Commission, which had been agreed to by the NSWPF, had been excluded from those documents. At the time of writing the Commission was seeking clarification from the NSWPF as to the reasons for these omissions.

Identification and communication of command misconduct risks (Project Manta Report 1)

In November 2009, the Commission released its first report from Project Manta which described the nature of the significant misconduct risks faced by individual commands together with the identification and communication of these misconduct risks. As was reported in the Commission's 2009-2010 Annual Report, the NSWPF supported each of the nine recommendations made in Project Manta Report 1 and by the end of the previous reporting period six of the nine recommendations had been implemented. While the NSWPF has advised that it

has taken steps towards implementing the three recommendations that were outstanding at the end of the previous reporting year, at the end of June 2012 further work was required before these recommendations could be considered to be implemented.

Two of these three recommendations (Recommendations 3 and 4) concern assisting commands to better understand their misconduct risks by having a central area within the NSWPF continuing to provide commands with information about their complaint trends and extending that information to include trends in complaint allegations by station and to include an analysis of the available contextual information such as duty type, location of the alleged incident and officer's activity at the time of the alleged allegation. The NSWPF advised that in response to these recommendations a "Misconduct Risk Indicator Pack" was under development and as at August 2012 was scheduled for roll out in October 2012. It further advised that work was underway to clarify current categories of 'duty types' and 'issues' (or allegations) associated with complaints. The Commission looks forward to being provided with a copy of what is proposed to be included in this pack.

The other outstanding recommendation (Recommendation 9) involves providing tailored information, guidance and support to officers concerning the nature of misconduct risks and how to manage the risks that may be specific to their command, their particular policing role such as licensing work, or a particular sector of the command. In addition to commands providing this information to officers in their current roles, the recommendation proposed that the NSWPF should develop a corporate strategy and material to assist commands provide this information, guidance and support. In response to this recommendation, the NSWPF has developed what could be considered to be the beginning of a toolkit, having produced *Integrity Guides* on the topics of *Unauthorised access, use and disclosure of information*, *Off duty*

Behaviour, Dealing with licensed premises and Responsible use of social media. It has also produced *Duty Risk Guides on the topics of Alcohol and Licensing Enforcement and Management of User Charges Duties.* It is the Commission's view that in addition to developing more of these tools, a corporate strategy is required to assist commands tailor corruption prevention materials and advise how they should inform and support officers in the identification and management of different misconduct risks they may face as a result of undertaking a new role or transferring to a new station.

The Commission will continue to monitor the implementation of these three recommendations during 2012-2013.

Managing command misconduct risks (Project Manta Report 2)

In April 2011, the Commission released its *Project Manta Report 2: Managing command misconduct risks.* The Commission made 12 recommendations in this report and in May 2011 the NSWPF advised that it supported 11 of these recommendations in the form that they were made.

During the year under review the NSWPF implemented two of the twelve recommendations. These concerned providing guidance to commands on how to develop effective corruption or misconduct risk treatment strategies (Recommendation 5) and on how to monitor and review treatment strategies (Recommendation 6).

Substantial progress has also been made on the implementation of a further four recommendations at the command level. These recommendations involve further guidance on tailoring treatment strategies to address each risk, after first developing a clear understanding of the misconduct risk. More specifically, these recommendations involve:

- **Recommendation 1** providing a way of checking that proposed treatment strategies do address the misconduct risks

- **Recommendation 2** providing a series of prompts to assist commands systematically consider different ways preventing possible corruption or serious misconduct
- **Recommendation 3** providing a clear description of the treatment strategy
- **Recommendation 4** promoting strategies intended to deter misconduct so that officers understand that the proposed strategy may increase the risk of their being caught if they were to engage in misconduct.

To implement these recommendations at the corporate level and to implement Recommendation 8 (which involves adopting document control processes for new corporate corruption resistance documents), in late July 2012 the NSWPF provided the Commission with a draft document entitled *Guidelines for the Identification and Management of Misconduct/Corruption Risks when Developing Corporate Procedures.* The Commission has yet to review these draft guidelines.

The Commission is aware that while the NSWPF did not support Recommendation 7 (which concerned assisting commands to locate and access relevant policies and guidelines) in the form that it was presented, the NSWPF response to this recommendation stated that:

The NSW Police Force will investigate opportunities for consolidation of guidance on corruption resistance. ... [Professional Standards Command] will commence discussions with internal stakeholders and will seek to identify opportunities to assist Commands in locating and accessing relevant guidance. The Commission will be informed of the progress of such enquiries.

The Commission is awaiting advice regarding progress made by the NSWPF in identifying opportunities for consolidation of guidance and opportunities to assist commands locate and access relevant guidance.

In March 2012, following its review of the implementation status of the recommendations, the Commission advised the NSWPF that it considered that the NSWPF may possibly have misunderstood the intent of Recommendations 9 and 10 (which involved developing processes to identify and promote good misconduct risk treatment strategies initiated and found useful by one or more commands), Recommendation 11 (which involved providing guidance to commands concerning the recognition and treatment of misconduct risks associated with policing licensed premises) and possibly Recommendation 4 (which involves promoting strategies intended to deter misconduct so that officers understand that the proposed strategy may increase the risk of their being caught if they were to engage in misconduct). The Commission invited discussion to further clarify what is intended by these recommendations.

The implementation of Recommendation 12 (which concerns providing guidance to commands concerning the recognition and treatment of misconduct risks associated with officers working at a distance from supervisors and other officers) would seem to be at an early stage. In January, the NSWPF advised that 'an isolated officers project has been established and is currently under development'. In August 2012 the NSWPF advised that it 'is currently scoping this project and has identified a number of integrity and misconduct related issues which require guidance'. The Commission looks forward to receiving a project plan and proposed timelines for this project.

The Commission will continue to monitor the implementation of the nine outstanding recommendations during 2012-2013.

Managing the misconduct risks arising from complaint investigations (Project Querrella)

Conflicts of interest, or perceptions that conflicts exist, can compromise the integrity of NSWPF internal investigations. The primary means by which the NSW Police Force identifies and manages bias, conflicts of interest and other risks that can affect complaint investigations is the Complaint Allocation Risk Assessment (CARA) system, which was introduced in March 2007. Based on the principles of risk management, the CARA system is intended to enable commands to determine whether or not notifiable complaints should be managed locally or transferred to another command.

Under the CARA system if a command identifies a risk that has the potential to adversely affect the integrity of a complaint investigation but determines that it is not sufficient to merit the investigation being transferred to another command, it is required to record how the risk is to be managed. The CARA system also requires officers who have been assigned to investigate a complaint to assess and then report to their commander as to whether or not they have a conflict of interest in conducting the investigation.

In December 2010 the Commission, in conjunction with the NSWPF and the Ombudsman's Office, conducted an audit of a sample of 100 NSWPF internal investigations. This was the second audit of this kind to be conducted by these three agencies, the first having been conducted in 2008.

In August 2011, the Commission flagged three areas of concern that had emerged from the results of the 2008 and 2010 audits. These were:

- the widespread failure by commanders to identify and manage command-level risks
- non-compliance by the Professional Standards Command with key aspects of the CARA process
- the widespread failure by commanders to verify the suitability of officers nominated to conduct complaint investigations.

The NSWPF has advised the Commission that it has issued further guidance to the commands in the field on the CARA process and implemented new review and checking processes to ensure that compliance with CARA will improve. The Commission regards these processes as reasonable. Further auditing will be required to determine the extent to which they have been effective.

Unauthorised disclosure of confidential information

The unauthorised disclosure of confidential information by police officers can result in, amongst other things, investigations being compromised and officers and members of the community being put in danger. In October 2008, the Commission published a Research & Issues Paper on the unauthorised disclosure of confidential information in the NSWPF. The most significant conclusions of the study indicated that there is confusion, misunderstanding and lack of awareness regarding confidential information and its use and dissemination within and outside the NSWPF. Further, that official NSWPF guidance on the management and communication of the confidential information was difficult to locate on the NSWPF intranet, which is the main repository for NSWPF policies and guidelines.

The paper presented nine strategies for strengthening the NSWPF's systems and processes for managing confidential information and raising awareness with officers about their obligations in this area. The strategies focused on ensuring that, amongst other things:

- the NSWPF intranet provides officers with clear guidance on their obligations with regard to the management of confidential information, including ensuring that relevant policies are clearly identified, easily accessible, referred to accurately and by their correct titles and that only current versions are displayed
- key terminology is defined and standardised and
- through the NSWPF intranet and training, all NSWPF staff have access to and an awareness and understanding of policies regarding confidential information.

In correspondence received by the Commission in July 2011, the NSWPF informed the Commission that it will be adopting the Commonwealth Attorney General's *National Protective Security Framework*, which deals with the management and security of confidential information, aspects of which are not yet available. The NSWPF indicated that for this reason, it would not be able to implement the strategies proposed by the Commission until the latter half of 2012.

In last year's Annual Report, the Commission commented that it was not clear why there was a need to defer the implementation of all strategies until the latter part of 2012. The Commission noted that the risk of not providing clear and easily accessible guidance regarding the management and communication of confidential information is that officers will fail to understand what is required of them, thereby increasing the possibility of making an unauthorised disclosure of confidential information. For officers who deliberately leak confidential information, the absence of clear guidance on the management of confidential information provides a ready-made and plausible excuse for their misconduct. The Commission made the following comments:

In view of the fact that the Commission's paper was published in October 2008, the time taken to address the recommendations – some of which simply seek to ensure that up-to-date and relevant guidance is available to officers – suggest that it is not effectively managing the risk of unauthorised disclosure of confidential information.

Updated advice received from the NSWPF in August 2012 indicates that the NSWPF is continuing its consultation and development of a policy statement and position in relation to the unauthorised release of confidential information.

The NSWPF notes that since agreeing to the strategies proposed by the Commission, a number of issues – including legislative and policy change – have arisen which impact upon the NSWPF implementing them. The NSWPF has indicated that due to the complex and malleable nature of this project, it will be seeking further discussions with the Commission.

It remains a matter of concern that the NSWPF still has not addressed the strategies proposed by the Commission in its October 2008 paper on managing confidential information, notwithstanding the NSWPF agreed to do so. The advice tendered by the NSWPF prior to the 2010-11 Annual Report indicated that the strategies would be implemented in the latter half of 2012. The advice provided by the NSWPF in August 2012 makes no reference to a timetable for implementation, instead requests that further discussions with the Commission take place on the subject.

The Commission will engage further with the NSWPF on this topic in the 2012-13 year and report progress in the next Annual Report.

Introduction

Section 13 of the *Police Integrity Commission Act 1996* (the Act) provides that one of the other functions of the Commission is the prevention, detection and investigation of misconduct by NSWCC officers. The Commission discharges these functions through a number of processes including the assessment of information and complaints alleging misconduct, and the conduct of investigations and research.

Under section 99(2)(a) of the Act the Commission is required to separately report on NSWCC matters in its Annual Report. The purpose of this section is to report on work undertaken by the Commission during 2011-12 to detect, prevent and investigate misconduct by NSWCC officers.

Assessing Information and Complaints

Complaint Process

Information regarding the possible misconduct of NSWCC officers can come to the Commission in a variety of ways. Under section 75C of the Act, a complaint can be made by an individual member of the community. In addition, section 75D provides that it is the duty of the NSWCC Commissioner, the Commissioner of Police and principal officers of other NSW public authorities to report to the Commission any matter that on reasonable grounds is suspected to involve, or which may involve, misconduct of a NSWCC officer. The Commission also receives information involving possible misconduct by NSWCC officers from other sources, including agencies from other jurisdictions.

Complaint Profile

During 2011-12 the Commission:

- assessed 25 complaints containing 52 allegations of misconduct against current and former NSWCC officers

- referred 2 matters to the NSWCC under 77 of the Act.

Of the 25 complaints, 22 were made direct to the Commission and three were reported to the Commission by the New South Wales Crime Commission or the NSW Police Force. Allegation types included:

- misuse of authority for personal benefit
- improper disclosure of information
- attempting to pervert the course of justice
- lied during proceedings/in statement/on affidavit.

Investigations

There were a total of 15 preliminary investigations open for all, or part of 2011-12.

Table 11: NSW Crime Commission Preliminary Investigation Outcomes

Indicator	2011-12	2010-11
No further action	12	5
Investigations that progressed to become full investigations	3	1
Investigations that resulted in a dissemination of information to the NSWCC	0	0
Investigations that resulted in information being disseminated to other law enforcement agencies (LEA)	0	0
Total	15	6

Table 12: NSW Crime Commission Investigation Outcomes

Indicator	2011-12	2010-11
No further action	0	0
Investigations that resulted in information being disseminated to the NSWCC	0	0
Investigations that resulted in information being disseminated to other law enforcement agencies (LEA)	0	1
Investigations referred to the Office of the Director of Public Prosecutions for consideration of prosecution action	0	0
Total	0	1

Operation Winjana

As reported in the Commission's 2010-11 Annual Report, Operation Winjana is an investigation into the conduct of a certain member of staff of the NSW Crime Commission as well as the Crime Commission's practices and procedures in the conduct of actions under the Criminal Assets Recovery Act 1990.

Operation Winjana remained ongoing during the 2011-12 reporting year.

As noted in the Commission's last Annual Report, public hearings for the purposes of Operation Winjana were commenced in June 2011. Those hearings were subsequently stood over until the completion of the trial of former NSWCC Assistant Director, Mark Standen in the Supreme Court of NSW.

Upon the completion of those proceedings in August 2011, the Commission resumed its Operation Winjana public hearings on 5 September 2011. Following the opening address by Counsel Assisting the Commission on that date, the Commission heard evidence from a total of seven witnesses over seven hearing days. The public hearings were completed on 6 October 2011,

after which a lengthy submissions process occurred.

At the time of writing this Annual Report, preparation of the Commission's report to Parliament on Operation Winjana, as required pursuant to s.96(2) of the *Police Integrity Commission Act 1996*, was nearing completion. Accordingly, the Commission anticipates presenting that report in the first half of the 2012-13 reporting year.

Preventing Misconduct

Examining the misconduct risks of civil confiscation and the management of those risks by the New South Wales Crime Commission: Project Caesar

Project Caesar was commenced by the Commission in June 2009 to examine the misconduct risks of civil confiscation and the management of those risks by the NSWCC. Many of those issues were examined in Operation Winjana. The future of Project Caesar will be assessed following the presentation of the Operation Winjana report to Parliament later in 2012.

Introduction

This section contains information on legal developments and statutory provisions of significance to the Commission's functions.

Witness protection

Persons assisting the Commission in its investigations, whether members of the general public or serving officers, are an important resource in the detection and investigation of serious officer misconduct.

To ensure this resource is protected, the Commission may make arrangements to ensure the safety of these persons from intimidation and harassment which might arise as a result of their assistance. This may range from the making of non-publication directions to, where necessary, consulting with specialist witness protection agencies to better ensure the safety and well-being of its witnesses and other persons who have been of assistance: section 51. The Commission made use of both mechanisms during 2011-12.

Response to subpoenas

From time to time, the Commission is served with subpoenas requiring the production in Court of documents, or divulging of information acquired in the exercise of its functions.

Officers of the Commission cannot be required to produce documents, or divulge or communicate any matter which they have obtained in the exercise of functions under the *Police Integrity Commission Act 1996* ('the Act'), subject to certain limited exceptions. Those exceptions are for the purposes of a prosecution, disciplinary proceedings or proceedings under Division 1A or 1C of Part 9 of the *Police Act 1990* arising out of an investigation conducted by the Commission in the exercise of its functions.

Where the Commission is served with a subpoena falling outside these limited exceptions, the issuing party is invited instead to make an application to the Commissioner to exercise his or her discretion to

release information pursuant to section 56(4)(c) of the Act. Under that section, the Commissioner has a broad discretion to authorise the release of documents or information held by the Commission if satisfied that it is necessary to do so in the public interest.

Section 56(4) Disseminations

The Act imposes strict obligations of secrecy upon officers of the Commission in relation to information acquired in the exercise of their functions under the Act.

Generally, the disclosure of information other than for the purposes of the Act, purposes connected with prosecution or disciplinary proceedings arising from a Commission investigation, or law enforcement and investigative purposes falls to be dealt with under section 56(4)(c) of the Act.

Under this provision, the Commissioner may direct that otherwise confidential information held by the Commission can be released, but only if he or she certifies it to be necessary in the public interest to do so.

During 2011-12 the Commission disseminated information on 12 occasions under section 56(4)(c) of the Act.

The Commission has published comprehensive guidelines as part of its Practice Guidelines dealing with applications for the release of information under section 56(4)(c) among other things. The Practice Guidelines and an application form may be downloaded from the Commission's website.

Law Reform

Police Integrity Commission Amendment Act 2012

This Act amended the *Police Integrity Commission Act 1996* ('the Act') and implemented the recommendations arising out of the Government's statutory review of the Act which concluded in 2011.

The objects of the Act were amended to give equal prominence to the functions of the Commission as they relate to the prevention of police misconduct, corrupt conduct of administrative officers of the NSW Police Force and misconduct of NSW Crime Commission officers. A new section 13 was inserted in the Act which sets out the principal functions of the Commission as relating to “officer misconduct.” “Officer misconduct” is defined as meaning police misconduct, corrupt conduct of administrative officers of the NSW Police Force and misconduct of NSW Crime Commission officers. Previously the Commission’s functions, as they related to these three types of misconduct, had been set out separately in sections 13, 13A and 13B of the Act.

Sections 75B and 75D were repealed and a new Part 4C inserted into the Act. This imposes a duty on the principal officers of public authorities to notify the Commission of any matter they suspect on reasonable grounds concerns or may concern officer misconduct. Previously this duty applied only to corrupt conduct of administrative officers of the NSW Police Force and misconduct of NSW Crime Commission officers and not police misconduct.

Subsection 33(3A) was inserted in the Act and lists certain factors that the Commission is required to consider when determining whether or not it is in the public interest to conduct a hearing wholly or partly in public.

Section 137A was also inserted into the Act. This section holds that before the Commission includes what it considers to be an adverse comment about any person in a report the Commission is required to inform that person of the substance of the grounds of the adverse comment and give the person an opportunity to make submissions. The section holds that this requirement may be satisfied during a hearing held pursuant to section 32 of the Act.

Sections 89 and 101 were amended to clarify the powers of the Inspector of the Police Integrity Commission to make recommendations and reports and those powers are now in line with the powers conferred on the Inspector of the Independent Commission Against Corruption.

Public Interest Disclosures Amendment Act 2011

This Act amended the *Public Interest Disclosure Act 2010*.

The changes include an amendment to section 20 of that Act. Section 20 makes it an offence for a person to take detrimental action against another person substantially in reprisal for the other person making a public interest disclosure. The amendment provides that, inter alia, public authorities who obtain evidence of an offence being committed under section 20, which relates to the NSW Police Force, must refer that evidence to the Commission. Similar obligations apply to investigating authorities (other than the ICAC, the ICAC Inspector, and the PIC Inspector) who obtain evidence during an investigation of an offence under section 20. The Act is also amended to require the Commission to refer a brief of evidence to the Director of Public Prosecutions where it has conducted an investigation into an alleged offence under section 20 and formed the opinion that an offence has been committed.

