



Police Integrity Commission

Annual Report
2006/07





ABN 22 870 745 340

The Hon Peter Primrose MLC
President
Legislative Council
Parliament House
SYDNEY NSW 2000

The Hon Richard Torbay MP
Speaker
Legislative Assembly
Parliament House
SYDNEY NSW 2000

Dear Mr President and Mr 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 2007.

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

John Pritchard
Commissioner

October 2007

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The 2006-2007 reporting year coincides with the tenth year of operation of the Police Integrity Commission. It was a year also characterised by change, review and achievement.

A major change was the completion in October 2006 of the five year term for Terry Griffin as Commissioner and the commencement of my term. I take this opportunity to thank Terry for his efforts and contribution to the Commission which included a significant part of the 2006-2007 reporting year.

In November 2006 the NSW Parliamentary Committee on the Office of the Ombudsman and the Police Integrity Commission (Parliamentary Committee) published its report on the Ten Year Review of the Police Oversight system in New South Wales. The report acknowledged the importance of the Commission's role as an independent oversight agency targeting police misconduct and police corruption and recommended that the Commission continue in its current form. Strong support for the work and role of the Commission was demonstrated during the course of the Parliamentary Committee's inquiry by interested parties and stakeholder agencies alike.

During the reporting period amendments to the *Police Integrity Commission Act 1996 (Act)* commenced which broadened its jurisdiction to include the investigation, referral and oversight of complaints against members of the New South Wales Police force (NSWPF) who are not sworn police officers (i.e. administrative officers). These amendments followed on from earlier changes to the *Independent Commission Against Corruption Act 1988* which initially sought to transfer jurisdiction for investigating allegations of misconduct by non sworn officers to the Commission.

Changes to the Act dealing with the categorisation of complaints as part of a wider package of reforms designed to streamline the police complaints system also commenced.

For the organisation, there were minor changes to structure and internal governance arrangements designed to achieve greater efficiencies and more effective alignment of functions.

Throughout 2006-2007 the Commission continued to produce a high standard of work making full use of its suite of investigative and research capabilities. The year also continued to be a busy one. During the reporting year the Commission was involved in 55 different investigations. Of these 30 matters remain on-going at the end of the reporting period. The Commission also received and assessed 1201 complaints, a slight increase from the previous reporting period when 1141 complaints were received. Of this number 656 complaints were classified as Category 1 complaints being of a more serious kind of allegation. There were also four days of public hearings in relation to two investigations and 38 private hearings in relation to seven investigations.

In December 2006 the Commission published its Operation Banff investigation report into the events surrounding the disappearance from a Sydney hospital of a blood sample taken from the then Supreme Court Justice Jeffrey Shaw QC, following a motor vehicle accident.

In the report the Commission expressed the opinion that Mr Shaw engaged in misconduct. The Commission also recommended that consideration be given to prosecuting him for doing an act with intent to pervert the course of justice and knowingly giving false evidence in a Commission hearing.

The Office of the Director of Public Prosecutions recently advised the Commission that there was no basis for Mr Shaw to be prosecuted for these offences.

In August 2006 the Commission concluded public hearings as part of Operation Rani inquiring into the police investigation into the disappearance and suspected murder of Janine Vaughan in Bathurst in December 2001. Preparation of the investigation report has been well advanced during the year and will be presented to Parliament in the second half of 2007.

In June 2007 the Commission held public hearings as part of Operation Mallard investigating allegations that NSWPF officers engaged in serious police misconduct in connection with the investigation of a sexual assault made to Waverley Police in November 2004. The general scope and purpose of the hearings was also amended to examine allegations of confidential police information being released to non police persons. The Commission's investigation report for Operation Mallard will be presented to NSW Parliament in the second half of 2007.

The Commission also continued its important activities in the area of prevention and research. This involved both collaborative works with the NSWPF and other agencies as well as its own initiatives directed to building corruption resistance within the NSWPF.

Most notably was the detailed assessment undertaken of the management of misconduct risks by the NSWPF Counter Terrorist Co-ordination Command now known as the Anti-Terrorism and Security Group. In September 2006 the Commission completed its assessment and provided a copy in the form of a submission to the Parliamentary Committee which was undertaking its own inquiry into scrutiny of NSWPF counter terrorism and other powers. The Commission will be further involved in monitoring the NSWPF's response to its assessment and the related recommendations of the Parliamentary Committee's own report throughout the next reporting period.