Government Information (Public Access) Amendment Act 2012

This Act amends the *Government Information (Public Access) Act 2009*. Amendments include the standardisation of timeframes in that Act, changes to the manner information is recorded in disclosure logs and a number of other miscellaneous changes.

Introduction

The Commission is accountable to a Parliamentary Committee and the Inspector of the Police Integrity Commission. It also maintains a number of internal governance committees to operate effectively.

The Inspector, Police Integrity Commission

The Hon David Levine AO RFD QC was appointed as the Inspector of the Police Integrity Commission (the Inspector) on 1 February 2012.

The principal functions of the Inspector¹⁸ are to:

- Audit the operations of the Commission for the purpose of monitoring compliance with the law of the State.
- Deal with (by reports and recommendations) complaints of abuse of power, impropriety and other forms of misconduct on the part of the Commission or officers of the Commission.
- Assess the effectiveness and appropriateness of the procedures of the Commission relating to the legality or propriety of its activities.

The Inspector has met regularly with the Commissioner since his appointment. The Inspector continued to have independent access to all records of the Commission, other than a small quantity of certain material obtained by telecommunications interception.

Further information in relation to the Inspector can be found by accessing his website at <http://www.inspectorpic.nsw.gov.au/>

The Parliamentary Committee

The functions of the Committee on the Office of the Ombudsman and the Police Integrity Commission (the Committee), as they relate to the Commission, are set out in section 95 of the *Police Integrity Commission Act 1996*.

The Committee is made up of seven members: three members of, and appointed by, the Legislative Council; and four members of, and appointed by, the Legislative Assembly.

As of 30 June 2012, the Committee members were:

- Chair: The Hon. Catherine Cusack MLC (Lib)
- Deputy Chair: Mr Lee Evans MP (Lib)
- Mr Kevin Anderson MP (Lib)
- The Hon. Paul Lynch MP (ALP)
- Mr Ryan Park MP (ALP)
- The Hon. Sarah Mitchell MLC (Nat) and
- The Hon. Adam Searle MLC (ALP).

Interaction between the Committee and the Commission

The Commissioner and senior officers from the Commission met with the Committee once during 2011–12.

On 21 May 2012, the General Meeting between the Commission Executive and the Joint Parliamentary Committee was held at Parliament House. The Commissioner gave evidence in relation to the Commission's Annual Reports for the years 2010-2011 and 2009-2010.

Information about this hearing can be found at the Parliamentary website: <http://www.parliament.nsw.gov.au>

¹⁸ Section 89 (1) of the Police Integrity Commission Act 1996.

Internal Governance

The Commission has a number of internal governance committees to monitor its day-to-day functions. The internal governance committees are described below:

Executive Group (EG)

The EG meets monthly to discuss matters relevant to the management and functioning of the Commission.

Members of the EG include:

- Bruce James, QC, Commissioner (Chair)
- Andy Nattress, Director, Operations
- Allan Kearney, Director, Prevention & Information, Chief Information Officer
- Michelle O'Brien, Commission Solicitor.
- Pru Sheaves, Executive Officer.

Regular advisors to the EG include:

- the Manager, Finance
- the Manager, Records and Projects
- the Manager, Human Resources.

Operations Advisory Group (OAG)

The OAG provides strategic direction to investigations, and prevention and research projects undertaken by the Commission. The group consists of the Commissioner, Director Operations, Director Prevention & Information and the Commission Solicitor. The OAG met every three to four weeks during the reporting period.

Tasking and Coordination Group (T&CG)

The T&CG is a group of key operational managers who meet on a weekly basis to make operational decisions, set priorities, allocate resources, review processes and provide advice to the Operations Advisory Group (OAG).

The T&CG also assesses investigation and intelligence project proposals, and matters referred to it in the complaints assessment process.

Internal Audit and Risk Committee

As required by NSW Treasury Policy tpp 09-05 *Internal Audit and Risk Management Policy for the NSW Public Sector*, and with the independence and governance requirements of Treasury Circular TC 09/08, the Commission has an Internal Audit and Risk Committee. The members of the Commission's Committee are:

- Jon Isaacs (Independent Chair)
- Carolyn Walsh (Independent Member)
- Allan Kearney (Non-Independent Member).

The Committee was supported by the Commission's Executive Officer, Pru Sheaves, who was appointed as the Chief Audit Executive in December 2010. Technical support was also provided by O'Connor Marsden.

The Commission's Internal Audit and Risk Committee met on six occasions during 2011-2012, and considered assurance reports and activities in relation to the Commission's Risk Register and Information Security Management Systems, as well as reviewing the Commission's financial statements.

APPENDIX 1

Prescribed Annual Reporting Requirements

Industrial Relations

In 2011-12 reporting period the Police Integrity Commission Division continued to operate as an employing entity under the provisions of the *Public Sector Employment and Management Act 2002* (PSEMA). Commission employees are deemed to be employees of the Crown under Chapter 1A of the PSEMA. As a “Special Employment Division” under the PSEMA, the Commission continued to employ staff on the basis of individual Employment Agreements of a three (3) year duration.

The Commission’s industrial relations (IR) environment remained stable throughout 2011-12 and there were no IR issues of significance impacting upon the Commission’s operations. The Commission has completed a restructuring program within its Information, Communications & Technology (IC&T) Unit in an effort to structure the unit in the best way to meet the current IC&T challenges faced by the Commission. The restructuring program involved the abolition of a senior management position within the unit and increasing the management level responsibilities of two Team Leader positions within the unit. IC&T Unit management responsibilities will now be shared between the two newly evolved Manager positions and the Chief Information Officer.

Staff Movement

Table 13: Staff Movement 2011-2012

No. staff commenced employment	No. staff ceased employment
4	7

Exceptional Movements in Wages and Salaries

There were no exceptional movements in wages and salaries during the 2011-12 year.

Number of Employees

Table 14: Number of officers and employees by category & comparison to prior three years

	2009	2010	2011	2012
Statutory appointments	1	1	1	1
Executive appointments	3	3	3	3
Female Executive Appointments	1	1	1	1
Operational staff	74	73.74	79.94	78.40
Support staff	22.54	21.69	21.69	20.60
Total	100.54	99.43	105.63	103

Executive remuneration – Level 5 and above

The Commissioner for the Police Integrity Commission is appointed by the Governor pursuant to section 7 of the *Police Integrity Commission Act 1996*, and, pursuant to clause 9 of Schedule 1 of the Act, is not subject to the *Public Sector Employment and Management Act 2002*.

In this reporting period Acting Commissioner Jerrold Cripps continued his appointment pursuant to Clause 2(1) of Schedule 1 of the *Police Integrity Commission Act 1996* until his temporary contract term came to an end on 31st December 2011. Acting Commissioner Cripps was remunerated at a rate of \$2,000 per day.

The Hon Bruce James QC was appointed as Commissioner pursuant to clause 9 of Schedule 1 of the *Police Integrity Commission Act 1996* effective from 1st January 2012. His remuneration was set by the Statutory and Other Officers Remuneration Tribunal, which, for the reporting period, was \$428,025pa.



As the holder of an independent public office, the Commissioner is not subject to an annual performance review, and is responsible to Parliament in the performance of the functions of the office.

During the reporting year no persons were employed by the Commission in Senior Executive Service positions under the *Public Sector Employment and Management Act 2002*.

With the exception of the Commissioner, all members of the Commission's Executive, whose names are shown in Chapter 10 of this Report, were employed under individual employment contracts, the terms of which provide for regular performance assessment.

Assistant Commissioners

Pursuant to section 8 of the Act the Commissioner has continued the appointment of Mr Andy Nattress, Director, Operations, as an Assistant Commissioner.

Pursuant to Section 11 of the Act Mr Nattress has delegated to him certain functions and powers in his capacity as an Assistant Commissioner such as is appropriate and desirable for the performance of his duty, other than those functions referred to in section 11(5) of the Act, and any other such functions as may be prescribed by the regulations for the purpose of section 9 of the Act. That appointment and associated delegation continues in order to assist the Commissioner with the discharge of the Commission's functions and exercise of powers.

During 2011-12 the Acting Commissioner also appointed Ms Michelle O'Brien, Commission Solicitor, as an Assistant Commissioner for the periods 22nd September 2011 to 28th September 2011 and 14th November 2011 to 17th November 2011 and had delegated to her those functions referred to in section 11(4) of the Act which may be delegated only to an Assistant Commissioner who has special legal qualifications. These delegations were to cater for periods of leave by the Acting

Commissioner and other absences.

The Hon Jerrold Cripps QC was appointed as an Assistant Commissioner from 1st January 2012 in connection with Operation Winjana.

Personnel policies

During 2011-12 the Commission undertook a major review, modernisation and updating of 28 personnel policies including the following:

- Conflicts of Interest Policy
- Disciplinary Action Policy
- Gifts & Benefits Policy
- Grievance Policy
- Managing Organisation Restructure Policy
- Misuse and Abuse of Alcohol and Other Drugs Policy
- Occupational Health and Safety Policy
- Parental Leave Policy
- Secondary Employment Policy
- Workers' Compensation & Rehabilitation Policy.

The Commission's Purchasing Leave Policy continues to be popular as an alternate flexible working arrangement option for staff

A number of staff members continue to utilise the Salary Sacrifice Policy through the leasing of motor vehicles

The Commission's focus on better management of sick leave absences continued throughout 2011-12.

Training and development

The Commission provided a broad range of Training and Development opportunities to staff throughout the 2011-12 reporting period. Training covered specialist areas including:

- Harmony & Sexual Harassment
- Psycholinguistics Training
- FBT training
- Microsoft SharePoint 2010
- Project Management
- Managing Unacceptable Workplace Behaviour
- Negotiation & Conflict Resolution
- Privacy Law
- Anti-corruption Seminar

In addition staff attended the following relevant conferences:

- Security in Government
- International Surveillance Group.

Generic training opportunities provided to staff throughout 2011-12 included:

- Microsoft Word & Powerpoint Training
- TAFE Certificate III – Recordkeeping
- OHS Committee Consultants Training and
- First Aid.

Support for tertiary related study was provided to a total of twelve staff members continuing the Commission's commitment to enhancing performance through career development and the pursuit of higher academic qualifications. The Commission's commitment to providing quality career development opportunities to its staff was further highlighted by the fact that 25 staff members were provided with an opportunity to act in higher duties positions in 2011-12.

Occupational Health and Safety

During the reporting period, six workplace accidents/incidents were reported. Two of these accidents/incidents resulted in time-loss from work and one of these was a long term claim. A total of 103 working days were lost to workers compensation injuries in this reporting period.

The OH&S Committee met regularly and worked effectively throughout the reporting period. There were no OH&S related prosecutions under the *Occupational Health and Safety Act 2000* during this reporting period.

Disability Action Plan

Through its Disability Action Plan the Commission reinforces its commitment to the government's Disability Policy Framework. The Commission's physical environment ensures that clear and uninterrupted access to the premises is available to individuals with a disability. Formal communication policies and strategies ensure that people with a disability are not disadvantaged in having access to and accessing relevant information available through the Commission. Staff who deal directly with the public are familiar with alternative methods of information dissemination depending on the specific needs of individual persons with disabilities.

The Commission also ensures that staff have access to relevant education and training in relation to awareness of disability related issues within the workplace, where required. Ongoing review of complaints procedures ensures that the procedures remain relevant when dealing with people with disabilities. The Commission's Disability Action Plan was reviewed and updated in the reporting period.

NSW Action Plan for Women

The NSW Government's Action Plan for Women is based on the principles of equity, access, rights and participation opportunities providing a framework within which women, particularly those with the least access to social and economic resources, may obtain appropriate assistance. The main objective



of the Action Plan is to provide the basis upon which women have the opportunity to achieve full economic and social participation in NSW society.

The Commission commits itself to this government initiative by promoting and implementing policies, procedures and practices within the workplace that provide women with equal access to opportunities which are able to enhance their economic and social status.

Objective	Results/Plans
An equitable and balanced workplace responsive to all aspects of women's lives	<p>A total of 18.60% of the Commission's female employees are currently employed on approved part-time and other special working arrangements as a means of balancing work and home life responsibilities. 16% of the Commission's female employees were granted extended periods of leave including leave without pay throughout the reporting period for various reasons relating to their personal circumstances.</p> <p>Well established policies and procedures are in place at the Commission to ensure that women who are seeking a better work/life balance are given the opportunity to do so by accessing a variety of flexible work practices. This applies to women returning from maternity related leave as well as those with other personal responsibilities and obligations.</p> <p>A total of 16% of the Commission's female staff accessed Family and Community Service Leave (FACS) leave entitlements on one or more occasions during the reporting period.</p>
Equitable access for women to educational and training development opportunities	<p>8 of a total of 25 higher duties, staff development opportunities across the organisation were filled by women during this reporting period.</p> <p>Of the Commission's expenditure on external training and development programs for staff during the reporting period, a total of 21.85% was spent on female staff.</p>
Promote the position of women	<p>Women currently make up a total of 42.72% of the Commission's workforce. A total of 21.43% of the Commission's management level positions are held by women and 90.91% of the Commission's female staff are remunerated above the equivalent of NSW Public Sector Administrative & Clerical Officers Grade 5.</p>

Information Communication and Technology Management

During the year, the major components of the Case Management System (CMS), including Complaints Management, Investigations Management, Prosecutions Management, Strategic and Operational Reporting were implemented. The CMS accommodates most of the Commission's operational information requirements through the entire Complaint / Investigation / Prosecution lifecycle. Current efforts are focused on minor improvements and streamlining processes within CMS.

Other significant items of work undertaken during 2011–12 include:

- following a review of the Commission's business requirements, work commenced on the development of a replacement Electronic

Document and Records Management System (EDRMS). The new EDRMS will be based on industry best practices and technologies, will provide for improved management of diverse physical and electronic records and better support compliance with legislative recordkeeping obligations

- Analyst Notebook, the industry standard analyst charting tool, was implemented and is providing investigation teams with an improved ability to integrate and analyse substantial data more efficiently and display analysis results graphically
- implementation of the replacement enterprise server and storage platforms was completed ensuring the necessary capacity, performance and supportability of the platforms over the next five years
- following a review of options and the trialling of a

number of systems, suitable router and firewall equipment was identified and purchased in order to replace equipment which is approaching end-of-life and to meet current and future capacity and performance needs.

- the Telecommunications Interception (TI) systems underwent a hardware refresh and software update. The new systems provide improved functionality and an improved capacity to accommodate intercepted data from additional services
- computer forensics systems were upgraded to improve functionality, capacity and provide an ability to more efficiently distribute data to investigators.

Plans for 2012–13 include:

- completion of improvements to the Case Management System, implementation of the ERDMS and installation of the new routers and firewalls
- a project will be undertaken to better utilise Commission data holdings through implementation of a data warehouse
- the Information Security Management Systems will be reviewed and systems, policies and procedures will be updated or amended as appropriate
- an ICT Strategic Plan will be developed during 2013-15
- TI systems will be further upgraded as part of the strategic partnership with the ICAC in respect of the sharing of these important operational resources. In addition, there is potential for future benefits as the technology provides opportunities for reciprocal disaster recovery hosting.

Major Works

The Commission did not undertake major works during 2011–12.

Delivery of Electronic Services

During 2011–12, the Commission's website attracted 20,619 visitors – an average of 57 per day. This figure is just over 3% below the level of visitor access that was recorded over the 2010–11 period.

Audits

The Audit Office of NSW was engaged to carry out an audit of the 2011–12 Financial Statements of both the Police Integrity Commission and the Police Integrity Commission Division. Copies of the Independent Audit Reports appear with the Financial Statements in Appendix 9.

The Commission and Division Financial Statements for 2011–12 were prepared and submitted to the Audit Office of NSW within the required timeframe.

Insurance

The Commissions insurance coverage is provided by the NSW Treasury Managed Fund, a self-insurance scheme administered by GIO (covering property, public liability and motor vehicle) and by QBE (covering workers compensation).

The fund manager sets the premiums paid by the Commission in direct relation to the number of claims made by the agency during the previous year. During the year, the workers compensation premium increased by \$14,840 (15.5%), whilst the general insurance premium increased by \$3,760 (9%).

Risk Management and Internal Control

The Internal Audit and Risk Committee is responsible for the management of risk and for auditing internal controls. For further information please refer to the "Internal Audit and Risk Committee" section in Chapter 10, Governance and Accountability.



Internal Audit and Risk Management Statement

The Commission is required to attest compliance with NSW Treasury policy tpp 09-05 *Internal Audit and Risk Management Policy for the NSW Public*

Sector, and, with the independence and governance requirements of Treasury Circular TC 09/08. On 27 July, 2012, the Commissioner, Mr Bruce James QC, formally attested that the Commission is compliant with the core requirements of both documents. A copy of the attestation follows.

Internal Audit and Risk Management Attestation for the 2011-2012 Financial Year for the Police Integrity Commission

I, Bruce James QC, Commissioner, Police Integrity Commission am of the opinion that the Police Integrity Commission has internal audit and risk management processes in place that are, in all material respects, compliant with the core requirements set out in Treasury Circular NSW TC 09/08 *Internal Audit and Risk Management Policy*. These processes provide a level of assurance that enables the senior management of the Police Integrity Commission to understand, manage and satisfactorily control risk exposures.

I, Bruce James QC, Commissioner, Police Integrity Commission am of the opinion that the Audit and Risk Committee for the Police Integrity Commission is constituted and operates in accordance with the independence and governance requirements of Treasury Circular NSW TC 09/08. The Chair and Members of the Audit and Risk Committee are:

- John Isaacs, independent Chair, term 3 years
- Carolyn Walsh, independent Member, term 3 years
- Allan Kearney, non-independent Member, term 3 years

Bruce James QC
Commissioner

Date: 27-7-12.

Accounts Payable Policy

The Commission has set a benchmark for paying 90% of all accounts received within creditors' trading terms. This benchmark was achieved in all quarters. The majority of delays in paying invoices outside our creditors' payment terms are as a result of invoicing for goods not yet delivered, or for incorrect goods in which case the Commission withholds payment until it is satisfied that the goods and/or services have been received as contracted.

The Commission was not required to pay interest to creditors due to late payment of accounts during the 2011–12 financial year.

Table 15: Aged analysis at the end of each quarter 2011–12

Qtr	Current (ie within due date)	Less than 30 days overdue	Between 30 and 60 days overdue	Between 61 and 90 days overdue	More than 90 days overdue
	\$'000	\$'000	\$'000	\$'000	\$'000
All Suppliers					
Sept	2,516	33	0	0	0
Dec	2,383	20	1	0	0
Mar	2,588	13	0	0	0
Jun	3,404	17	11	0	0
Small business suppliers					
Sept	9	0	0	0	0
Dec	45	0	0	0	0
Mar	81	0	0	0	0
Jun	81	0	0	0	0

Table 16: Accounts due or paid within each quarter 2011–2012

Measure	September	December	March	June
All suppliers				
Number of accounts due for payment	402	404	488	589
Number of accounts paid on time	390	386	474	572
Actual percentage of accounts paid on time (based on number of accounts)	97%	96%	97%	97%
Dollar amount of accounts due for payment	\$2,549,183	\$2,404,127	\$2,600,549	\$3,431,704
Dollar amount of accounts paid on time	\$2,515,094	\$2,383,528	\$2,587,285	\$3,403,984
Actual percentage of accounts paid on time (based on \$)	98.6%	99.1%	99.4%	99.2%
Number of payments for interest on overdue accounts	Nil	Nil	Nil	Nil
Interest paid on overdue accounts	Nil	Nil	Nil	Nil
Small business suppliers				
Number of accounts due for payment	2	6	4	8
Number of accounts paid on time	2	6	4	8
Actual percentage of accounts paid on time (based on number of accounts)	100%	100%	100%	100%
Dollar amount of accounts due for payment	\$9,400	\$45,470	\$81,180	\$80,733
Dollar amount of accounts paid on time	\$9,400	\$45,470	\$81,180	\$80,733
Actual percentage of accounts paid on time (based on \$)	100%	100%	100%	100%
Number of payments for interest on overdue accounts	Nil	Nil	Nil	Nil
Interest paid on overdue accounts	Nil	Nil	Nil	Nil

The table above does not include direct salary payments to staff, but includes some employee related payments such as payments to superannuation funds and tax obligations.

Land Disposal

The Commission does not hold any real property.

Consultants

The Commission engages consultants to provide expert opinion or carry out specialised work where there is no in-house expertise.

During the year, there was no single engagement equal to or more than \$30,000. The Commission engaged the services of one consultant in the following area.

Table 17: Consultants

Area of Consultancy	Amount (\$)
Management Services	31,952
TOTAL	31,952

Disclosure of Controlled Entities

Enactment of the *Public Sector Employment Legislation Amendment Act 2006* on 17 March 2006 resulted in the establishment of the Police Integrity Commission Division and the Office of the Police Integrity Commission.

The Police Integrity Commission Division is a special purpose entity; its only function is to provide staff to the Commission.

The Office of Police Integrity Commission is regarded as the employer for fringe benefits tax purposes. No Financial Statements have been prepared for the Office.

Credit Card Certification

For operational requirements to be met efficiently eligible staff are issued with corporate credit cards allowing minor purchases and emergency travel when needed.

The Commission monitors the use of all cards issued. Staff are required to adhere to the Commission's policy which meets NSW Treasury

guidelines, Premier's Memoranda and Treasurer's Directions. Card holders must supply documented evidence of all expenditure approved by a delegated officer.

It is certified that credit card usage by Commission officers has been in accordance with the appropriate government policies, Premier's Memoranda and Treasurer's Directions, and meets best practice guidelines. There were no known instances of misuse of credit cards during the year.

Energy Management Plan

The Commission is committed to sustainable energy management principles and to achieving savings in energy use.

Consistent with NSW Government requirements, the Commission has an ongoing contract with its energy supplier to provide 6% green power.

A high emphasis is placed on the energy ratings of all electrical items purchased with over 95% of office equipment having a sleep mode allowing the equipment to shut down when not used within a set time.

Lighting in all main areas work on timers and sensor lighting has been placed in the lobby and other less frequently used areas. During the year an audit of lighting was undertaken resulting in energy efficient T5 fluorescent lamps installed in all areas that allowed easy conversion to these light fittings.

Air-conditioning is run on timers and the systems operation monitored for efficiency. Running times are reduced during the cooler months of the year and over weekends and public holidays when office accommodation is vacant.



Waste Management

In accordance with the government's Waste Reduction and Purchasing Policy the Commission continues to implement measures which enable increased use of recycled material and better management of waste reduction.

Measures currently in place include:

- white paper contains at least 80% recycled content
- all corporate printed paper products are sourced using recycled content
- all waste paper, cardboard and empty toner cartridges are recycled
- multi-function office devices have been implemented eliminating the need for multiple office machines and saving energy and running costs
- staff are encouraged to recycle with all floors having paper recycling bins and co-mingled containers for plastic, glass and aluminum
- redundant office equipment, computer equipment and furniture is donated or recycled by an endorsed recycling centre.

Major Assets

During the reporting period a number of ICT upgrades were undertaken at a cost of \$931,381. These included telephone interception infrastructure, hearing room audio/visual equipment, network and storage platforms and computer forensic capabilities as well as the implementation of a new document management system due for completion late 2012. Purchases of other specialist operational equipment for the period totaled \$109,830.

Expenditure on upgrades to security, air-conditioning and accommodation during the reporting period totaled \$135,166.

The Commission has a policy of purchasing operational vehicles allowing greater flexibility in the management of the fleet. During the reporting

period 4 operational vehicles were replaced at a cost of \$93,510.

Overseas Visits

The following Commission staff undertook overseas travel on official business during 2011–12.

Table 18: Overseas visits

Officer	Location	Purpose	Cost
Manager TSU & Manager of Investigations & Intelligence	United Kingdom	Attendance at the Special Military and Police Technical training forum.	\$7,392

Privacy Management

The information protection principles of the *Privacy and Personal Information Protection Act 1998* (the PPIP Act) apply in connection with the exercise of the administrative and educative functions of the Commission only. The investigative and complaint handling functions of the Commission are exempt from the operation of the PPIP Act information protection principles.

During 2011-12 the Commission received one application for an internal review under the PPIP Act. This review was in relation to a request by an individual, pursuant to section 14 of the PPIP Act, for access to all personal information held by the Commission relating to them. The Commission found in the first instance that it held no personal information of the applicant in connection with those functions to which the PPIP Act applied.

The applicant made an application for an internal review which was undertaken in accordance with Part 5 of the PPIP Act. The review found that the Commission did hold personal information of the applicant in connection with the functions to which the PPIP Act applied. This personal information was released to the applicant.

APPENDIX 2

PIC Act Statutory Reporting Compliance Checklist**Table 19: Statutory Requirements**

Relevant Section of the <i>Police Integrity Commission Act 1996</i>	Section of 2011–12 Annual Report	Page Number
Section 99 (2) (a) description of the types of matters that were referred to the Commission	Chapter 4 – Assessing information and complaints	Page 15
	Appendix 3 – Types of allegations assessed	Page 59
Section 99 (2) (b) a description of the types of matters investigated by the Commission	Chapter 5 – Investigating serious police misconduct	Page 18
Section 99 (2) (c) an evaluation of the response of the Commissioner of Police, relevant members of the Police Service Senior Executive Service and other relevant authorities to the findings and recommendations of the Commission	Chapter 7 – Tracking the Commission's recommendations	Page 35
Section 99 (2) (d) any recommendations for changes in the laws of the State, or for administrative action, that the Commission considers should be made as a result of the exercise of its functions	Chapter 7 – Tracking the Commission's recommendations (Operation Mallard)	Page 35
Section 99 (2) (e) the general nature and extent of any information furnished under this Act by the Commission during the year to a law enforcement agency	Chapter 5 – Investigating serious police misconduct	Page 18
Section 99 (2) (f) the extent to which its investigations have resulted in prosecutions or disciplinary action in that year	Chapter 5 – Investigating serious police misconduct	Page 18
	Appendix 5 – prosecutions in 2011–12 arising from Commission investigations	Page 62
Section 99 (2) (g) the number of search warrants issued by authorised justices and the Commissioner respectively under this Act in that year	Appendix 4 – Statistical Data on exercise of Commission powers	Page 61
Section 99 (2) (h) a description of its activities during that year in relation to its education and advising functions	Chapter 6 – Preventing serious police misconduct	Page 27
Section 99 (2A) Any such information that relates to investigations or other matters involving Crime Commission officers must be kept separate from other matters in the report	Chapter 8 – The NSW Crime Commission	Page 42



APPENDIX 3

Types of Allegations¹⁸ Assessed

Table 20: Allegations Assessed in 2011–12 against sworn NSWPF officers

Allegation Type	Number
Improper association	158
Unauthorised / improper disclosure of information	161
Failure to investigate	152
Misuse authority for personal benefit or the benefit of an associate	111
Attempting to pervert the course of justice	96
Improper interference in an investigation by another police officer	91
Offence punishable upon conviction by a maximum sentence of 5 years or more	40
Protection of person(s) involved in drugs	75
Lied during proceedings / in statement / on affidavit	61
False accusation	56
Dealing or supply	36
Fabrication of evidence (other than perjury or verballing)	33
Bribery	39
Tampering with or destroying	14
Theft / misappropriation (more than \$5000)	0
Sexual assault	15
Mislead the court	6
Withholding or suppression of evidence	7
Child sexual abuse or paedophilia	9
Cultivation or manufacture	8
Perjury	4
Make false statement (verballing)	6
Collusion between police witnesses	14
Inappropriate prosecution / misuse of prosecution power	8
Homicide	5
Prevented a witness from providing a statement or giving evidence	0
Forced confessions	1
Corrupted a witness	3
Other allegations ¹⁹	1296
Total	2505

¹⁸ There may be a number of allegations contained in a single complaint.

¹⁹ Less serious allegations including customer service issues.

Table 21: Allegations assessed in 2011-12 against unsworn NSWPF officers

Allegation Type	Number
Misuse email / internet	2
Misuse authority for personal benefit or the benefit of an associate	9
Unauthorised / improper disclosure of information	3
Offence punishable upon conviction by a maximum sentence of 5 years or more	3
Improper association	0
Failure to investigate	0
Dealing or supply	2
Cultivation or manufacture	0
Attempting to pervert the course of justice	0
Theft / misappropriation (more than \$5000)	0
Other allegations	89
Total	108

APPENDIX 4

Statistical Data on Exercise of Commission Powers

The following table indicates the frequency with which the Commission exercised its various powers in 2011–12, compared with the two previous reporting years.

Table 22: Exercise of Commission's Powers

Functions	2011–12	2010–11	2009–10
Under Police Integrity Commission Act 1996			
s 17 — Establishment of task forces within the state	NIL	NIL	NIL
s 25 — Requiring public authority or public official to produce a statement of information	2	NIL	10
s 26 — Requiring a person to attend before an officer of the Commission and produce a specified document or other thing	217	154	219
s 29 — Commission may authorise an officer of the Commission to enter and inspect premises etc	NIL	NIL	NIL
s 32 and s 33 — Hearing days:			
• public	7	1	NIL
• private	31	24	28
s 38 — Commissioner may summon a person to appear before the Commission and give evidence or produce documents or other things	55	21	21
s 45(1) — Authorised justice may issue search warrant	3	NIL	1
s 45(2) — Commissioner may issue a search warrant	NIL	NIL	NIL
s 50 — Number of warrants obtained under <i>Surveillance Devices Act 2007</i>	9	5	7
Under Law Enforcement (Controlled Operations) Act 1997			
Applications granted by Commission for authority to conduct controlled operations	2	4	1
Applications granted by Commissioner for variation of authority to conduct controlled operations	NIL	3	2
Under Law Enforcement and National Security (Assumed Identities) Act 2010			
Approval granted by Commissioner for acquisition and use of an assumed identity	NIL	13	7
Applications granted for variation of assumed identity	NIL	24	N/A ²⁰
Applications granted for cancellations of assumed identity	NIL	2	8
Under Telecommunications (Interception & Access) Act 1979			
Warrants issued for the Interception of communications	62	55	48
Warrants issued for access to stored communications	10	8	0

²⁰ The Act changed during the reporting period from the Law Enforcement (Assumed Identities) Act 1998, and as such these figures were not previously provided

APPENDIX 5

Prosecutions by the Commission in 2011/12 arising from Commission Investigations

Table 23: Prosecutions by Police Integrity Commission

Name	Charge(s)	Status/Result
Yolla BARAKAT	Misconduct in Public Office (common law offence)	19/04/2012: mention. Matter adjourned until 07/08/2012.
Montaze BAROUDI	1 x conspiracy to rob armed with an offensive instrument (firearm) - common law offence 1 x conspiracy to obtain property by false pretences - common law offence	12/04/2011: Plea of guilty entered to the following charge: 1 x conspiracy to obtain property by false pretences - common law offence 29/08/2011: Sentenced as follows: 1 x Conspiracy to obtain property by false pretences - 18 months imprisonment with minimum non-parole period of 8 months
Nabil BATTAL	1 x s 31(1) <i>Financial Transactions Reports Act 1988 (Cth) Conducting transactions</i> so as to avoid reporting requirements 1 x s193B(3) <i>Crimes Act 1900 Money laundering</i>	Committed for trial commencing 26/09/2011. Section 31(1) charge withdrawn 26/09/2011: found not guilty in Sydney District Court of money laundering.
Tarek BEHMAN	7 x s 178BB <i>Crimes Act 1900</i> Obtaining money etc by making a false or misleading statement 1 x ss 351 and 178BB <i>Crimes Act 1900</i> : aiding and abetting the obtaining of money etc by making a false and misleading statement	20/05/2011: Committal hearing waived. 13/04/2012: Mention. Trial to commence on 24/09/2012, set down for one week.
Barry BLANCHETTE	1 x s 113(2) <i>Crimes Act 1900</i> Breaking etc into any house etc with intent to commit serious indictable offence (aggravated offence) 1 x s 344A(1) and s 95 <i>Crimes Act 1900</i> Robbery in circumstances of aggravation (alternative to s 113(2)) 1 x s 111(2) <i>Crimes Act 1900</i> Entering dwelling house (aggravated offence) (also an alternative to s 113(2))	01/08/2011: The Mental Health Review Tribunal determined that the accused will not become fit within the next 12 months. 08/08/2011: Charges withdrawn.



Name	Charge(s)	Status/Result
Nemer ELIAS	2 x s 178BA <i>Crimes Act</i> 1900 Obtaining money etc by deception 4 x s 178BB <i>Crimes Act</i> 1900 Obtaining money etc by false or misleading statements	14/12/10: Found guilty and sentenced in relation to the following charges: 2 x s 178BB <i>Crimes Act</i> 1900 Obtaining money etc by false or misleading statements - convictions recorded on each charge, bond to be of good behaviour for a period of 18 months and \$70 court costs. 18/05/2011: District Court dismissed the appeal of the conviction. Listed for hearing in Court of Criminal Appeal on 10/09/2012.
Brett FOWLER	1 x s 107 <i>Police Integrity Commission Act</i> 1996 False or misleading evidence	16-19/12/2011: Hearing at Downing Centre Local Court. Matter dismissed, Magistrate not satisfied falsehood was deliberate.
Peter GREALISH	6 x s 178BB <i>Crimes Act</i> 1900 Obtaining money etc by false or misleading statements	20/05/2011: Committal hearing waived. 13/04/2012: Mention. Trial to commence on 02/10/2012, set down for one week.
Jenna-Lee HUGHES	2 x s 107 <i>Police Integrity Commission Act</i> 1996 False or misleading evidence 4 x Misconduct in Public Office (common law offence)	24/04/2012: Pleas of guilty entered to the following charges: 2 x s 107 <i>Police Integrity Commission Act</i> 1996 False or misleading evidence 2 x Misconduct in Public Office (common law offence). The remaining 2x Misconduct in Public Office charges withdrawn. Sentencing set down for 20/09/2012.

Name	Charge(s)	Status/Result
Christopher LAYCOCK	<p>6 x s 107 <i>Police Integrity Commission Act 1996</i> False or misleading evidence</p> <p>2 x s 112(2) <i>Crimes Act 1900</i> Breaking etc into any house etc and committing serious indictable offence (aggravated offence)</p> <p>2 x s 95 <i>Crimes Act 1900</i> Robbery in circumstances of aggravation (alternative to s 112(2))</p> <p>2 x s 111(2) <i>Crimes Act 1900</i> Entering dwelling house (aggravated offence)</p> <p>1 x s 99(2) <i>Crimes Act 1900</i> Demanding property with intent to steal (in company)</p> <p>1 x s 319 <i>Crimes Act 1990</i> General offence of perverting the course of justice</p> <p>1 x s 113(2) <i>Crimes Act 1900</i> Breaking etc into any house etc with intent to commit serious indictable offence (aggravated offence)</p> <p>1 x 114(1)(d) <i>Crimes Act 1900</i> Enter or remain in building etc with intent to commit indictable offence (alternative to s 113(2))</p> <p>3 x s 249B(1) <i>Crimes Act 1900</i> Agent corruptly receive or solicit benefit</p> <p>1 x s 179BA <i>Crimes Act 1900</i> Obtain money by deception</p>	<p>20/07/11: Pleas of guilty entered to the following charges:</p> <p>2 x s 111(2) <i>Crimes Act 1900</i> Entering dwelling house (aggravated offence)</p> <p>1 x s 308C <i>Crimes Act 1900</i> Unauthorised access, modification or impairment with intent to commit serious indictable offence</p> <p>1 x 249B(1) <i>Crimes Act 1900</i> Agent corruptly receive or solicit benefit</p> <p>1 x s 107 <i>Police Integrity Commission Act 1996</i> False or misleading evidence</p> <p>The following charges were handed up on the Form 1 schedule:</p> <p>1 x s 178BA <i>Crimes Act 1900</i> Obtain financial advantage by deception</p> <p>1 x s 188 <i>Crimes Act 1900</i> Receiving stolen property where stealing a serious indictable offence</p> <p>2 x s 107 <i>Police Integrity Commission Act 1996</i> Give false or misleading evidence</p> <p>05/04/2012: Sentenced as follows:</p> <p>2 x s 111(2) <i>Crimes Act 1900</i> Entering dwelling house (aggravated offence) – Convicted and sentenced to 4 and 3 ½ years imprisonment respectively</p> <p>1 x s 308C <i>Crimes Act 1990</i> Unauthorised Computer access – Convicted and sentenced to 2 years imprisonment</p> <p>1 x s 249B(1) <i>Crimes Act 1900</i> Agent corruptly receive or solicit benefit – Convicted and sentenced to 3 years imprisonment</p> <p>1 x s 107 <i>Police Integrity Commission Act 1996</i> False or misleading evidence – Convicted and sentenced to 2 years imprisonment</p> <p>Sentenced to a total of 7 years 6 months imprisonment with a minimum period of 4 years 6 months.</p>
Hiep Hoa LUU	<p>1 x s 35 <i>Australian Passports Act 2005</i> (Com) Dishonestly obtaining Australian travel documents</p> <p>1 x s233 <i>Migration Act 1958</i> (Com) Bringing non-citizens into Australia in contravention of this Act or harbouring illegal entrants</p>	<p>28/06/2012: initial appearance at Melbourne Magistrates Court. Hiep Hoa LUU failed to appear, Bench Warrant issued for his arrest.</p>