Other misconduct prevention initiatives commenced by the Commission during the year include projects focusing on strategies to identify and manage misconduct risks by individual local and specialised commands and management of problem or "high risk" officers. Work on these projects will continue in the year ahead and will be reported on in the next Annual Report.

The year ahead will also see the Commission settle its corporate plan setting out its strategic direction for the period up to 2011.

In the ten plus years since its establishment the Commission has witnessed significant change in the nature and extent of police misconduct. This has coincided with positive change within the NSWPF as an organisation in its approach and response to handling and investigating complaints of misconduct within its ranks. The challenge for the Commission remains that it positions itself to identify and act on emerging corruption and misconduct issues by properly utilising the resources available to it.

On a final note I would like to thank Commission staff for making the transition from one Commissioner to the next smooth and seamless. The cycle associated with a change in Commissioner every five years can be an unsettling one. Not only has the staff of the Commission made me feel welcome but the efforts and achievements of the Commission are a reflection of its professionalism and dedication.



John Pritchard
Commissioner

It was noted in the Commission's 2005-06 Annual Report that work on the Commission's Corporate Plan and Performance Measurement Framework for the period 2007-2011 had commenced. This work was subsequently deferred to provide an opportunity for the new Commissioner to lead the planning process. The Commission's performance is therefore measured and reported in this Annual Report, as in previous years, in the context of the Corporate Plan and Performance Measurement Framework 2003-2006.

Performance measurement for the Commission has been an evolving process. Much has been learned since the Commission's first attempt at results based performance measurement in the current Plan. In this report, as with those which preceded it, measures were modified to provide a more accurate reflection of performance or set aside when found to be less useful. The Commission will build on this experience in its planning for 2007-2011 to improve on the quality of measures.

OUR VISION

Confidence in the integrity of the NSWPF.

OUR MISSION

To be an effective agent in the reduction of serious police misconduct.

OUR VALUES

We value:

- integrity
- our independence
- accountability
- our staff
- continuous improvement

OUR BUSINESS

Our business is:

- to detect and expose serious police misconduct
- to deter police from engaging in serious misconduct
- to oversight or review certain police activities
- to make recommendations for reform in the NSWPF

and by these actions prevent serious police misconduct and assure the community that there is vigilant oversight of police in New South Wales.

OUR CHARTER

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

The Act sets out the principal functions and powers of the Commission in s13. The principal functions of the Commission can be summarised briefly as preventing, detecting and investigating serious police misconduct and managing or overseeing other agencies in the detection and investigation of serious police misconduct and other police misconduct (as it sees fit).

Other functions of the Commission described in the Act relate to police activities and education programs (s14) and the collection of evidence and information (s15).

Details of relevant legislative changes made during the reporting year are presented in Appendix 3 - Legislative Matters and Law Reform.

OUR OBJECTIVES

The objectives detailed below reflect the three key reference points for our work and guide the Commission in achieving results in seven outcome areas. Details on Commission strategies, outputs, outcomes, and associated performance measures, are contained in the Commission's current Corporate Plan and Performance Measurement Framework which is available directly from the Commission or from the Commission's website

OBJECTIVE 1

Effective Deterrence

To contribute to the effective deterrence of serious police misconduct

OBJECTIVE 2

Ongoing Reform

To ensure the development and provision of high quality advice on police reform

OBJECTIVE 3

Improved Assurance

To improve the level of assurance in the community of NSW that there is vigilant oversight of police

OUTCOME AREAS

- identification
- exposure
- clarification
- addressing serious police misconduct
- awareness
- improvements in practices
- improvements in investigations

PERFORMANCE MEASURES

The Commission measures and reports on performance in terms of the seven outcome areas listed above. The performance measures, targets and results for the reporting period are described in the Performance Overview section that follows.

IDENTIFICATION OUTCOMES**Identification of aspects of the nature and extent of, opportunities for, factors contributing to, and evidence of, serious police misconduct**

There were 55 full investigations open during the year, including 17 major¹ investigations. There were 25 investigations concluded during the year.

A s96(2) report was released to Parliament in December 2006 on the outcomes of Operation Banff, an investigation into the conduct of officers and others in events arising from a motor vehicle accident. The report recommended prosecution be considered for the driver of the vehicle for the removal of a blood vial from a hospital.