Name	Charge(s)	Status/Result
Thi My LUU	<p>1 x s 30(1) <i>Australian Passports Act 2005 (Com)</i> Giving false or misleading information in relation to Australian travel document applications</p> <p>1 x s 31(1) <i>Australian Passports Act 2005 (Com)</i> Producing false or misleading documents in relation to Australian travel document application</p> <p>1 x s 35 <i>Australian Passports Act 2005 (Com)</i> Dishonestly obtaining Australian travel documents</p> <p>2 x s 135.1(7) <i>Criminal Code Act 1995 (Com)</i> - Dishonestly influence a public official (customs officer)</p>	28/06/2012: initial appearance at Melbourne Magistrates Court. Thi My LUU failed to appear, Bench Warrant issued for her arrest.
Romeo MAGRO	<p>4 x s 107 <i>Police Integrity Commission Act 1996</i> False or misleading evidence</p> <p>1 x s 200(2)(b) <i>Police Act 1990</i> Make Collusive Agreement</p>	17/04/2012: Mention at Downing Centre Local Court. Adjourned to 7/08/2012 for further mention.
Ahmed MASRI	<p>1 x s 178BA <i>Crimes Act 1900</i> Obtain benefit by deception</p> <p>1 x s 95 <i>Crimes Act 1900</i> Robbery in circumstances of aggravation</p> <p>1 x s 111(2) <i>Crimes Act 1900</i> Entering dwelling house (aggravated offence)</p> <p>1 x s 112(2) <i>Crimes Act 1900</i> Breaking etc into any house etc and committing serious indictable offence (aggravated offence)</p> <p>2 x s 107 <i>Police Integrity Commission Act 1996</i> False or misleading evidence</p> <p>2 x s 109(a) <i>Police Integrity Commission Act 1996</i> Procuring false testimony by witness</p> <p>On 16/11/2010, MASRI was served with a CAN concerning the following charge:</p> <p>1 x s 179 <i>Crimes Act 1900</i> False pretences etc</p>	<p>29/03/2011: Pleas of guilty entered to the following charges:</p> <p>1 x s 179 <i>Crimes Act 1900</i> False pretences etc</p> <p>1 x s 109(a) <i>Police Integrity Commission Act 1996</i> Procuring false testimony by witness</p> <p>The following charge was handed up on the Form 1 schedule:</p> <p>1 x s 107 <i>Police Integrity Commission Act 1996</i> False or misleading evidence</p> <p>16/12/2011: Sentenced as follows:</p> <p>1 x s 179 <i>Crimes Act 1900</i> False pretences etc – Convicted and sentenced to 22 months imprisonment, taking into account the Form 1 matter</p> <p>1 x s 109(a) <i>Police Integrity Commission Act 1996</i> Procuring false testimony by witness – Convicted and sentenced to 23 months imprisonment.</p> <p>Sentences to be served concurrently and by way of an Intensive Corrections Order.</p>
Jared MILDENHALL	1 x s 61 <i>Crimes Act 1900</i> Common assault	<p>07-08/12/2011: Matter part heard.</p> <p>12-13/06/2012: Two day hearing, adjourned for judgment</p> <p>21/06/12: Magistrate dismissed charge of Common Assault holding that it was reasonable to believe MILDENHALL was acting lawfully in attempting to detain victim and reasonable force was used in the circumstances.</p>

Name	Charge(s)	Status/Result
Jack MORAN	1 x s154A <i>Crimes Act 1900</i> Take conveyance without consent of owner	10/05/12: Plea of guilty entered to the following charge: 1 x s154A <i>Crimes Act 1900</i> Take conveyance without consent of owner 29/05/12: Sentenced as follows: 1 x s154A <i>Crimes Act 1900</i> Take conveyance without consent of owner – conviction recorded and a bond pursuant to s 9 of the <i>Crimes (Sentencing Procedure) Act 1999</i> to be of good behaviour for a period of 12 months; \$500 fine; and \$81 court costs.
Tan Thanh NGUYEN	3 x s 29 <i>Australian Passports Act 2005 (Com)</i> Making false or misleading statements in relation to Australian travel document applications 1 x s 35 <i>Australian Passports Act 2005 (Com)</i> Dishonestly obtain an Australian travel document 1 x s 135.1(7) <i>Criminal Code Act 1995 (Com)</i> Dishonestly influence a public official (customs officer) 1 x s 233(1)(a) <i>Migration Act 1958 (Com)</i> Bringing non-citizens into Australia in contravention of this Act or harbouring illegal entrants.	28/06/2012: Initial appearance at Melbourne Magistrates Court. Adjourned until 02/08/2012.
Gavin ROGERS	1 x s154F <i>Crimes Act 1900</i> Steal motor vehicle	26/04/12: Plea of guilty entered to the following charge: 1 x s154F <i>Crimes Act 1900</i> Steal motor vehicle Sentenced on same date as follows: 1 x s154F <i>Crimes Act 1900</i> Steal motor vehicle – Conviction recorded; \$500 fine; and \$81 court costs.
Mick SALEH aka HIJAZI	1 x s 98 <i>Crimes Act 1900</i> Robbery with arms etc and wounding 1 x s 179 <i>Crimes Act 1900</i> False pretences etc 1 x s 107 <i>Police Integrity Commission Act 1996</i> False or misleading evidence	3/02/2011: Pleas of guilty entered to the following charges: 1 x s 179 <i>Crimes Act 1900</i> False pretences etc The following charges were handed up on the Form 1 schedule: 1 x s 107 <i>Police Integrity Commission Act 1996</i> Give false or misleading evidence 14/07/2011: Sentenced to 21 months imprisonment, with a non-parole period of 9 months.
Scott TRACEY	7 x s 107 <i>Police Integrity Commission Act 1996</i> False or misleading evidence	04/08/2011: First mention. Trial date set for 06/08/2012. Trial relisted for 08/10/12.



Name	Charge(s)	Status/Result
Stuart VOS	<p>1 x s 319 <i>Crimes Act</i> 1900 General offence of perverting the course of justice</p> <p>2 x s 317 <i>Crimes Act</i> 1900 Tampering etc with evidence</p> <p>10 x s 107 <i>Police Integrity Commission Act</i> 1996 False or misleading evidence</p>	<p>15/02/2012: Pleas of guilty entered to the following charges:</p> <p>1 x s 319 <i>Crimes Act</i> 1990 General offence of perverting the course of justice</p> <p>1 x s 317(b) <i>Crimes Act</i> 1990 Fabricate false evidence</p> <p>1 x s 107 <i>Police Integrity Commission Act</i> 1996 False or misleading evidence</p> <p>The following charges were handed up on the Form 1 schedule:</p> <p>2 x s 107 <i>Police Integrity Commission Act</i> 1996 False or misleading evidence</p> <p>04/05/12: Sentenced at Sydney District Court as follows:</p> <p>1 x s 319 <i>Crimes Act</i> 1990 General offence of perverting the course of justice – Convicted and sentenced to 2 years 6 months imprisonment</p> <p>1 x s 317(b) <i>Crimes Act</i> 1990 Fabricate false evidence – Convicted and sentenced to 10 ½ months imprisonment</p> <p>1 x s 107 <i>Police Integrity Commission Act</i> 1996 False or misleading evidence – Convicted and sentenced to 13 months imprisonment</p> <p>Sentenced on aggregate basis with a non-parole period of 6 months to expire on 03/11/2012.</p>
Ali Kamran ZAIDI SYED	<p>1 x s 178BB <i>Crimes Act</i> 1900 Obtaining money etc by false or misleading statements</p> <p>1 x s 107 <i>Police Integrity Commission Act</i> 1996 False or misleading evidence</p>	<p>08/06/2011: Plea of guilty entered to the following charge:</p> <p>1 x s 178BB <i>Crimes Act</i> 1900 Obtaining money etc by false or misleading statements</p> <p>The following charge was withdrawn:</p> <p>1 x s 107 <i>Police Integrity Commission Act</i> 1996 False or misleading evidence</p> <p>14/09/2011: Sentenced as follows: Conviction recorded and a bond pursuant to s 9 of the <i>Crimes (Sentencing Procedure) Act</i> 1999 to be of good behaviour for a period of 12 months; and \$1000 fine.</p> <p>23/11/2011: On appeal the court was of the view that ZAIDI SYED's criminality was at the lower end of the scale and used discretion to make an order pursuant to s 10 of the <i>Crimes (Sentencing Procedure) Act</i> 1999 - no conviction</p>

APPENDIX 6

Prosecutions by the NSW Police Force**Table 24: Prosecutions by NSW Police (evidence supplied in whole or in part by the Commission)**

Name	Charge(s)	Status/Result
Stephen SHERRY	2 x s91D <i>Crimes Act 1900</i> Promoting act of child prostitution	12/08/2011: Charges withdrawn/dismissed.
Mark SMITH	3 x s 107 <i>Police Integrity Commission Act 1996</i>	<p>29/07/2011: The District Court held a Special Hearing in relation to SMITH and he was found to have committed the offences charged, namely:</p> <p>3 x s 107 <i>Police Integrity Commission Act 1996</i> False or misleading evidence</p> <p>13/10/2011: The District Court nominated limiting terms of:</p> <p>1 x s 107 <i>Police Integrity Commission Act 1996</i> False or misleading evidence (count 1) – 1 year</p> <p>2 x s 107 <i>Police Integrity Commission Act 1996</i> False or misleading evidence (counts 2 and 3) – 1 year 6 months</p> <p>SMITH was granted bail and the matter was referred to the Mental Health Review Tribunal in accordance with s 24 of the <i>Mental Health (Forensic Provisions) Act 1990</i>.</p> <p>03/08/2012: Following assessment by the Mental Health Review Tribunal, the District Court finalised the sentence of SMITH, declining to make an order that SMITH go into custody, releasing him on conditional bail and issuing orders as to place of residence. Matter adjourned until 12/04/2013, the date that the limiting term expires.</p>



APPENDIX 7

Significant Committees and Working Groups

Corruption Prevention Groups

The Corruption Prevention Network (CPN) is a collective of practitioners and interested parties operating as a self-help group to share information and experiences in dealing with the challenges of corruption prevention. While initially the CPN was comprised of NSW state and local government fraud and corruption prevention practitioners, it now welcomes the participation of anybody who is interested in preventing fraud and corruption, regardless of the sector where they work or their geographical location. The CPN operates through a council of elected volunteer public officials and non-voting nominees from central and watchdog agencies. The Commission's Principal Analyst serves on the CPN Council as an ex-officio member.

Interception Consultative Committee

Commission officers attended regular meetings of the Interception Consultative Committee (ICC), which is a group of representatives from various agencies authorised as telecommunication interception agencies under the *Telecommunications (Interception and Access) Act 1979* (TIA Act). Primarily driven by the Commonwealth Attorney General's Department, which is responsible for administering the TIA Act, the ICC meets to discuss the various issues associated with the lawful interception of telecommunications for law enforcement and national security purposes.

National Australasian Integrity Testing Committee

The Commission's Manager of Investigations is a member of the ANZPAA Integrity Testing Practitioners Committee. This committee consists of representatives from anti-corruption agencies, together with State and Federal police professional standards departments. The aim of the committee is to share best practice and report to ANZPAA on integrity trends, training and matters relating to Integrity and professional standards issues on a national basis.

Communications Peer Network

The Commission's Executive Officer is a member of the Communications Peer Network, which is a group of communication and media specialists from the various anti-corruption agencies in Australia who meet annually to discuss contemporary media issues. The Communications Peer Network met in September 2011.

APPENDIX 8

Annual Report under the Government Information (Public Access) Act 2009

The Government Information (Public Access) Act 2009

Under the Government Information (Public Access) Act 2009 ('the GIPA Act') there are four ways that the Commission may make information available to the public:

- The mandatory release of "Open Access Information".
- The proactive release of information for which there is no overriding public interest against disclosure.
- The informal release of information in response to an informal request for which there is no overriding public interest against disclosure in.
- The formal release of information in response to an access application for which there is no overriding public interest against disclosure.

Schedule 2 of the GIPA Act provides that information which relates to the Commission's "corruption prevention, complaint handling, investigative and reporting functions" is "excluded information" and cannot be made the subject of an access application.

It is also conclusively presumed by Schedule 1 of the GIPA Act that there is an overriding public interest against disclosing information the disclosure of which would be prohibited by the PIC Act. Section 56(2) of the PIC act provides that a person who is or was an officer of the Commission must not, except in connection with the person's functions under the Act, make a record of or divulge any information acquired in the exercise of the person's functions under the Act. Section 56(4)(c) provides that such information may be divulged if the Commissioner or Inspector certifies that it is necessary to do so in the public interest.

Information which falls within the above two categories is not publicly disclosed by the Commission except under limited circumstances.

The impact on the Commission of fulfilling its requirements under the GIPA Act during 2011–12 has been negligible. No major issues have arisen during 2011–12 in connection with the Commission's compliance with GIPA requirements.

Proactive release program

Under section 7 of the GIPA Act, the Commission must review its program for the release of government information to identify the kinds of information that can be made publicly available. This review must be undertaken at least once every 12 months.

The Commission's proactive release program involves the identification for release of information for which:

- there exists a public interest in being made publicly available (noting the general public interest in favour of the disclosure of government information established by section 12 of the GIPA Act); and
- there is no overriding public interest against disclosure (by virtue of the operation of Schedules 1 and/or 2 of the GIPA Act or otherwise.)

Information released is published on the Commission's website.

The Commission's program for the proactive release of information was reviewed during the reporting period to ensure that it was consistent with the objectives of the GIPA Act.

In reviewing the information suitable for proactive release it was determined that it was in the public interest for certain policies to be made publicly available. Accordingly, the discretion under section 56(4)(c) of the PIC Act was exercised by the Commissioner to enable policies which did not relate to the functions of the Commission listed in Schedule 2 of the GIPA Act to be published on its website.



A total of 34 Commission policies were approved for public release and can be viewed on the Commission's website.

Access Applications received by the Commission in the reporting period

During the reporting period, the Commission received no formal access applications (including withdrawn applications but not including invalid applications).

No formal access applications were refused wholly or in part because the information requested was information referred to in Schedule 1 of the GIPA Act.

There has been no internal review and no reviews by the Information Commissioner or the Administrative Decisions Tribunal in respect of formal access applications under the GIPA Act in this reporting period.

Informal requests received by the Commission in the reporting period

During the reporting period, the Commission received 13 requests for the informal release of

information. The Commission released information in response to three of these requests. Seven requests sought information already publicly available from the Commission.

Obtaining access to and seeking amendment of the Commission's records

In the first instance the contact person for obtaining access to documents is as follows:

Right to Information Officer
Police Integrity Commission
GPO Box 3880
SYDNEY NSW 2001

Facsimile: (02) 9321 6799

Telephone inquiries may be made between 8.30 am and 4:00 pm on (02) 9321 6700.

Further information is also able to be obtained from our website www.pic.nsw.gov.au under the "Right to Information" link.

Table A: Number of applications by type of applicant and outcome

	Access granted in full	Access granted in part	Access refused in full	Information not held	Information already available	Refuse to deal with application	Refuse to confirm/deny whether information is held	Application withdrawn
Media	-	-	-	-	-	-	-	-
Members of Parliament	-	-	-	-	-	-	-	-
Private sector business	-	-	-	-	-	-	-	-
Not for profit organisations or community groups	-	-	-	-	-	-	-	-
Members of the public (application by legal representative)	-	-	-	-	-	-	-	-
Members of the public (other)	-	-	-	-	-	-	-	-

Table B: Number of applications by type of application and outcome

	Access granted in full	Access granted in part	Access refused in full	Information not held	Information already available	Refuse to deal with application	Refuse to confirm/deny whether information is held	Application withdrawn
Personal information applications*	-	-	-	-	-	-	-	-
Access applications (other than personal information applications)	-	-	-	-	-	-	-	-
Access applications that are partly personal information applications and partly other	-	-	-	-	-	-	-	-

Table C: Invalid applications

Reason for invalidity	No of applications
Application does not comply with formal requirements (section 41 of the Act)	-
Application is for excluded information of the agency (section 43 of the Act)	4
Application contravenes restraint order (section 110 of the Act)	-
Total number of invalid applications received	4
Invalid applications that subsequently became valid applications	-



Table D: Conclusive presumption of overriding public interest against disclosure: matters listed in Schedule 1 to Act

	Number of times consideration used
Overriding secrecy laws	-
Cabinet information	-
Executive Council information	-
Contempt	-
Legal professional privilege	-
Excluded information	-
Documents affecting law enforcement and public safety	-
Transport safety	-
Adoption	-
Care and protection of children	-
Ministerial code of conduct	-
Aboriginal and environmental heritage	-

Table E: Other public interest considerations against disclosure: matters listed in table to section 14 of Act

	Number of occasions when application not successful
Responsible and effective government	-
Law enforcement and security	-
Individual rights, judicial processes and natural justice	-
Business interests of agencies and other persons	-
Environment, culture, economy and general matters	-
Secrecy provisions	-
Exempt documents under interstate Freedom of Information legislation	-

Table F: Timeliness

	Number of applications
Decided within the statutory timeframe (20 days plus any extensions)	-
Decided after 35 days (by agreement with applicant)	-
Not decided within time (deemed refusal)	-
Total	-

Table G: Number of applications reviewed under Part 5 of the Act (by type of review and outcome)

	Decision varied	Decision upheld	Total
Internal review	-	-	-
Review by Information Commissioner	-	-	-
Internal review following recommendation under section 93 of Act	-	-	-
Review by ADT	-	-	-
Total	-	-	-

Table H: Applications for review under Part 5 of the Act (by type of applicant)

	Number of applications for review
Applications by access applicants	-
Applications by persons to whom information the subject of access application relates (see section 54 of the Act)	-

APPENDIX 9

Financial Statements



Financial Statements 2011-12

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INDEPENDENT AUDITOR'S REPORT

Police Integrity Commission

To Members of the New South Wales Parliament

I have audited the accompanying financial statements of the Police Integrity Commission (the Commission), which comprise the statement of financial position as at 30 June 2012, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows and summary of compliance with financial directives for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information of the Commission and the consolidated entity. The consolidated entity comprises the Commission and the entities it controlled at the year's end or from time to time during the financial year.

Opinion

In my opinion, the financial statements:

- give a true and fair view of the financial position of the Commission and the consolidated entity, as at 30 June 2012, and of the financial performance and the cash flows for the year then ended in accordance with Australian Accounting Standards
- are in accordance with section 45E of the *Public Finance and Audit Act 1983* (the PF&A Act) and the Public Finance and Audit Regulation 2010.

My opinion should be read in conjunction with the rest of this report.

Commissioner's Responsibility for the Financial Statements

The Commissioner is responsible for the preparation of the financial statements that give a true and fair view in accordance with Australian Accounting Standards and the PF&A Act, and for such internal control as the Commissioner determines is necessary to enable the preparation of financial statements that give a true and fair view and that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on the financial statements based on my audit. I conducted my audit in accordance with Australian Auditing Standards. Those standards require that I comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

My opinion does *not* provide assurance:

- about the future viability of the Commission or the consolidated entity
- that they have carried out their activities effectively, efficiently and economically
- about the effectiveness of their internal control
- about the assumptions used in formulating the budget figures disclosed in the financial statements
- about the security and controls over the electronic publication of the audited financial statements on any website where they may be presented
- about other information that may have been hyperlinked to/from the financial statements.

Independence

In conducting my audit, I have complied with the independence requirements of the Australian Auditing Standards and relevant ethical pronouncements. The PF&A Act further promotes independence by:

- providing that only Parliament, and not the executive government, can remove an Auditor-General
- mandating the Auditor-General as auditor of public sector agencies, but precluding the provision of non-audit services, thus ensuring the Auditor-General and the Audit Office of New South Wales are not compromised in their roles by the possibility of losing clients or income.



Peter Coulogeorgiou
Director, Financial Audit Services

28 September 2012
SYDNEY



Police Integrity Commission

Statement by Department Head

Pursuant to Section 45F of the *Public Finance and Audit Act 1983*, and based on information provided to me by the Commission, I have formed the opinion that:

- (a) the accompanying financial statements in respect of the year ended 30 June 2012 have been prepared in accordance with applicable Australian Accounting Standards (which include Australian Accounting Interpretations), the requirements of the *Public Finance and Audit Act 1983* and *Public Finance and Audit Regulation 2010*, the *Financial Reporting Code for NSW General Government Sector Entities*, and the *Treasurer's Directions*
- (b) the statements exhibit a true and fair view of the financial position and financial performance of the Commission, and
- (c) there are no circumstances that would render any particulars included in the consolidated financial statements to be misleading or inaccurate.