The Commission referred a brief of evidence to the Office of the Director of Public Prosecutions (DPP) and recently received advice that there was no basis to commence a prosecution.

In September 2006, the Commission made a submission to the NSW Parliamentary Committee on the Office of the Ombudsman and the Police Integrity Commission inquiry: *Scrutiny of NSW Police Counter Terrorism and Other Powers*. This submission, based on the Commission's research into the nature and management of misconduct risks faced by officers in the Counter Terrorist Coordination Command (CTCC), concluded that while officers working in this unit faced similar risks of misconduct to those working in other commands, there were also unique risks associated with their special role. The Commission recommended that at these special risks be identified and documented at the corporate and Command level and that the NSWPF impose specific monitoring of the practices and procedures used by the CTCC to manage specified risks.

Further details on these matters are included in the Summary Review of Operations in Section 5.

Measures**Target Result****Output Measure**

1:0.8

1:1.5

Ratio of the number of opportunities for police misconduct identified in Commission reports, to the number of recommendations

¹ Investigations involving sustained use of resources: more than one investigator full time and the use of special powers and physical and/or electronic surveillance during the year.

EXPOSURE OUTCOMES

Exposure of aspects of the nature and extent of opportunities for, and factors contributing to, serious police misconduct

Public hearings were conducted for two out of 17 (12%) major investigations that were open during the reporting year. There was a total of four days of public hearings during which evidence was given in Operations Rani and Mallard.

The reduced number of public hearing days over the last two years can be accounted for by the nature of the investigations on foot, the majority of which were suited to the establishment of evidence through means other than public hearings. Details of a number of the Commission's investigations can be found in the Summary Review of Operations in Section 5.

Operation Mallard commenced in 2005 following allegations that a senior police officer inappropriately involved himself in the investigation of an alleged sexual assault, and subsequently, in the release of confidential Police information. Public hearings were conducted during May and June of 2007.

In 2005, allegations were made to the Commission that a former NSWPF officer may have been involved in the disappearance and suspected murder of a woman in Bathurst. Operation Rani commenced in September 2005 to investigate these and related allegations concerning the conduct of the police involved in the investigation of the woman's disappearance.

The Commission held public hearings in Orange and Sydney in June and August 2006. As a result of publicity in relation to this investigation a number of people came forward to the Commission with information. The Commission disseminated this information to the NSWPF who established Strike Force Mountbatten to continue the investigation into the woman's disappearance. SF Mountbatten's inquiries continue.

In addition, as noted earlier, in September 2006, the Commission made a submission to the NSW Parliamentary Committee on the Office of the Ombudsman and the Police Integrity Commission inquiry: *Scrutiny of NSW Police Counter Terrorism and Other Powers*.

Further information on these investigations and projects are detailed in Summary Review of Operations in Section 5.

Public hearings were conducted, or reports issued, in respect of 3 (18%) out of 17 major investigations underway during the year.

There were a total of 38² private hearings for Operations Mallard, Rani and five other major investigations during the year, compared with 40 and 34 days in 2005-2006 and 2004-2005 respectively.

Measures	Target	Result
Output Measure: Ratio of the number of opportunities for police misconduct identified in Commission reports, to the number of recommendations made for corrective action	1:0.8	1:1.5
Output Measure: Proportion of major investigations for which public hearings are conducted and/or a report issued.	30%	18%
Output Measure: Number of public hearing days.	40 days	4 days

² The average duration of a private hearing is 2.25 hours.

CLARIFICATION OUTCOMES

Clarification of circumstances surrounding matters where serious police misconduct has been alleged

The Commission usually assesses its performance in the context of this outcome area by obtaining feedback on an appropriate report. This feedback is provided by an external panel of Chief Executives from peer organisations. Reports selected for review are those that predominantly seek to clarify the circumstances surrounding matters where serious police misconduct has been alleged. In such circumstances performance measurement by the usual means (proportion of recommendations accepted for prosecutions, managerial action, or improvements in practices) may not be appropriate.

This outcome area, and the means by which the Commission's performance is assessed and reported more broadly, will be reviewed as part of planning processes mentioned at the beginning of this section. No external review was undertaken for this reporting period.

ADDRESSING SERIOUS POLICE MISCONDUCT OUTCOMES

Serious police misconduct which has been identified is addressed

Three officers were dismissed from the NSWPF pursuant to s181D of the *Police Act 1990* (Commissioner's confidence provisions) following Operations Acer, Avillia and Sandvalley. A further three officers identified in Operations Juniper and Whistler are also being considered for removal under s181D. In each case decisions are yet to be finalised regarding possible removal. A further two officers were referred to NSWPF for consideration for s181D dismissal during the reporting year following Operations Norsca and Salzburg.

Managerial action has been taken by NSWPF in relation to four officers as a result of Commission recommendations following Operation Whistler. Action in respect of a further officer is pending. NSWPF will also consider managerial action against one officer as a result of Operation Mercury subject to the officer concerned returning from sick leave. A further officer previously being considered for managerial action arising from Operations Cobalt and Rustin has since been medically discharged.

Investigations resulted in briefs of evidence for 8 persons with a possible 30 charges being referred to the Office of the Director of Public Prosecutions (DPP) in the reporting period.

Decisions were taken by the State and Commonwealth DPP in 2006-07 in relation to a total of 7 persons involving 19 recommended charges³. Proceedings have been approved against five⁴ persons involving 17 charges (71% of referred persons and 89% of recommended charges). Submissions against a further 13 persons involving 78 charges are awaiting determination by the DPP.

Details of managerial action and prosecutions arising from a number of major investigations are contained in the Summary Review of Operations. The details of current prosecutions arising from Commission, and related, investigations are contained in Appendix 5.

As noted in last years report, proceedings under the *Criminal Assets Recovery Act 1990* arising from Operation Alpine resulted in orders being made in the NSW Supreme Court in August 2006 for a former officer to pay \$14,300 to the State. Proceedings against another officer identified in Operation Alpine are ongoing.

During the year Commission staff participated in a total of 30 education / prevention sessions or made special presentations to NSWPF officers relating to education and prevention.

Measures	Target	Result
Outcome Measure: The proportion of recommendations relating to potential criminal charges which proceed to prosecution.	80%	89%
Outcome Measure: The proportion of recommendations relating to managerial action that are accepted by NSWPF ⁵ .	80%	100%
Outcome Measure: Success rate for confiscation proceedings under the Criminal Assets Recovery Act 1990.	1:1	1:1
Output Measure: Number of participations/ representations in education or prevention programs/ seminars/ presentations/ reviews/ discussion panels.	N/A	30

³ This includes matters where briefs were sent in previous reporting periods (i.e. prior to 2006-2007)

⁴ The Commission's policy, when referring briefs to the DPPs for consideration of criminal charges, is to refer all matters where there is prima facie evidence of the commission of an offence. The DPPs then take into account a range of considerations, in accordance with their prosecution guidelines, when coming to a decision whether to proceed or not.

⁵ Includes managerial action which arises as a direct result of Commission investigations but prior to release of a final report (where applicable) and therefore prior to formal recommendation for managerial action.

AWARENESS OUTCOMES

Increased community and other stakeholder awareness of the nature and extent of aspects of, opportunities for, and factors contributing to, serious police misconduct

As noted, two reports were released during the reporting year. A s96(2) report which contained the Commission's findings and recommendations arising from Operation Banff, and an Assessment of the *Management of Misconduct Risks by the NSW Police Counter Terrorism Coordination Command*. These reports are described in more detail in the Summary Review of Operations in section 5.

The increase reported last year in the number of documents downloaded from the Commission's website continued during the current period, with the figure for 2006-2007 increasing a further 37%. However, the number of reports downloaded remained constant in the month immediately following the release of a Commission report. The Commission considers an increase in downloads following the release of a report as an indication of public awareness of the Commission and its activities. Reasons for little variation in the months following the release of a report are unclear. The rate of downloading of earlier Commission reports remained consistently high throughout the year.

These figures reinforce the view that accessibility to Commission reports by way of the Internet continues to be one of the best ways to increase public awareness of organisational performance.

References to the Commission in the media were significantly higher in this reporting period, at 2712 total media items compared to 1251 in the previous period. Examination of the figures shows that the number of references in the print media has remained relatively steady since last reported while the biggest increase was in radio coverage, particularly in syndicated programming.

The rate at which Category 1 complaints were

made directly to the Commission is commonly around the target of 30%. The figures recorded for each of the preceding two years were 29% (2004-2005), 28% (2005-2006). In this reporting period there was a marked increase to 34% reflecting an increase in the overall number of both Category 1 and 2 non-referred complaints made directly to the Commission during the year (13% to 515) while the number of referred complaints remained steady.