Michelle O'Brien
Assistant Commissioner

Statements of comprehensive income for the Year Ended 30 June 2012

	Notes	Parent Entity (Police Integrity Commission)		Economic Entity (Consolidated)		
		Actual	Actual	Actual	Budget	Actual
		2012 \$'000	2011 \$'000	2012 \$'000	2012 \$'000	2011 \$'000
EXPENSES EXCLUDING LOSSES						
Operating Expenses						
Employee related	2(a)	546	507	14,132	14,184	13,229
Other operating expenses	2(b)	4,334	4,243	4,334	4,862	4,243
Personnel services	2(c)	12,645	12,186	--	--	--
Depreciation and amortisation	2(d)	1,191	1,320	1,191	1,411	1,320
Total expenses excluding losses		18,716	18,256	19,657	20,457	18,792
REVENUE						
Recurrent appropriation	3(a)	17,454	16,947	17,454	18,147	16,947
Capital appropriation	3(a)	1,270	1,166	1,270	1,790	1,166
Investment revenue	3(b)	73	89	73	90	89
Acceptance by the Crown Entity of employee benefits and other liabilities	3(c)	--	--	934	680	536
Other revenue	3(d)	51	8	59	--	8
Total revenue		18,848	18,210	19,790	20,707	18,746
Gain/(loss) on disposal	4	17	3	17	--	3
Net result	17	149	(43)	150	250	(43)
Other comprehensive income						
Net increase in asset revaluation reserve		--	--	--	--	--
Total other comprehensive income		--	--	--	--	--
TOTAL COMPREHENSIVE INCOME		149	(43)	150	250	(43)

The accompanying notes form part of these financial statements



Statements of financial position as at 30 June 2012

	Notes	Parent Entity (Police Integrity Commission)		Economic Entity (Consolidated)		
		Actual 2012 \$'000	Actual 2011 \$'000	Actual 2012 \$'000	Budget 2012 \$'000	Actual 2011 \$'000
ASSETS						
Current Assets						
Cash and cash equivalents	6	1,204	1,401	1,484	1,604	1,587
Receivables	7	608	461	609	407	461
Total Current Assets		1,812	1,862	2,093	2,011	2,048
Non-Current Assets						
Plant and equipment	8	2,816	2,616	2,816	2,860	2,616
Intangible assets	9	266	367	266	492	367
Total Non-Current Assets		3,082	2,983	3,082	3,352	2,983
Total Assets		4,894	4,845	5,175	5,363	5,031
LIABILITIES						
Current Liabilities						
Payables	11	433	443	433	649	443
Provisions	12	938	912	1,218	1,115	1,098
Other	13	--	164	--	--	164
Total Current Liabilities		1,371	1,519	1,651	1,764	1,705
Non-Current Liabilities						
Provisions	12	725	677	725	700	677
Total Non-Current Liabilities		725	677	725	700	677
Total Liabilities		2,096	2,196	2,376	2,464	2,382
Net Assets		2,798	2,649	2,799	2,899	2,649
EQUITY						
Reserves		186	186	186	186	186
Accumulated funds		2,612	2,463	2,613	2,713	2,463
Total Equity		2,798	2,649	2,799	2,899	2,649

The accompanying notes form part of these financial statements

Statements of changes in equity for the year ended 30 June 2012

Notes	Parent Entity (Police Integrity Commission)			Economic Entity (Consolidated)		
	Accum- ulated Funds	Asset Revalu- ation Surplus	Total	Accum- ulated Funds	Asset Revalu- ation Surplus	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Balance as at 1 July 2011	2,463	186	2,649	2,463	186	2,649
Net result for the year	149	--	149	150	--	150
Other comprehensive income:						
Net increase/(decrease) in property, plant and equipment	--	--	--	--	--	--
Total other comprehensive income	--	--	--	--	--	--
Total comprehensive income for the year	2,612	186	2,798	2,613	186	2,799
Balance as at 30 June 2012	2,612	186	2,798	2,613	186	2,799
Balance as at 1 July 2010	2,506	186	2,692	2,506	186	2,692
Net result for the year	(43)	--	(43)	(43)	--	(43)
Other comprehensive income:						
Net increase/(decrease) in property, plant and equipment	--	--	--	--	--	--
Total other comprehensive income	--	--	--	--	--	--
Total comprehensive income for the year	(43)	--	(43)	(43)	--	(43)
Balance as at 30 June 2011	2,463	186	2,649	2,463	186	2,649

The accompanying notes form part of these financial statements



Statements of cash flows

for the year ended 30 June 2012

	Notes	Parent Entity (Police Integrity Commission)		Economic Entity (Consolidated)		
		Actual 2012 \$'000	Actual 2011 \$'000	Actual 2012 \$'000	Budget 2012 \$'000	Actual 2011 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES						
Payments						
Employee related		(546)	(507)	(13,026)	(13,375)	(12,707)
Other		(5,057)	(4,715)	(5,058)	(5,277)	(4,745)
Personnel services		(12,567)	(12,201)	--	--	--
Total Payments		(18,170)	(17,423)	(18,084)	(18,652)	(17,452)
Receipts						
Recurrent appropriation		17,290	17,111	17,290	18,147	17,111
Capital appropriation		1,270	1,166	1,270	1,790	1,166
Interest received		83	79	83	91	79
Cash transfers to the Consolidated Fund		--	(361)	--	(164)	(361)
Other		600	521	608	585	524
Total Receipts		19,243	18,516	19,251	20,449	18,519
NEW CASH FLOWS FROM OPERATING ACTIVITIES	17	1,073	1,093	1,167	1,797	1,067
CASH FLOWS FROM INVESTING ACTIVITIES						
Proceeds from sale of plant & equipment		--	--	--	--	--
Purchases of plant & equipment		(1,245)	(806)	(1,245)	(1,790)	(806)
Purchases of intangible assets		(25)	(360)	(25)	--	(360)
NET CASH FLOWS FROM INVESTING ACTIVITIES		(1,270)	(1,166)	(1,270)	(1,790)	(1,166)
NET INCREASE / (DECREASE) IN CASH		(197)	(73)	(103)	7	(99)
Opening cash and cash equivalents		1,401	1,474	1,587	1,597	1,686
CLOSING CASH AND CASH EQUIVALENTS	6	1,204	1,401	1,484	1,604	1,587

The accompanying notes form part of these financial statements

Summary of Compliance with Financial Directives

	2012			
	Recurrent Appropriation	Expenditure/ Net claim on Consolidated Fund	Capital Appropriation	Expenditure/ Net claim on Consolidated Fund
	\$'000	\$'000	\$'000	\$'000
ORIGINAL BUDGET APPROPRIATION/ EXPENDITURE				
■ Appropriation Act	18,147	17,454	1,790	1,270
	18,147	17,454	1,790	1,270
OTHER APPROPRIATION/ EXPENDITURE				
■ Treasurer's Advance	--	--	--	--
■ Additional appropriations	--	--	--	--
	--	--	--	--
Total Appropriations/ Expenditure/Net claim on Consolidated Fund	18,147	17,454	1,790	1,270
Amount drawn down against Appropriation		17,454		1,270
Liability to Consolidated Fund		--		--

The accompanying notes form part of these financial statements

The Summary of Compliance is based on the assumption that Consolidated Fund moneys are spent first (except where otherwise identified or prescribed).

The liability to the Consolidated Fund represents the difference between the amount drawn down against Appropriation and the total expenditure/net claim on consolidated fund.



	2011			
	Recurrent Appropriation	Expenditure/ Net claim on Consolidated Fund	Capital Appropriation	Expenditure/ Net claim on Consolidated Fund
	\$'000	\$'000	\$'000	\$'000
ORIGINAL BUDGET APPROPRIATION/ EXPENDITURE				
■ Appropriation Act	17,961	16,947	1,790	1,166
	17,961	16,947	1,790	1,166
OTHER APPROPRIATION/ EXPENDITURE				
■ Treasurer's Advance	--	--	--	--
■ Additional appropriations	--	--	--	--
	--	--	--	--
Total Appropriations/ Expenditure/Net claim on Consolidated Fund	17,961	16,947	1,790	1,166
Amount drawn down against Appropriation		17,111		1,166
Liability to Consolidated Fund		164		--

Summary of Compliance with Financial Directives for the year ended 30 June 2012 (cont)

Recurrent Appropriation

The Commission's recurrent appropriation of \$18.147m was not fully drawn down due to the carrying of vacant positions and additional savings being made on other operating expenses. The Commission drew down \$17.454m of the approved recurrent appropriation.

Capital Appropriation

The Commission expended \$1.270m of the \$1.790m approved capital appropriation.



Notes to and forming part of the Financial Statements for the year ended 30 June 2012

01. Summary of Significant Accounting Policies

(a) Reporting entity

The Police Integrity Commission (the Commission) is a statutory body established under the Police Integrity Commission Act 1996. The Commission is a not-for-profit entity (as profit is not its principal objective) and it has no cash generating units. The reporting entity is consolidated as part of the NSW Total State Sector Accounts.

The Commission, as a reporting entity, comprises all of the entities under its control, namely: Police Integrity Commission Division and Office of the Police Integrity Commission.

In the process of preparing the consolidated financial statements for the economic entity consisting of the controlling and controlled entities, all inter-entity transactions and balances have been eliminated.

These financial statements for the year ended 30 June 2012 have been authorised for issue by the Commissioner for the Police Integrity Commission on 27 September, 2012.

(b) Basis of preparation

The Commission's financial statements are general purpose financial statements which have been prepared in accordance with:

- applicable Australian Accounting Standards (which include Australian Accounting Interpretations)
- the requirements of the *Public Finance and Audit Act* 1983 and Regulation and

- the Financial Reporting Directions published in the Financial Reporting Code for NSW General Government Sector Entities or issued by the Treasurer.

Other than property, plant and equipment which is measured at fair value, the financial statements have been prepared in accordance with the historical cost convention.

Judgements, key assumptions and estimations management has made are disclosed in the relevant notes to the financial statements.

All amounts are rounded to the nearest one thousand dollars and are expressed in Australian currency.

(c) Statement of Compliance

The financial statements and notes comply with Australian Accounting Standards, which include Australian Accounting Interpretations.

(d) Administered activities

The Commission does not administer activities on behalf of the Crown Entity.

(e) Insurance

The Commission's insurance activities are conducted through the NSW Treasury Managed Fund Scheme of self insurance for Government entities. The expense (premium) is determined by the Fund Manager based on past claims experience.

Notes to and forming part of the Financial Statements for the year ended 30 June 2012

(f) Accounting for the Goods and Services Tax (GST)

Income, expenses and assets are recognised net of the amount of GST, except that:

- the amount of GST incurred by the Commission as a purchaser that is not recoverable from the Australian Taxation Office is recognised as part of the cost of acquisition of an asset or as part of an item of expense and
- receivables and payables are stated with the amount of GST included.

Cash flows are included in the statement of cash flows on a gross basis. However, the GST components of cash flows arising from investing and financing activities which is recoverable from, or payable to, the Australian Taxation Office are classified as operating cash flows.

(g) Income recognition

Income is measured at the fair value of the consideration or contribution received or receivable. Additional comments regarding the accounting policies for the recognition of income are discussed below.

- (i) Parliamentary Appropriations and Contributions

Parliamentary appropriations and contributions from other bodies (including grants and donations) are generally recognised as income when the Commission obtains control over the assets comprising the appropriations/ contributions. Control over appropriations and contributions is normally obtained upon the receipt of cash.

Unspent appropriations are recognised as liabilities rather than income, as the authority to spend the money lapses and the unspent amount must be repaid to the Consolidated Fund.

The liability, if any, is disclosed in Note 13 as part of 'Current Liabilities—Other'. The amount will be repaid and the liability, if any, will be extinguished next financial year.

- (ii) Sale of Goods

Revenue from the sale of goods is recognised as revenue when the Commission transfers the significant risks and rewards of ownership of the assets.

- (iii) Rendering of Services

Revenue is recognised when the service is provided or by reference to the stage of completion (based on labour hours incurred to date).

- (iv) Investment Revenue

Interest revenue is recognised using the effective interest method as set out in AASB 139 *Financial Instruments: Recognition and Measurement*.

(h) Assets

- (i) Acquisition of assets

The cost method of accounting is used for the initial recording of all acquisition of assets controlled by the Commission. Cost is the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire the asset at the time of its acquisition or construction or, where applicable, the amount attributed to that asset when initially recognised in accordance with the requirements of other Australian Accounting Standards.

Assets acquired at no cost, or for nominal consideration, are initially recognised at their fair value at the date of acquisition.

Fair value is the amount for which an asset could be exchanged between knowledgeable, willing parties in an arm's length transaction.



Notes to and forming part of the Financial Statements for the year ended 30 June 2012

Where payment for an asset is deferred beyond normal credit terms, its cost is the cash price equivalent, i.e. deferred payment is effectively discounted at an asset-specific rate.

(ii) *Capitalisation thresholds*

Plant and equipment and intangible assets costing \$5,000 and above individually, or forming part of a network costing more than \$5,000, are capitalised.

(iii) *Revaluation of plant and equipment*

Physical non-current assets are valued in accordance with the "Valuation of Physical Non-Current Assets at Fair Value" Policy and Guidelines Paper (TPP 07-1). This policy adopts fair value in accordance with AASB 116 *Property, Plant and Equipment*.

Plant and equipment is measured on an existing use basis, where there are no feasible alternative uses in the existing natural, legal, financial and socio-political environment. However, in the limited circumstances where there are feasible alternative uses, assets are valued at their highest and best use.

Fair value of plant and equipment is determined based on the best available market evidence, including current market selling prices for the same or similar assets. Where there is no available market evidence, the asset's fair value is measured at its market buying price, the best indicator of which is depreciated replacement cost.

The Commission does not own land, building or infrastructure assets, and as such does not believe that the revaluation of physical non-current assets every five years is warranted, unless it becomes aware of any material difference in the carrying amount of any class of assets. The majority of Commission assets are short lived and their costs approximate their fair value. The Commission holds an asset for make good of leased accommodation the value of which was

revalued in 2010 in line with the requirements of the current lease.

Non-specialised assets with short useful lives are measured at depreciated historical cost, as a surrogate for fair value.

When revaluing non-current assets by reference to current prices for assets newer than those being revalued (adjusted to reflect the present condition of the assets), the gross amount and the related accumulated depreciation are separately restated.

For other assets, any balances of accumulated depreciation at the revaluation date in respect of those assets are credited to the asset accounts to which they relate. The net asset accounts are then increased or decreased by the revaluation increments or decrements.

Revaluation increments are credited directly to the asset revaluation reserve, except that, to the extent that an increment reverses a revaluation decrement in respect of that class of asset previously recognised as an expense in the net result, the increment is recognised immediately as revenue in the net result.

Revaluation decrements are recognised immediately as expenses in the net result, except that, to the extent that a credit balance exists in the asset revaluation reserve in respect of the same class of assets, they are debited directly to the asset revaluation reserve.

As a not-for-profit entity, revaluation increments and decrements are offset against one another within a class of non-current assets, but not otherwise.

Where an asset that has previously been revalued is disposed of, any balance remaining in the asset revaluation reserve in respect of that asset is transferred to accumulated funds.

Notes to and forming part of the Financial Statements for the year ended 30 June 2012

(iv) *Impairment of plant and equipment*

As a not-for-profit entity with no cash generating units, the Commission is effectively exempted from AASB 136 *Impairment of Assets* and impairment testing. This is because AASB 136 modifies the recoverable amount test to the higher of fair value less cost to sell and depreciated replacement cost. This means that, for an asset already measured at fair value, impairment can only arise if selling costs are material. Selling costs are regarded as immaterial.

(v) *Assets not able to be reliably measured*

The Commission does not hold any assets that have not been recognised in the statement of financial position.

(vi) *Depreciation of plant and equipment*

Depreciation is provided for on a straight-line basis for all depreciable assets so as to write off the depreciable amount of each asset as it is consumed over its useful life to the Commission.

The Commission has adopted the following depreciation rates for the reporting period:

Computer equipment	4 years
Intangible computer software	4 years
Office machines	7 years
Other plant and equipment	3, 4 & 7 years
Leasehold improvements	the initial period of the lease

(vii) *Major Inspection Costs*

The Commission did not incur major inspection costs during the year.

(viii) *Restoration Costs*

The estimated cost of dismantling and removing an asset and restoring the site is included in the cost of an asset, to the extent it is recognised as a liability.

(ix) *Maintenance*

Day-to-day servicing costs or maintenance are charged as expenses as incurred, except where they relate to the replacement of a part or component of an asset, in which case the costs are capitalised and depreciated.

(x) *Critical Accounting Estimates*

Make good provision – provision is made for the anticipated costs of future restoration of leased premises as required under the terms of agreement effective from the 5 July 2010. The provision includes future cost estimates associated with dismantling and reinstatement of the leased premises to original condition. The calculation is based on a square metre rate of \$200.00 over the lease period discounted by 2.46% (Government bond rate 29/6/12) as required under AASB 137 *Provisions, Contingent Liabilities & Contingent Assets*.

(xi) *Leased Assets*

A distinction is made between finance leases which effectively transfer from the lessor to the lessee substantially all the risks and benefits incidental to ownership of the leased assets, and operating leases under which the lessor effectively retains all such risks and benefits.

The Commission's motor vehicle fleet and rental property are the only assets subject to an operating lease. Operating lease payments are charged to the Statement of Comprehensive Income in the periods in which they are incurred.

(xii) *Intangible Assets*

The Commission recognises intangible assets only if it is probable that future economic benefits will flow to the Commission and the cost of the asset can be measured reliably. Intangible assets are measured initially at cost. Where an asset is acquired at no or nominal cost, the cost is its fair value as at the date of acquisition.



Notes to and forming part of the Financial Statements for the year ended 30 June 2012

All research costs are expensed. Development costs are only capitalised when certain criteria are met.

The useful lives of intangible assets are assessed to be finite.

Intangible assets are subsequently measured at fair value only if there is an active market. As there is no active market for the Commission's intangible assets, the assets are carried at cost less any accumulated amortisation.

The Commission's intangible assets are amortised using the straight-line method over a period of 4 years.

Intangible assets are tested for impairment where an indicator of impairment exists. However, as a not-for-profit entity with no cash generating units, the Commission is effectively exempted from impairment testing (refer paragraph (h(iv))).

(xiii) *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These financial assets are recognised initially at fair value, usually based on the transaction cost or face value. Subsequent measurement is at amortised cost using the effective interest method, less an allowance for any impairment of receivables. Any changes are accounted for in the net result for the year when impaired, derecognised or through the amortisation process.

Short-term receivables with no stated interest rate are measured at the original invoice amount where the effect of discounting is immaterial.

(xiv) *Investments*

The Commission held no investments during 2011–12 or 2010–11.

(xv) *De-recognition of financial assets and financial liabilities*

A financial asset is derecognised when the contractual rights to the cash flows from the financial assets expire; or if the Commission transfers the financial asset:

- where substantially all the risks and rewards have been transferred or
- where the Commission has not transferred substantially all the risks and rewards, if the entity has not retained control.