The figures below reflect a strong level of continuing community interest in understanding both the work and, the role and functions of the Commission.

Measures	Target	Result
Outcome Measure: Outcome Measure: Number of references in media to Commission investigations / projects.	1500	2712
Outcome Measure: Proportion of Category 1 complaints which are made directly to the Commission.	30%	34%
Outcome Measure: Ratio of number of Commission reports downloaded from the Commission's website following public release to the annual average of reports downloaded.	1.5:1	1:1
Output Measure: Number of public hearing days.	40 days	4 days

⁶ Further discussion on the distinction between 'referred' and 'non-referred', and, Category 1 and Category 2 complaints can be found in Section 7: Complaints Activity

IMPROVEMENTS IN PRACTICES OUTCOMES

Improvements in the NSWPF systems, practices and standards to reduce opportunities for serious police misconduct

The Commission's *Assessment of the Management of Misconduct Risks by the NSW Police Counter Terrorism Coordination Command* contained specific recommendations for improvements to systems and practices. The assessment concluded that there were unique risks associated with the special role of the Command. The assessment recommended that these risks be identified and documented at the corporate and Command level, and that the NSWPF monitor the practices and procedures used by the Command to manage these unique risks.

Further details in regard to this assessment can be found in the Summary Review of Operations in Section 5.

During the reporting period, the Commission received responses to five recommendations in respect of the CTCC Project. All five (100%) were accepted, or supported with a satisfactory variation. Liaison continues in regard to the implementation of these recommendations. Further progress will be reported next year.

During the reporting period, the NSWPF also provided advice on the implementation of recommendations arising from Operations Abelia. A total of 13 recommendations were implemented during the period.

Measures	Target	Result
Outcome Measure: Proportion of recommendations relating to law reform and improvements in the practices of the NSWPF or other relevant agencies that are accepted.	80%	100%
Outcome Measure: Proportion of recommendations relating to law reform and improvements in the practices of the NSWPF or other relevant agencies that are accepted.	N/A	13
Output Measure: Ratio of the number of opportunities or factors contributing to serious police misconduct identified to the number of recommendations for improvement made.	1:1	1:1.5
Output Measure: Proportion of recommendations for improvements in practices of the NSWPF where consultation has occurred.	80%	100%

IMPROVEMENTS IN INVESTIGATIONS OUTCOMES

Improvements in the quality of investigations by police into serious police misconduct

The Commission has an ongoing role in monitoring the quality of NSWPF investigations into serious police misconduct. The Commission has, in the past, taken two main approaches to fulfilling this role:

- the oversight of specific investigations, making recommendations for improvements, where appropriate, and
- the conduct of the Dresden projects⁷

Statistical details on the complaint investigations oversighted by the Commission can be found in Section 7: Complaints Activity.

The Dresden audits were deferred pending the removal of the distinction between complaints based on offence type alone (see Section 7: Complaints Activity and Appendix 3: Legislative Matters and Law Reform). The Commission retains an interest in the NSWPF performance in managing the overall quality of complaint investigations, as distinct from oversighting individual cases, however, a further Dresden Project is not contemplated at this time. Copies of the previous Dresden Project reports are available from the Commission's website.

Measures	Target	Result
Outcome Measure: Proportion of recommendations relating to law reform and improvements in the practices of the NSWPF or other relevant agencies that are accepted.	80%	100%
Output Measure: Number of special audits of the quality of investigations by police into serious police misconduct	1 per 3 years	N/A
Output Measure: Proportion of investigations included in the sample used for special audits of the quality of investigations by police into serious police misconduct.	25%	N/A

⁷ The Dresden Projects were two audits of the quality of a large sample of complaint investigations completed by NSWPF. The Dresden and Dresden 2 Reports are available from the Commission's website.

PLANS FOR 2007-2008

Key aspects of the Commission's program to achieve planned performance outcomes for the next reporting year are as follows:

- The Commission will finalise its strategic directions and publish its Corporate Plan & Performance Measurement Framework for 2007-2011.
- Investigations will be completed and reports are expected to be presented to Parliament in respect of Operations Rani and Mallard.
- Objective criteria will be used to select new investigations consistent with the Commission's strategic direction.
- As applicable, the Commission will consider NSWPF policies and management practices which provide opportunities for minimising serious police misconduct in the course of investigations.
- As appropriate, hearings will be held to expose and deter serious police misconduct and to facilitate community and stakeholder awareness of the nature of serious police misconduct.
- The Commission will progress research with an emphasis on prevention including Project Manta, which focuses on managing misconduct risks by individual NSWPF commands and Project Odin, a project in relation to the identification and management of problem police officers. The Commission will also progress its research in relation to early intervention systems.
- New projects will aim to optimise the use of the Commission's resources with improved linkages between research and investigations. Project selection criteria will be used to maintain the strategic focus of the Commission's program.
- The Commission will work to improve organisational effectiveness through an emphasis on leadership, accountability, equity, a unified approach to training and development, and, through sharing relevant knowledge.

This section of the Annual Report contains details of the principal officers of the Commission and of the accountability framework established to monitor and review certain Commission activities.

Following the commencement of the term of a new Commissioner in October 2006 there were some changes to the internal governance arrangements within the Commission.

Essentially the Commission has two major groups that monitor and direct the operations and business of the Commission.

The Operations Advisory Group (OAG) provides oversight and strategic direction for the Commission's investigative, detection and preventive operations. It meets regularly (usually every two to three weeks) and is comprised of the following positions:

- Commissioner (Chair) – Mr John Pritchard⁸
- Director Operations – Mr Andy Nattress
- Director Intelligence and Executive Services – Mr Allan Kearney
- Solicitor to the Commission/Manager Legal Services Unit – Ms Michelle O'Brien

The OAG may seek the advice of other staff when it considers it appropriate.

The composition of the OAG has changed from the previous reporting year with the addition of the Solicitor to the Commission/Manager Legal Services Unit.

The Management Advisory Group (MAG) assists the Commissioner in managing the organisation, in developing corporate strategies and to select and oversee the major corporate projects undertaken by the Commission in line with corporate priorities, objectives and statutory responsibilities. It meets every month and is comprised of the following positions:

- Commissioner (Chair)
- Director of Operations
- Director Intelligence and Executive Services
- Solicitor to the Commission/Manager Legal Services Unit
- Manager, Finance and Administration – Mr Ian McDonald
- Information Manager – Ms Julie Wynn
- Executive Officer – Mr John Renshaw

Secretariat support is provided by the Executive Assistant to the Commissioner.

The MAG also sits as the Budget Committee and, with the addition of the Manager IC&T (Mr Bill Sharpe), as the Information Technology Governance Committee (ITGC). Meetings of these two committees are held every alternating fourth MAG meeting.

Both the OAG and the MAG have charters detailing, amongst other things, their respective roles, functions and processes.

⁸ The names of officers are included in the list of members of internal groups and committees only where their positions first appear in this report

THE PARLIAMENTARY COMMITTEE

The functions of the NSW Parliamentary Committee on the Office of the Ombudsman and the Police Integrity Commission (Parliamentary Committee), as they relate to the Commission, are set out in s95 of the Act.

The Parliamentary 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.

Prior to the expiry of Parliament on 2 March 2007 the members of the Parliamentary Committee were:

- Mr Paul Gerard Lynch, MP, Member for Liverpool (Chairperson) (ALP)
- The Hon Jan Burnswoods, MLC (Vice-Chairperson) (ALP)
- Mr Malcolm Kerr, MP, Member for Cronulla (LIB)
- Ms Lee Rhiannon, MLC (The Greens)
- The Hon David Clarke, MLC (LIB)
- Mr Steven Chaytor, MP, Member for Macquarie Fields (ALP)
- Mr Geoffrey Corrigan, MP, Member for Camden (ALP)

Following re-establishment of the Parliamentary Committee on 21 June 2007 the members are:

- Ms Angela D'Amore, MP, Member for Drummoyne (ALP) Chair-designate
- Mr Paul Pearce, MP, Member for Coogee (ALP)
- The Hon Lynda Voltz, MLC (ALP)
- Mr Malcolm Kerr, MP, Member for Cronulla (Lib)
- The Hon Charlie Lynn, MLC (Lib)
- Mr Peter Draper, MP, Member for Tamworth (Ind)
- Ms Sylvia Hale, MLC (The Greens)

Interaction between the Parliamentary Committee and the Police Integrity Commission

On 24 August 2006, the Commission attended hearings conducted by the Parliamentary Committee for the purpose of its inquiries into:

- the Scrutiny of the NSWPF Counter-Terrorism and Other Powers
- the Ten-Year Review of the Police Oversight System in New South Wales.