Where the Commission has neither transferred nor retained substantially all the risks and rewards or transferred control, the asset is recognised to the extent of the Commission's continuing involvement in the asset.

A financial liability is derecognised when the obligation specified in the contract is discharged or cancelled or expires.

(xvi) *Non-current assets (or disposal groups) held for sale*

The Commission has no non-current assets (or disposal groups) held for sale.

(xvii) *Trust funds*

The Commission does not hold any trust funds.

(xviii) *Other Assets*

Other assets are recognised on a cost basis.

Notes to and forming part of the Financial Statements for the year ended 30 June 2012

(i) Liabilities**(i) Payables**

These amounts represent liabilities for goods and services provided to the Commission and other amounts. Payables are recognised initially at fair value, usually based on the transaction cost or face value. Subsequent measurement is at amortised cost using the effective interest method. Short-term payables with no stated interest rate are measured at the original invoice amount where the effect of discounting is immaterial.

(ii) Employee benefits and other provisions**a. Salaries and Wages, Annual Leave, Sick Leave and On-costs**

Liabilities for salaries and wages (including non-monetary benefits), annual leave and paid sick leave that are due to be settled within 12 months after the end of the period in which the employees render the service are recognised and measured in respect of employees' services up to the reporting date at undiscounted amounts based on the amounts expected to be paid when the liabilities are settled.

Long-term annual leave that is not expected to be taken within twelve months is measured at present value in accordance with AASB 119 Employee Benefits. Market yields on government bonds of 3.04% are used to discount long-term annual leave.

Unused non-vesting sick leave does not give rise to a liability as it is not considered probable that sick leave taken in the future will be greater than the benefits accrued in the future.

The outstanding amounts of payroll tax, workers' compensation insurance premiums and fringe benefits tax, which are consequential to employment, are recognised as liabilities and expenses where the employee benefits to which they relate have been recognised.

b. Long Service Leave and Superannuation

The Commission's liabilities for long service leave and defined benefit superannuation are assumed by the Crown Entity. The Commission accounts for the liability as having been extinguished, resulting in the amount assumed being shown as part of the non-monetary revenue item described as "Acceptance by the Crown Entity of employee benefits and other liabilities".

Long service leave is measured on a present value in accordance with AASB 119 *Employee Benefits*. This is based on the application of certain factors (specified in NSW TC 12/06) to employees with five or more years of service, using current rates of pay. These factors were determined based on an actuarial review to approximate present value.

The superannuation expense for the financial year is determined by using the formulae specified in the Treasurer's Directions. The expense for certain superannuation schemes (ie Basic Benefit and First State Super) is calculated as a percentage of the employees' salary. For other superannuation schemes (ie State Superannuation Scheme and State Authorities Superannuation Scheme), the expense is calculated as a multiple of the employees' superannuation contributions.

c. Other Provisions

Other provisions exist when the Commission has a present legal, or constructive obligation as a result of a past event; it is probable that an outflow of resources will be required to settle the obligation; and a reliable estimate can be made of the amount of the obligation.

Any provisions for restructuring are recognised only when an entity has a detailed formal plan and the entity has raised a valid expectation in those affected by the restructuring that it will carry out the restructuring by starting to implement the plan or announcing its main features to those affected.



Notes to and forming part of the Financial Statements for the year ended 30 June 2012

(j) *Equity and reserves*

(i) *Accumulated Funds*

The category accumulated funds includes all current and prior period retained funds.

(ii) Separate reserve accounts are recognised in the financial statements only if such accounts are required by specific legislation or Australian Accounting Standards (e.g. asset revaluation reserve and foreign currency translation reserve).

(iii) *Asset Revaluation Reserve*

The asset revaluation reserve is used to record increments and decrements on the revaluation of non-current assets. This accords with the Commission's policy on the revaluation of plant and equipment as discussed in note 1(h)(iii).

(k) *Equity transfers*

The transfer of net assets between entities as a result of an administrative restructure and transfers of program/functions and parts thereof between NSW public sector entities are designated or required by Accounting Standards to be treated as contribution by owners and recognised as an adjustment to "Accumulated Funds". This treatment is consistent with AASB 1004 *Contributions* and Australian Interpretation 1038 *Contributions by Owners Made to Wholly-Owned Public Sector Entities*.

Transfers arising from an administrative restructure involving not-for-profit entities are recognised at the amount at which the asset was recognised by the transferor immediately prior to the restructure. In most instances this will approximate fair value. All other equity transfers are recognised at fair value.

(l) *Budgeted Amounts*

The budgeted amounts are drawn from original budgeted financial statements presented to Parliament in respect of the reporting period, as adjusted for section 24 of the PFAA where there has been a transfer of functions between departments. Other amendments made to the budget are not reflected in the budgeted amounts.

(m) *Comparative Information*

Except when an Australian Accounting Standard permits or requires otherwise, comparative information is disclosed in respect of the previous period for all amounts reported in the financial statements.

The Commission has only one program as such a program statement showing comparative figures is not included as figures would be the same as those disclosed in the comprehensive income and financial position statements.

Notes to and forming part of the Financial Statements for the year ended 30 June 2012

(n) New Australian Accounting Standards issued but not yet effective

The Commission is of the opinion that the following new Australian Accounting Standards issued but not effective would not have significant impact on its financial statements. The standards apply to annual reporting periods beginning on or after 1 July 2012.

- AASB 9 & AASB 2010-7 Amendments to Australian Accounting Standards regarding financial instruments (effective 2013/14).
- AASB 10 Consolidated Financial Statements (effective 2013/14)
- AASB 12 Disclosure of Interest in Other Entities (effective 2013/14)
- AASB 13 Amendments to Australian Accounting Standards regarding fair value measurement (effective 2012/13)
- AASB 119, AASB 2011-10, AASB 2011-11 Amendments to Australian Accounting Standards regarding employee benefits (effective 2013/14)
- AASB 127 Separate Financial Statements (effective 2013/14)
- AASB 1053 & AASB 2010-2 Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements (effective 2013/14)
- AASB 2010-10 Amendments to Australian Accounting Standards regarding removal of fixed dates for first-time adopters (effective 2013/14)
- AASB 2011-2 Amendments to Australian Accounting Standards arising from the Trans-Tasman Convergence Project – Reduced disclosure requirements (effective 2013/14)
- AASB 2011-3 Amendments to Australian Accounting Standards – Orderly adoption of changes to the ABS GFS Manual (effective 2012/13)
- AASB 2011-4 Amendments to Australian Accounting Standards – Removing individual key management personnel disclosures (effective 2013/14)
- AASB 2011-6 Amendments to Australian Accounting Standards – Extending relief from consolidation, the equity method and proportionate consolidation – Reduced disclosure requirements (effective 2013/14)
- AASB 2011-9 Amendments to Australian Accounting Standards – Presentation of items of other comprehensive income (effective 2013/14)
- AASB 2011-13 Amendments to Australian Accounting Standards regarding improvements to AASB 1049 and GAAP/ GFS harmonisation (effective 2012/13)



Notes to and forming part of the Financial Statements for the year ended 30 June 2012

02. Expenses Excluding Losses

	Police Integrity Commission		Consolidated	
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
(a) Employee related expenses				
Salaries and wages (including recreation leave)*	481	429	11,360	10,966
Superannuation–defined benefit plans	--	--	104	94
Superannuation–defined contribution plans	--	--	984	890
Long service leave	--	--	824	438
Workers' compensation insurance	--	--	108	88
Payroll tax and fringe benefits tax	65	78	752	723
Other	--	--	--	30
	546	507	14,132	13,229

* Salaries and wages shown under the Police Integrity Commission relate to the employment of the Commissioner.

Notes to and forming part of the Financial Statements for the year ended 30 June 2012

	Police Integrity Commission		Consolidated	
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
(b) Other operating expenses include the following:				
Administration charges	248	384	248	384
Books and periodicals	35	30	35	30
Auditor's remuneration—audit of the financial statements	38	37	38	37
Consultancies	32	4	32	4
Contractors	237	150	237	150
External legal counsel	409	318	409	318
Minor computer expenses	116	113	116	113
Maintenance *	410	390	410	390
Make good expense	48	27	48	27
Insurance	25	23	25	23
Rent and outgoings (minimum lease payments)	1,721	1,791	1,721	1,791
Minor equipment	183	93	183	93
Motor vehicle costs (including leasing charges)	114	144	114	144
Advertising	11	16	11	16
Printing and stationery	31	33	31	33
Staff development	123	88	123	88
Travelling expenses	121	153	121	153
Telephones	77	96	77	96
Fees and searches	80	88	80	88
Other	275	265	275	265
	4,334	4,243	4,334	4,243

* Reconciliation - Total maintenance

Maintenance expense - contracted labour and other (non-employee related), as above	410	390	410	390
Maintenance related employee expenses included in Note 2 (a)	--	--	--	--
Total maintenance expenses included in Note 2 (a) + 2 (b)	410	390	410	390



Notes to and forming part of the Financial Statements for the year ended 30 June 2012

	Police Integrity Commission		Consolidated	
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
(c) Personnel Services expenses				
Police Integrity Commission Division	12,645	12,186	--	--
(d) Depreciation and amortisation expense				
Depreciation				
Computer Equipment	388	527	388	527
Office Equipment and Furniture	387	406	387	406
Amortisation				
Leasehold Improvements	290	284	290	284
Intangibles	126	103	126	103
	1,191	1,320	1,191	1,320

Notes to and forming part of the Financial Statements for the year ended 30 June 2012

03. Revenue

	Police Integrity Commission		Consolidated	
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
(a) Appropriations				
Recurrent appropriations				
Total recurrent draw-downs from NSW Treasury (per Summary of Compliance)	17,454	17,111	17,454	17,111
Less: Liability to Consolidated Fund (per Summary of Compliance)	--	164	--	164
	17,454	16,947	17,454	16,947
Comprising:				
Recurrent appropriations (per Statement of Comprehensive Income)	17,454	16,947	17,454	16,947
	17,454	16,947	17,454	16,947
Capital appropriations				
Total capital draw-downs from NSW Treasury (per Summary of Compliance)	1,270	1,166	1,270	1,166
	1,270	1,166	1,270	1,166
Comprising:				
Capital appropriations (per Statement of Comprehensive Income)	1,270	1,166	1,270	1,166
	1,270	1,166	1,270	1,166
(b) Investment Revenue				
Interest	73	89	73	89
	73	89	73	89
(c) Acceptance by the Crown Entity of employee benefits and other liabilities				
The following liabilities and/or expenses have been assumed by the Crown Entity:				
Superannuation – defined benefit	--	--	104	94
Long service leave	--	--	824	437
Payroll tax	--	--	6	5
	--	--	934	536
(d) Other Revenue				
Commission on salary deductions, conduct fees, fines	--	1	--	1
Insurance receipts	43	--	51	--
Sale of minor equipment	8	7	8	7
	51	8	59	8



Notes to and forming part of the Financial Statements for the year ended 30 June 2012

04. Gain/(loss) on Disposal

	Police Integrity Commission		Consolidated	
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
Proceeds from disposal	32	10	32	10
Written down value of assets disposed	(15)	(7)	(15)	(7)
Gain / (loss) on disposal	17	(3)	17	(3)

05. Service Group of the Commission

Service Group 1: *Investigations, research and complaint management*

Objective: To prevent, detect and investigate serious and other misconduct by NSW Police Force and NSW Crime Commission officers.

06. Current Assets – Cash and Cash Equivalents

	Police Integrity Commission		Consolidated	
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
Cash at bank	1,192	1,389	1,472	1,575
Cash on hand	12	12	12	12
	1,204	1,401	1,484	1,587

For the purposes of the Statement of Cash Flows, cash and cash equivalents include cash on hand and cash at bank.

Cash and cash equivalent assets recognised in the Statement of Financial Position are reconciled at the end of the financial year to the Statement of Cash Flows as follows:

Cash and cash equivalents (per Statement of Financial Position)

	1,204	1,401	1,484	1,587
--	--------------	--------------	--------------	--------------

Closing Cash and Cash Equivalents (per Statement of Cash Flows)

	1,204	1,401	1,484	1,587
--	--------------	--------------	--------------	--------------

\$8,447 (2011: \$172,447) of the above is classified as a restricted asset and disclosed at note 10.

Notes to and forming part of the Financial Statements for the year ended 30 June 2012

07. Current Assets – Receivables

	Police Integrity Commission		Consolidated	
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
Prepayments	434	285	435	285
Other debtors	174	176	174	176
	608	461	609	461

No allowance for impairment has been raised as all amounts are considered to be collectable.



Notes to and forming part of the Financial Statements for the year ended 30 June 2012

08. Non-Current Assets – Plant and Equipment

Entity and consolidated figures are not shown separately as the Police Integrity Commission Division does not hold assets.

	Leasehold Improve- ments \$'000	Plant & Equipment \$'000	Computer Equipment \$'000	Total \$'000
At 1 July 2011 - fair value				
Gross carrying amount	2,177	4,927	4,106	11,210
Accumulated depreciation and impairment	(1,653)	(3,798)	(3,143)	(8,594)
Net Carrying Amount	524	1,129	963	2,616
At 30 June 2012 – fair value				
Gross carrying amount	1,942	3,636	3,474	9,052
Accumulated depreciation and impairment	(1,669)	(2,441)	(2,126)	(6,236)
Net Carrying Amount	273	1,195	1,348	2,816
Reconciliation				
A reconciliation of the carrying amount of each class of plant and equipment at the beginning and end of the current reporting period is set out below.				
Year ended 30 June 2012				
Net carrying amount at start of year	524	1,129	963	2,616
- Additions	39	467	774	1,280
- Disposals	--	(14)	(1)	(15)
- Depreciation Expense	(290)	(387)	(388)	(1,065)
Net carrying amount at end of year	273	1,195	1,348	2,816
At 1 July 2010 - fair value				
Gross carrying amount	2,267	5,329	3,816	11,412
Accumulated depreciation and impairment	(1,459)	(4,074)	(2,855)	(8,388)
Net Carrying Amount	808	1,255	961	3,024
At 30 June 2011 – fair value				
Gross carrying amount	2,177	4,927	4,106	11,210
Accumulated depreciation and impairment	(1,653)	(3,798)	(3,143)	(8,594)
Net Carrying Amount	524	1,129	963	2,616

Notes to and forming part of the Financial Statements for the year ended 30 June 2012

	Leasehold Improve- ments \$'000	Plant & Equipment \$'000	Computer Equipment \$'000	Total \$'000
--	--	--------------------------------	---------------------------------	-----------------

Reconciliation

A reconciliation of the carrying amount of each class of plant and equipment at the beginning and end of the current reporting period is set out below.

Year ended 30 June 2011

Net carrying amount at start of year	808	1,255	961	3,024
- Additions	--	282	534	816
- Disposals	--	(2)	(5)	(7)
- Depreciation Expense	(284)	(406)	(527)	(1,217)
Net carrying amount at end of year	524	1,129	963	2,616

There has been no revaluation of physical non-current assets during the reporting period. The Commission considers that the written down value of assets approximates the fair value of these assets.

09. Non-Current Intangible Assets – Software

Entity and consolidated figures are not shown separately as the Police Integrity Commission Division does not hold assets.

Consolidated

\$'000

At 1 July 2011

Cost (gross carrying amount)	4,357
Accumulated amortisation and impairment	(3,990)
Net Carrying Amount	367

At 30 June 2012

Cost (gross carrying amount)	3,952
Accumulated amortisation and impairment	(3,686)
Net Carrying Amount	266



Notes to and forming part of the Financial Statements for the year ended 30 June 2012

	Consolidated
	\$'000
Year ended 30 June 2012	
Net carrying amount at start of year	367
Additions	25
Disposal	--
Amortisation (recognised in "depreciation and amortisation")	(126)
Net carrying amount at end of year	266
At 1 July 2010	
Cost (gross carrying amount)	4,079
Accumulated amortisation and impairment	(3,969)
Net Carrying Amount	110
At 30 June 2011	
Cost (gross carrying amount)	4,357
Accumulated amortisation and impairment	(3,990)
Net Carrying Amount	367
Year ended 30 June 2011	
Net carrying amount at start of year	110
Additions	360
Disposal	--
Amortisation (recognised in "depreciation and amortisation")	(103)
Net carrying amount at end of year	367

Computer software that is not an integral part of the related hardware is classified as an intangible asset to conform with AASB 138 *Intangible Assets*.

Intangible assets include a gross value of \$2.8m Police Oversight Data Store (PODS) Project of the Police Complaints Case Management System (PCCM) funded by way of grant from the then NSW Premier's Department.

Notes to and forming part of the Financial Statements for the year ended 30 June 2012

10. Restricted Assets

	Police Integrity Commission		Consolidated	
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
Police Oversight Data Store grant	8	8	8	8
Liability to consolidated fund	--	164	--	164
	8	172	8	172

Expenditure during 2011-12 from the Police Oversight Data Store grant was nil, the (cash) balance as at 30 June 2012 held in the Operating Account is \$8,447 (balance 2010-11 \$8,447).

11. Current Liabilities – Payables

	Police Integrity Commission		Consolidated	
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
Accrued salaries, wages and on-costs	--	--	290	238
Personnel services payable	290	238	--	--
Creditors	143	205	143	205
	433	443	433	443



Notes to and forming part of the Financial Statements for the year ended 30 June 2012

12. Current/Non-Current Liabilities – Provisions

	Police Integrity Commission		Consolidated	
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
Employee benefits and related on-costs				
Recreation leave	17	--	742	766
Long service leave on-costs	--	--	436	290
Payroll tax and FBT provision	1	--	40	42
	18	--	1,218	1,098
Other provisions				
Provision for personnel services	919	912	--	--
Restoration costs	725	677	725	677
Total Provisions	1,662	1,589	1,943	1,775
Aggregate employee benefits and related on-costs				
Provisions – current	--	--	1,196	1,083
Provisions – non-current	--	--	22	15
Provisions – personnel services	919	912	--	--
Accrued salaries, wages and on-costs (Note 11)	--	--	290	238
	919	912	1,508	1,336

Under the current lease agreement effective 5 July 2010 the Commission is required to reinstate the leased premises to the condition they were in as at the date the premises was first leased.

Movements in provisions (other than employee benefits)

Restoration Costs

Carrying amount at beginning of financial year	677	650
Additional provisions recognised	--	--
Unwinding / change in the discount rate	48	27
Carrying amount at end of financial year	725	677

Notes to and forming part of the Financial Statements for the year ended 30 June 2012

13. Current Liabilities – Other

	Police Integrity Commission		Consolidated	
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
Liability to the Consolidated Fund	--	164	--	164
	--	164	--	164

14. Commitments for Expenditure

	Police Integrity Commission		Consolidated	
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000

a) Capital Commitments

Aggregate capital expenditure for the acquisition of computer software and hardware, office equipment and leasehold improvements, contracted for at balance date and not provided for:

Not later than one year	45	356	45	356
Total (including GST)	45	356	45	356

c) Operating Lease Commitments

Future non-cancellable operating lease rentals not provided for and payable:

Not later than one year	1,617	1,642	1,617	1,642
Later than one year and not later than five years	66	1,683	66	1,683
Later than five years	--	--	--	--
Total (including GST)	1,683	3,325	1,683	3,325

These operating lease commitments relate to the Commission's rental of property and motor vehicle fleet, and are not recognised in the financial statements as liabilities

The total commitments for 2012 include input tax credits of \$157,140 (2010–11 \$337,815) that are expected to be recoverable from the Australian Taxation Office.



Notes to and forming part of the Financial Statements for the year ended 30 June 2012

15. Contingent Liabilities and Contingent Assets

As at the reporting date, the Commission is not aware of any contingent liabilities or assets that will materially affect its financial position (2011: contingent liabilities Nil, contingent asset \$40,000 relating to an insurance claim accepted and paid in the 2011/12 reporting period).

16. Budget Review

Net result

The total net result was approximately 4% lower than budgeted with expenditure below budget across all areas. Employee related costs were lower than budget due to a number of staff on leave without pay or long service leave which is funded by Treasury. The decrease in other operating expenses can be attributed to a number of factors including the actual accommodation increase for 2011/12 being lower than that originally advised by State Property Authority.

Assets and liabilities

Cash assets held at year end were lower than budget as the Commission did not draw down its full recurrent allocation from Treasury. Non-current assets are lower than that budgeted as the Commission did not fully expend its capital allocation of \$1.790m. Prepayments have increased due to upgrades to computer software and hardware. Pricing for which included a prepaid component covering assurance for ongoing upgrades over the next 3 years with the prepayment being expensed over this period. The carrying amount of provisions increased due to movement in the bond rate.

Cash flows

Closing cash was lower than budget due the Commission not drawing down its full allocation from Treasury as the approved level of funding was not required and as such the Commission did not hold surplus funds at year end.

Notes to and forming part of the Financial Statements for the year ended 30 June 2012

17. Reconciliation of Cash Flows from Operating Activities to Net Result

	Police Integrity Commission		Consolidated	
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
Net cash used on operating activities	1,073	1,093	1,167	1,067
Depreciation and amortisation	(1,191)	(1,320)	(1,191)	(1,320)
Decrease/(increase) in provisions	(126)	(11)	(168)	40
Increase/(decrease) in prepayments and other assets	147	47	148	45
Decrease/(increase) in creditors	226	145	174	122
Gross trade in value of assets disposed	35	--	35	--
Written down value of assets disposed	(15)	3	(15)	3
Net result	149	(43)	150	(43)

28. Financial Instruments

The Commission's principal financial instruments are outlined below. These financial instruments arise directly from the Commission's operations or are required to finance the Commission's operations. The Commission does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

The Commission's main risks arising from financial instruments are outlined below, together with the Commission's objectives, policies and processes for measuring and managing risk. Further quantitative and qualitative disclosures are included throughout these financial statements.

The Commissioner has overall responsibility for the establishment and oversight of risk management and reviews and agrees policies for managing each of these risks. Risk management policies are established to identify and analyse the risks faced by the Commission, to set risk limits and controls and to monitor risk. Compliance with policies is reviewed by the Commission's Internal Audit and Risk Committee.



Notes to and forming part of the Financial Statements for the year ended 30 June 2012

(i) Financial instrument categories

Parent

Financial Assets	Note	Category	Carrying Amount	Carrying Amount
Class:			2012	2011
			\$'000	\$'000
Cash and cash equivalents	6	N/A	1,204	1,401
Receivables ¹	7	Loans and receivables (at amortised cost)	53	58

Financial Liabilities	Note	Category	Carrying Amount	Carrying Amount
Class:			2012	2011
			\$'000	\$'000
Payables ²	11	Financial liabilities measured at amortised cost	433	443

Consolidated

Financial Assets	Note	Category	Carrying Amount	Carrying Amount
Class:			2012	2011
			\$'000	\$'000
Cash and cash equivalents	6	N/A	1,484	1,587
Receivables ¹	7	Loans and receivables (at amortised cost)	53	58

Financial Liabilities	Note	Category	Carrying Amount	Carrying Amount
Class:			2012	2011
			\$'000	\$'000
Payables ²	11	Financial liabilities measured at amortised cost	418	430

¹ Excludes statutory receivables and prepayments (i.e. not within scope of AASB 7)

² Excludes statutory payables and unearned revenue (i.e. not within scope of AASB7)

Notes to and forming part of the Financial Statements for the year ended 30 June 2012**(ii) Credit Risk**

Credit risk arises when there is a possibility of the Commission's debtors defaulting on their contractual obligations, resulting in a financial loss to the Commission. The maximum exposure to credit risk is generally represented by the carrying amount of the financial assets (net of any allowance for impairment).

Credit risk arises from the financial assets of the Commission, including cash and receivables. No collateral is held by the Commission. The Commission has not granted any financial guarantees.

Credit risk associated with the Commission's financial assets, other than receivables is managed through the selection of counterparties and establishment of minimum credit rating standards. Authority deposits held with NSW TCorp are guaranteed by the State.

Cash

Cash comprises cash on hand and bank balances within the NSW Treasury Banking System. Interest is earned on daily bank balances at the monthly average NSW Treasury Corporation (TCorp) 11am unofficial cash rate, adjusted for a management fee to NSW Treasury.

Receivables – trade debtors

All trade debtors are recognised as amounts receivable at balance date. Collectability of trade debtors is reviewed on an ongoing basis. Procedures as established in the Treasurer's Directions are followed to recover outstanding amounts, including letters of demand. Debts which are known to be uncollectible are written off. An allowance for impairment is raised when there is objective evidence that the entity will not be able to collect all amounts due. This evidence includes past experience, and current and expected changes in economic conditions and debtor credit ratings. No interest is earned on trade debtors. Sales are made on 14 day terms.

The Commission is not materially exposed to concentrations of credit risk to a single trade debtor or group of debtors. Based on past experience, debtors that are not past due (2012 \$52,786, 2011 \$58,262) and less than 3 months past due (2012 nil, 2011 nil) are not considered impaired and together these represent 100% of total trade debtors. No provision for doubtful debts has been made as all amounts are considered to be collectable.

The only financial assets that are past due or impaired are 'sales of goods and services' in the 'receivables' category of the statement of financial position.


Notes to and forming part of the Financial Statements for the year ended 30 June 2012

	Total^{1,2} \$'000	Past due but not impaired^{1,2} \$'000	Considered impaired^{1,2} \$'000
2012			
< 3 months overdue	--	--	--
3 months – 6 months overdue	--	--	--
> 6 months overdue	--	--	--
2011			
< 3 months overdue	--	--	--
3 months – 6 months overdue	--	--	--
> 6 months overdue	--	--	--

(iii) Liquidity risk

Liquidity risk is the risk that the Commission will be unable to meet its payment obligations when they fall due. The Commission continuously manages risk through monitoring future cash flows and planning to ensure adequate holdings of liquid assets. The Commission does not have a bank overdraft facility.

During the current and prior years, there were no defaults of loans payable. No assets have been pledged as collateral. The Commission's exposure to liquidity risk is deemed insignificant based on prior periods' data and current assessment of risk.

The liabilities are recognised for amounts due to be paid in the future for goods or services received, whether or not invoiced. Amounts owing to suppliers (which are unsecured) are settled in accordance with the policy set out in NSW TC 11/12. For small business suppliers, where terms are not specified, payment is made not later than 30 days from date of receipt of a correctly rendered invoice. For other suppliers, if trade terms are not specified, payment is made no later than the end of the month following the month in which an invoice or statement is received. For small business suppliers, where payment is not made within the specified time period, simple interest must be paid automatically unless an existing contract specifies otherwise. For payments to other suppliers, the Commissioner (or person appointed by the Commissioner) may automatically pay the supplier simple interest. No interest was applied during the year.

¹ Each column in the table reports 'gross receivables'.

² The ageing analysis excludes statutory receivables, as these are not within the scope of AASB 7 and excludes receivables that are not past due and not impaired. Therefore, the 'total' will not reconcile to the receivables total recognised in the statement of financial position.

Notes to and forming part of the Financial Statements for the year ended 30 June 2012

The table below summarises the maturity profile of the Commission’s financial liabilities, together with the interest rate exposure.

Maturity analysis and interest rate exposure of financial liabilities

	Fixed Interest Rate Monthly						Total \$'000
	Average interest rate %	Variable interest rate \$'000	Less than 1 year \$'000	1 to 5 years \$'000	More than 5 bearing \$'000	Non interest \$'000	
Parent							
2012							
Personnel services payable	--	--	--	--	--	290	290
Creditors	--	--	--	--	--	143	143
	--	--	--	--	--	433	433
2011							
Personnel services payable	--	--	--	--	--	238	238
Creditors	--	--	--	--	--	205	205
	--	--	--	--	--	443	443
Consolidated							
2012							
Accrued salaries, wages and on-costs	--	--	--	--	--	290	290
Creditors	--	--	--	--	--	143	143
	--	--	--	--	--	433	433
2011							
Accrued salaries, wages and on-costs	--	--	--	--	--	238	238
Creditors	--	--	--	--	--	205	205
	--	--	--	--	--	443	443

The amounts disclosed are the contractual undiscounted cash flows of each class of financial liabilities, therefore the amounts disclosed above may not reconcile to the statement of financial position.



Notes to and forming part of the Financial Statements for the year ended 30 June 2012**(iv) Market risk**

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The Commission's exposure to market risk is primarily through interest rate risk. The Commission has no exposure to foreign currency risk and does not enter into commodity contracts.

The effect on profit and equity due to a reasonably possible change in risk variable is outlined in the information below for interest rate risk. A reasonably possible change in risk variable has been determined after taking into account the economic environment in which the Commission operates and the time frame for the assessment (i.e. until the end of the next annual reporting period). The sensitivity analysis is based on risk exposures in existence at the statement of financial position date. The analysis is performed on the same basis as for 2011. The analysis assumes that all other variables remain constant.

Interest Rate Risk

Exposure to interest rate risk arises primarily through interest bearing liabilities. The Commission does not account for any fixed rate financial instruments at fair value through profit or loss or as available-for-sale. Therefore, for these financial instruments, a change in interest rates would not affect profit or loss or equity. A reasonably possible change of +/- 1% is used, consistent with current trends in interest rates. The basis will be reviewed annually and amended where there is a structural change in the level of interest rate volatility. The Commission's exposure to interest rate risk is set out overleaf.

Notes to and forming part of the Financial Statements for the year ended 30 June 2012

Interest Rate Risk					
		-1%		+1%	
	Carrying Amount \$'000	Profit \$'000	Equity \$'000	Profit \$'000	Equity \$'000
Parent					
2012					
Financial assets					
Cash and cash equivalents	1,204	(12)	(12)	12	12
2011					
Financial assets					
Cash and cash equivalents	1,401	(14)	(14)	14	14
Consolidated					
2012					
Financial assets					
Cash and cash equivalents	1,484	(15)	(15)	15	15
2011					
Financial assets					
Cash and cash equivalents	1,587	(16)	(16)	16	16

(v) Fair Value

The amortised cost of financial instruments recognised in the statement of financial position approximates the fair value, because of the short-term nature of many of the financial instruments.

19. Events After the Reporting Period

There have been no significant events after the reporting period which would materially affect these statements.

End of audited financial statements



INDEPENDENT AUDITOR'S REPORT

Police Integrity Commission Division

To Members of the New South Wales Parliament

I have audited the accompanying financial statements of the Police Integrity Commission Division (the Division), which comprise the statement of financial position as at 30 June 2012, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information.

Opinion

In my opinion, the financial statements:

- give a true and fair view of the financial position of the Division as at 30 June 2012, and of its financial performance and its cash flows for the year then ended in accordance with Australian Accounting Standards
- are in accordance with section 45E of the *Public Finance and Audit Act 1983* (the PF&A Act) and the Public Finance and Audit Regulation 2010.

My opinion should be read in conjunction with the rest of this report.

Commissioner's Responsibility for the Financial Statements

The Commissioner is responsible for the preparation of the financial statements that give a true and fair view in accordance with Australian Accounting Standards and the PF&A Act, and for such internal control as the Commissioner determines is necessary to enable the preparation of the financial statements that give a true and fair view and that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on the financial statements based on my audit. I conducted my audit in accordance with Australian Auditing Standards. Those standards require that I comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Division's preparation of the financial statements that give a true and fair view 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 Division's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Commissioner, as well as evaluating the overall presentation of the financial statements.

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

My opinion does *not* provide assurance:

- about the future viability of the Division
- that it has carried out its activities effectively, efficiently and economically
- about the effectiveness of its internal control
- about the security and controls over the electronic publication of the audited financial statements on any website where they may be presented
- about other information that may have been hyperlinked to/from the financial statements.

Independence

In conducting my audit, I have complied with the independence requirements of the Australian Auditing Standards and relevant ethical pronouncements. The PF&A Act further promotes independence by:

- providing that only Parliament, and not the executive government, can remove an Auditor-General
- mandating the Auditor-General as auditor of public sector agencies but precluding the provision of non-audit services, thus ensuring the Auditor-General and the Audit Office of New South Wales are not compromised in their roles by the possibility of losing clients or income.



Peter Coulogeorgiou
Director, Financial Audit Services

28 September 2012
SYDNEY



Police Integrity Commission Division

Statement by Department Head

Pursuant to Section 45F of the *Public Finance and Audit Act 1983*, and based on information provided to me by the Division, I have formed the opinion that:

- (a) the accompanying financial statements in respect of the year ended 30 June 2012 have been prepared in accordance with applicable Australian Accounting Standards (which include Australian Accounting Interpretations), the requirements of the *Public Finance and Audit Act 1983* and *Public Finance and Audit Regulation 2010*, the *Financial Reporting Code for NSW General Government Sector Entities*, and the *Treasurer's Directions*
- (b) the statements exhibit a true and fair view of the financial position and financial performance of the Division, and
- (c) there are no circumstances that would render any particulars included in the financial statements to be misleading or inaccurate.

Michelle O'Brien
Assistant Commissioner

Statement of comprehensive income for the Year Ended 30 June 2012

	Notes	2012 \$'000s	2011 \$'000s
EXPENSES EXCLUDING LOSSES			
Operating Expenses			
Employee related	2	13,586	12,721
Total expenses excluding losses		13,586	12,721
REVENUE			
Personnel services		12,645	12,185
Acceptance by the Crown Entity of employee benefits and other liabilities	3	933	536
Other revenue		8	--
Total revenue		13,586	12,721
Net Result	10	--	--
Other comprehensive income for the year		--	--
TOTAL COMPREHENSIVE INCOME		--	--

The accompanying notes form part of these financial statements



Statement of financial position as at 30 June 2012

	Notes	2012 \$'000s	2011 \$'000s
ASSETS			
Current Assets			
Cash and cash equivalents	4	281	186
Receivables	5	1,209	1,150
Total Current Assets		<u>1,490</u>	<u>1,336</u>
Total Assets		<u>1,490</u>	<u>1,336</u>
LIABILITIES			
Current Liabilities			
Payables	6	290	238
Provisions	7	1,200	1,098
Total Current Liabilities		<u>1,490</u>	<u>1,336</u>
Total Liabilities		<u>1,490</u>	<u>1,336</u>
Net Assets		<u><u>--</u></u>	<u><u>--</u></u>
EQUITY			
Accumulated funds		--	--
Total equity		<u><u>--</u></u>	<u><u>--</u></u>

The accompanying notes form part of these financial statements

Statement of changes in equity for the year ended 30 June 2012

	Accumulated Funds \$'000s	Total \$'000s
Balance at 1 July 2011	--	--
Net result for the year	--	--
Other comprehensive income	--	--
Total comprehensive income for the year	--	--
Balance at 30 June 2012	--	--
Balance at 1 July 2010	--	--
Net result for the year	--	--
Other comprehensive income	--	--
Total comprehensive income for the year	--	--
Balance at 30 June 2011	--	--

The accompanying notes form part of these financial statements



Statement of cash flows

for the year ended 30 June 2012

	Notes	2012 \$'000s	2011 \$'000s
CASH FLOWS FROM OPERATING ACTIVITIES			
Payments			
Employee related		(12,499)	(12,216)
Total Payments		(12,499)	(12,216)
Receipts			
Personnel Services		12,594	12,190
Total Receipts		12,594	12,190
NET CASH FLOWS FROM OPERATING ACTIVITIES			
		95	(26)
Net increase/(decrease) in cash	10	95	(26)
Opening cash and cash equivalents	4	186	212
CLOSING CASH AND CASH EQUIVALENTS	4	281	186

The accompanying notes form part of these financial statements

Notes to and forming part of the Financial Statements for the year ended 30 June 2012

01. Summary of Significant Accounting Policies

(a) Reporting entity

The Police Integrity Commission Division (the Division) is a Division of the Government Service, established pursuant to Part 3 of Schedule 1 to the *Public Sector Employment and Management Act 2002*. It is a not-for-profit entity as profit is not its principal objective. It is consolidated as part of the NSW Total Sector Accounts. It is domiciled in Australia and its principal office is at 111 Elizabeth Street Sydney NSW 2000.

Police Integrity Commission Division's objective is to provide personnel services to the Police Integrity Commission.

The financial statements for the year ended 30 June 2012 has been authorised for issue by the Commissioner for the Police Integrity Commission Division on 27 September, 2012.

(b) Basis of preparation

The Division's financial statements are general purpose financial statements which have been prepared in accordance with:

- applicable Australian Accounting Standards (which include Australian Accounting Interpretations)
- the requirements of the *Public Finance and Audit Act 1983* and Regulation and
- the Financial Reporting Directions published in the Financial Reporting Code for Budget Dependent General Government Sector Agencies or issued by the Treasurer.

Financial items are prepared in accordance with the historical cost convention. However, certain provisions are measured at fair value.

Judgments, key assumptions and estimations management has made are disclosed in the relevant notes to the financial statements.

All amounts are rounded to the nearest one thousand dollars and are expressed in Australian currency.

(c) Statement of Compliance

These financial statements and notes comply with Australian Accounting Standards, which include Australian Accounting Interpretations.

(d) Income recognition

Income is measured at the fair value of the consideration or contribution received or receivable. Additional comments regarding the accounting policies for the recognition of income are discussed below.

(i) Rendering of services

Revenue is recognised when the service is provided or by reference to the stage of completion (based on labour hours incurred to date).

(e) Assets

(i) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These financial assets are recognised initially at fair value, usually based on the transaction cost or face value. Subsequent measurement is at amortised cost using the effective interest method, less an allowance for any impairment of receivables. Any changes are recognised in the net result for the year when impaired, derecognised or through the amortisation process.



Notes to and forming part of the Financial Statements for the year ended 30 June 2012

Short-term receivables with no stated interest rate are measured at the original invoice amount where the effect of discounting is immaterial.

(f) *Liabilities*

(i) *Payables*

Payables include accrued wages, salaries, and related on costs (such as payroll tax, tax and workers' compensation insurance) where there is certainty as to the amount and timing of settlement.

A payable is recognised when a present obligation arises under a contract or otherwise. It is derecognised when the obligation expires or is discharged, cancelled or substituted.

A short-term payable with no stated interest rate is measured at the original invoice amount where discounting is immaterial.

(ii) *Employee benefits and other provisions*

a. **Salaries and Wages, Annual Leave, Sick Leave and On-costs**

Liabilities for salaries and wages (including non-monetary benefits), annual leave and paid sick leave that fall due wholly within 12 months of the reporting date are recognised and measured in respect of employees' services up to the reporting date at undiscounted amounts based on the amounts expected to be paid when the liabilities are settled.

Long term annual leave that is not expected to be taken within twelve months is measured at present value in accordance with AASB 119 Employee Benefits. Market yields on government bonds of 3.04% are used to discount long term annual leave.

Unused non-vesting sick leave does not give rise to a liability as it is not considered probable that sick leave taken

in the future will be greater than the benefits accrued in the future.

The outstanding amounts of payroll tax, workers' compensation insurance premiums and fringe benefits tax, which are consequential to employment, are recognised as liabilities and expenses where the employee benefits to which they relate have been recognised.

b. **Long Service Leave and Superannuation**

The Commission's liabilities for long service leave and defined benefit superannuation are assumed by the Crown Entity. The Commission accounts for the liability as having been extinguished, resulting in the amount assumed being shown as part of the non-monetary revenue item described as "Acceptance by the Crown Entity of employee benefits and other liabilities".

Long service leave is measured on a present value in accordance with AASB 119 *Employee Benefits*. This is based on the application of certain factors (specified in NSW TC 12/06) to employees with five or more years of service, using current rates of pay. These factors were determined based on an actuarial review to approximate present value.

The superannuation expense for the financial year is determined by using the formulae specified in the Treasurer's Directions. The expense for certain superannuation schemes (ie Basic Benefit and First State Super) is calculated as a percentage of the employees' salary. For other superannuation schemes (ie State Superannuation Scheme and State Authorities Superannuation Scheme), the expense is calculated as multiple of the employees' superannuation contribution.

Notes to and forming part of the Financial Statements for the year ended 30 June 2012

c. Other Provisions

Other provisions exist when the Commission has a present legal, equitable or constructive obligation as a result of a past event; it is probable that an outflow of resources will be required to settle the obligation; and a reliable estimate can be made of the amount of the obligation.

Any provisions for restructuring are recognised only when an entity has a detailed formal plan and the entity has raised a valid expectation in those affected by the restructuring that it will carry out the restructuring by starting to implement the plan or announcing its main features to those affected.

(g) *New Australian Accounting Standards issued but not yet effective*

The Commission is of the opinion that the following new Australian Accounting Standards issued but not effective would not have significant impact on its financial statements. The standards apply to annual reporting periods beginning on or after 1 July 2012.

- AASB 9 & AASB 2010-7 Amendments to Australian Accounting Standards regarding financial instruments (effective 2013/14).
- AASB 10 Consolidated Financial Statements (effective 2013/14)
- AASB 12 Disclosure of Interest in Other Entities (effective 2013/14)
- AASB 13 & AASB 2011-8 Amendments to Australian Accounting Standards regarding fair value measurement (effective 2012/13)
- AASB 119, AASB 2011-10, AASB 2011-11 Amendments to Australian Accounting Standards regarding employee benefits (effective 2013/14)
- AASB 127 Separate Financial Statements (effective 2013/14)
- AASB 1053, AASB 2010-2 Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements (effective 2013/14)
- AASB 2010-10 Amendments to Australian Accounting Standards regarding removal of fixed dates for first-time adopters (effective 2013/14)
- AASB 2011-2 Amendments to Australian Accounting Standards arising from the Trans-Tasman Convergence Project – Reduced disclosure requirements (effective 2013/14)
- AASB 2011-3 Amendments to Australian Accounting Standards – Orderly adoption of changes to the ABS GFS Manual (effective 2012/13)
- AASB 2011-4 Amendments to Australian Accounting Standards – Removing individual key management personnel disclosures (effective 2013/14)
- AASB 2011-6 Amendments to Australian Accounting Standards – Extending relief from consolidation, the equity method and proportionate consolidation – Reduced disclosure requirements (effective 2013/14)



Notes to and forming part of the Financial Statements for the year ended 30 June 2012

- AASB 2011-9 Amendments to Australian Accounting Standards – Presentation of items of other comprehensive income (effective 2013/14)
- AASB 2011-13 Amendments to Australian Accounting Standards regarding improvements to AASB 1049 and GAAP/ GFS harmonisation (effective 2012/13)

Notes to and forming part of the Financial Statements for the year ended 30 June 2012

02. Expenses Excluding Losses

	2012 \$'000s	2011 \$'000s
(a) Employee related expenses		
Salaries and wages (including recreation leave)	10,766	10,537
Redundancies	113	--
Superannuation–defined benefit plans	104	93
Superannuation–defined contribution plans	984	890
Long Service Leave	824	438
Workers' compensation insurance	108	88
Payroll tax	687	645
Other	--	30
	13,586	12,721

For the 2011/12 financial year the audit fee for auditing the Division is included in the PIC audit fee. The estimated cost to audit the Division is \$5,000.



Notes to and forming part of the Financial Statements for the year ended 30 June 2012

03. Revenue

Acceptance by the Crown Entity of employee benefits and other liabilities

The following liabilities and / or expenses have been assumed by the Crown Entity or other government agencies:

	2012 \$'000s	2011 \$'000s
Superannuation–defined benefit plans	104	93
Long Service Leave	824	438
Payroll tax on superannuation	5	5
	933	536
Other revenue – insurance claim receipts	8	--
	8	--

04. Current Assets – Cash and Cash Equivalents

	2012 \$'000s	2011 \$'000s
Cash at bank	281	186
	281	186

05. Current Assets – Receivables

	2012 \$'000s	2011 \$'000s
Personnel services	1,209	1,150
	1,209	1,150

Notes to and forming part of the Financial Statements for the year ended 30 June 2012

06. Current Liabilities – Payables

	2012 \$'000s	2011 \$'000s
Employee benefits and related on-costs		
Accrued salaries and wages	290	238
	290	238

07. Current/Non-Current Liabilities – Provisions

	2012 \$'000s	2011 \$'000s
Employee benefits and related on-costs		
Recreation leave	725	766
Long service leave on-cost*	436	290
Payroll tax	39	42
	1,200	1,098
 *Long service leave on-cost		
Current payable within 12 months	414	275
Non-current payable after 12 months	22	15
	436	290

The full value of recreation leave is classified as current and is expected to be taken within 12 months. The Commission proactively manages recreation leave with all staff encouraged to take their full entitlement each year.

08. Contingent Liabilities and Contingent Assets

As at the reporting date, the Division is not aware of any contingent liabilities and contingent assets that will materially affect its financial position (2011: nil).

09. Commitments for Expenditure

As at the reporting date, the Division does not have any commitments (2011: nil).



Notes to and forming part of the Financial Statements for the year ended 30 June 2012

10. Reconciliation of Cash Flows from Operating Activities to Net Result

	2012 \$'000s	2011 \$'000s
Net cash used in operating activities	95	(26)
Decrease/(increase) in provisions	(102)	53
Increase/(decrease) in prepayments and other assets	59	(5)
Decrease/(increase) in creditors	(52)	(22)
Net result	<u> --</u>	<u> --</u>

11. Financial Instruments

The Division's principal financial instruments are outlined below. These financial instruments arise directly from the Division's operations or are required to finance the Division's operations. The Division does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

The Division's main risks arising from financial instruments are outlined below, together with the Division's objectives, policies and processes for measuring and managing risk. Further quantitative and qualitative disclosures are included throughout this financial statement.

The Commissioner has overall responsibility for the establishment and oversight of risk management and reviews and agrees policies for managing each of these risks. Risk management policies are established to identify and analyse the risks faced by the Division, to set risk limits and controls and to monitor risk. Compliance with policies is reviewed by the Commission's Internal Audit and Risk Committee.

(i) Financial instrument categories

Financial Assets	Note	Category	Carrying Amount	Carrying Amount
Class:			2012 \$'000	2011 \$'000
Cash and cash equivalents	4	N/A	281	186
Receivables ¹	5	Loans and receivables (at amortised cost)	1,200	1,150

Financial Liabilities	Note	Category	Carrying Amount	Carrying Amount
Class:			2012 \$'000	2011 \$'000
Payables ²	6	Financial liabilities– Measured at amortised cost	275	226

¹ Excludes statutory receivables and prepayments (i.e. not within scope of AASB 7)

² Excludes statutory payables and unearned revenue (i.e. not within scope of AASB7)

Notes to and forming part of the Financial Statements for the year ended 30 June 2012

(ii) Credit Risk

Credit risk arises when there is a possibility of the Division's debtors defaulting on their contractual obligations, resulting in a financial loss to the Division. The maximum exposure to credit risk is generally represented by the carrying amount of the financial assets (net of any allowance for impairment).

Credit risk arises from the financial assets of the Division, including cash and receivables. No collateral is held by the Division. The Division has not granted any financial guarantees.

Credit risk associated with the Division's financial assets, other than receivables is managed through the selection of counterparties and establishment of minimum credit rating standards. Authority deposits held with NSW TCorp are guaranteed by the State.

Cash

Cash comprises cash on hand and bank balances within the NSW Treasury Banking System. Interest is earned on daily bank balances at the monthly average NSW Treasury Corporation (TCorp) 11am unofficial cash rate, adjusted for a management fee to NSW Treasury.

Receivables – trade debtors

All trade debtors are recognised as amounts receivable at balance date. Collectibility of trade debtors is reviewed on an ongoing basis. Procedures as established in the Treasurer's Directions are followed to recover outstanding amounts, including letters of demand. Debts which are known to be uncollectible are written off. An allowance for impairment is raised when there is objective evidence that the entity will not be able to collect all amounts due. This evidence includes past experience, and current and expected changes in economic conditions and debtor credit ratings. No interest is earned on trade debtors. Sales are made on 14 day terms.

The Division is not materially exposed to concentrations of credit risk to a single trade debtor or group of debtors. Based on past experience, debtors that are not past due (2012 nil, 2011 nil) and less than 3 months past due (2012 nil, 2011 nil) are not considered impaired and together these represent 100% of total trade debtors. No provision for doubtful debts has been made as all amounts are considered to be collectable.

The only financial assets that are past due or impaired are 'sales of goods and services' in the 'receivables' category of the statement of financial position.

	Total ^{1, 2} \$'000	Past due but not impaired ^{1, 2} \$'000	Considered impaired ^{1, 2} \$'000
2012			
<3 months overdue	--	--	--
3 months - 6 months overdue	--	--	--
>6 months overdue	--	--	--
2011			
<3 months overdue	--	--	--
3 months - 6 months overdue	--	--	--
>6 months overdue	--	--	--

¹ Each column in the table reports 'gross receivables'.

² The ageing analysis excludes statutory receivables, as these are not within the scope of AASB 7 and excludes receivables that are not past due and not impaired. Therefore, the 'total' will not reconcile to the receivables total recognised in the statement of financial position.



Notes to and forming part of the Financial Statements for the year ended 30 June 2012

(iii) Liquidity risk

Liquidity risk is the risk that the Division will be unable to meet its payment obligations when they fall due. The Division continuously manages risk through monitoring future cash flows and planning to ensure adequate holdings of liquid assets. The Division does not have a bank overdraft facility.

During the current and prior years, there were no defaults of loans payable. No assets have been pledged as collateral. The Division's exposure to liquidity risk is deemed insignificant based on prior periods' data and current assessment of risk.

The liabilities are recognised for amounts due to be paid in the future for goods or services received, whether or not invoiced. Amounts owing to suppliers (that are unsecured) are settled in accordance with the policy set out in NSW TC 11/12. For small business suppliers, where terms are not specified, payment is made not later than 30 days from date of receipt of a correctly rendered invoice. For other suppliers, if trade terms are not specified, payment is made no later than the end of the month following the month in which an invoice or statement is received. For small business suppliers, where payment is not made within the specified time period, simple interest must be paid automatically unless an existing contract specifies otherwise. For payments to other suppliers, the Commissioner (or a person appointed by the Commissioner) may automatically pay the supplier simple interest. No interest was applied during the year.

The table below summaries the maturity profile of the Division's financial liabilities, together with the interest rate exposure.

Maturity analysis and interest rate exposure of financial liabilities

	Average Interest rate %	Variable Interest rate \$'000	Less than 1 year \$'000	1 to 5 years \$'000	More than 5 bearing \$'000	Non interest \$'000	Total \$'000
2012							
Accrued salaries, wages and on-costs	--	--	--	--	--	290	290
Creditors	--	--	--	--	--	--	--
						290	290
2011							
Accrued salaries, wages and on-costs	--	--	--	--	--	238	238
Creditors	--	--	--	--	--	--	--
						238	238

(iv) Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The Divisions exposure to market risk is primarily through interest rate risk. The Division has no exposure to foreign currency risk and does not enter into commodity contracts.

The effect on profit and equity due to a reasonably possible change in risk variable is outlined in the information below for interest rate risk. A reasonably possible change in risk variable has been determined after taking into account the economic environment in which the Division operates and the time frame for the

Notes to and forming part of the Financial Statements for the year ended 30 June 2012

assessment (i.e. until the end of the next annual reporting period). The sensitivity analysis is based on risk exposures in existence at the statement of financial position date. The analysis is performed on the same basis as for 2011. The analysis assumes that all other variables remain constant.

Interest rate risk

Exposure to interest rate risk arises primarily through interest bearing liabilities. The Division does not account for any fixed rate financial instruments at fair value through profit or loss or as available-for-sale. Therefore, for these financial instruments, a change in interest rates would not affect profit or loss or equity. A reasonably possible change of +/- 1% is used, consistent with current trends in interest rates. The basis will be reviewed annually and amended where there is a structural change in the level of interest rate volatility. The Division's exposure to interest rate risk is set out below.

	Carrying Amount %	Interest rate risk			
		-1%		1%	
		Profit \$'000	Equity \$'000	Profit \$'000	Equity \$'000
2012					
Financial assets					
Cash and cash equivalents	281	(3)	(3)	3	3
2011					
Financial assets					
Cash and cash equivalents	186	(2)	(2)	2	2

(v) Fair Value

The amortised cost of financial instruments recognised in the statement of financial position approximates the fair value, because of the short-term nature of many of the financial instruments.

12. Events After the Reporting Period

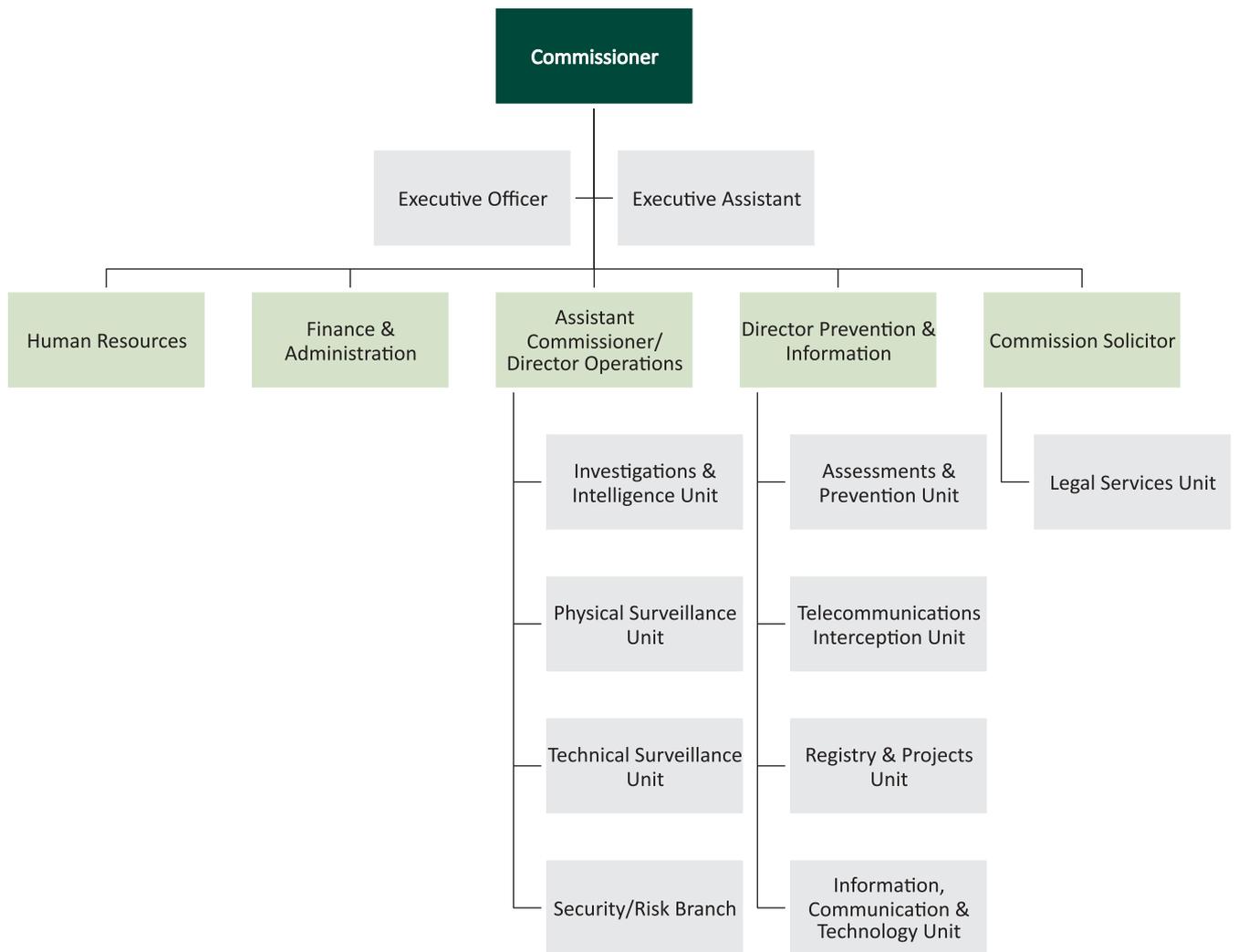
There have been no significant events after the reporting period which would materially affect these statements.

End of audited financial statements



APPENDIX 9

Organisational Structure



APPENDIX 10

Directory, Publications and Printing Requirements

Directory

Address		Postal Address	Website
Level 3, 111 Elizabeth Street SYDNEY NSW 2000		GPO Box 3880 SYDNEY NSW 2001	www.pic.nsw.gov.au
Telephone Inquiries		Office Hours	
Telephone:	(61 2) 9321 6700	8.30am – 5.00pm	
Freecall:	1800 657 079		
Facsimile:	(61 2) 9321 6799		

Publications

The Commission's publications fall into the following categories:

- reports to Parliament following an investigation which involved public hearings (section 96(2) of the *Police Integrity Commission Act 1996*)
- Special Reports to Parliament on any administrative or general policy matter relating to the functions of the Commission (section 98)
- Annual Reports and
- brochures concerning the making of a complaint in regard to serious police misconduct.

A full list of publications available to the public is posted on the Commission's website.

The following publications were released by the Commission during 2011–12:

Publication Name	Publication Date
Special Report to Parliament pursuant to Section 98 of the Police Integrity Commission Act Regarding Complaints Reports by the Inspector of the Police Integrity Commission.	11 October 2011

Annual Report Costs

Total External Costs: \$15,180.30 (including design and printing costs)



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Address:

L3, 111 Elizabeth Street
Sydney NSW 2000

Postal Address:

GPO Box 3880
Sydney NSW 2001

Website:

www.pic.nsw.gov.au

Telephone Enquiries:

Telephone: 02 9321 6700
Freecall: 1800 657 079
Facsimile: 02 9321 6799

Office Hours:

8.30am - 5.00pm