Transcripts of all public proceedings and reports for each of the Parliamentary Committee inquiries have been published. These documents are available through the Parliamentary website:
<http://www.parliament.nsw.gov.au>

THE INSPECTOR, POLICE INTEGRITY COMMISSION

The Hon J R T Wood QC was appointed as the Inspector of the Police Integrity Commission on 1 September 2005. Following his resignation, the Hon P J Moss QC was appointed as the Inspector of the Police Integrity Commission on 22 November 2006.

The principal functions of the Inspector⁹ 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 met regularly during the year with the Commissioner and, as the need arose, other senior officers of the Commission. 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.

⁹ Subsection 89(1) of the Police Integrity Commission Act 1996.

This section provides a description of the Commission's main investigations and research projects initiated or progressed in the 2006-2007 reporting year. Recent updates are also provided in relation to investigations where operational activity ceased prior to 2006-2007.

CURRENT INVESTIGATIONS

Operation ALPAGO

This investigation commenced on 1 December 2005 after the Commission received information from a member of the public and the NSWPF. The investigation concentrated on the activities of former Detective Sergeant Con Kostakidis and his relationship with an undischarged bankrupt. The relationship led to Mr. Kostakidis taking over the operation of a café, which was previously owned by proprietors who had been arrested for supplying a commercial quantity of drugs.

It was alleged that Mr. Kostakidis had acted improperly by using his employment as a NSWPF officer to gain an unfair advantage in acquiring a new lease for the café premises. A further allegation was that Mr. Kostakidis protected the undischarged bankrupt from a major police investigation.

During the investigation the Commission made use of physical and electronic surveillance and conducted an exhaustive analysis of Mr. Kostakidis' business dealings and finances. The Commission also held a number of private hearings. During the course of the investigation information was obtained that suggested Mr. Kostakidis had supplied a false letter of employment to a serving NSWPF officer, in an attempt to help that officer's wife obtain finance.

Mr. Kostakidis and the police officer were charged with Obtaining a Financial Advantage by Making a False Statement (s. 178BB of the *Crimes Act 1900*). Mr. Kostakidis pleaded guilty to this charge and was convicted and fined. Mr Kostakidis has since resigned from the NSWPF.

The police officer has pleaded not guilty to all charges and a court hearing is listed for October 2007.

The Commission has also referred a brief to the Office of the Director of Public Prosecutions (DPP) to determine if charges should be laid against Mr. Kostakidis and the police officer in relation to providing false or misleading evidence at the Commission's hearing (s. 107 *Police Integrity Commission Act 1996*).

Further briefs of evidence are being prepared in relation to other persons identified during the course of the investigation as also being involved in financial related activity.

Operation BANFF

Operation Banff was reported in the Annual Reports for 2004-05 and 2005-06. The investigation commenced in November 2004 following a motor vehicle accident and the subsequent disappearance of one of the blood samples taken at hospital from the responsible driver. It was alleged that the NSWPF may have been involved in the disappearance of the blood sample however the evidence revealed that the missing sample had been in the possession of the driver from the time he was discharged from hospital.

In December 2006 the Commission presented its Report to Parliament. The Report expressed the opinion that there had been no police misconduct but that the driver, Mr Jeffrey Shaw QC, had engaged in misconduct and that consideration should be given to the prosecution of Mr Shaw for doing an act with intent to pervert the course of justice contrary to s 319 of the *Crimes Act 1900*. A brief was forwarded to the DPP. In August 2007 the Director's office advised that there was no basis to prosecute Mr Shaw for any offence.

Operation CERDUNA

This investigation involves an allegation that police officers perverted the course of justice during the course of a murder investigation. This matter commenced in the 2002-2003 reporting period. During the course of its inquiries the Commission has sought extensive assistance from forensic specialists. Private hearings have also been utilised. It is anticipated that the investigation will be concluded in the next reporting period.

Operation JUNIPER

In its 2005-06 Annual Report the Commission referred to Operation Juniper, a matter involving a NSWPF officer who was believed to have an improper and/or corrupt relationship with a male person who was a suspected drug trafficker and user of substances such as steroids and cocaine.

This matter was referred to the Commission by NSWPF after it was discovered that the officer had accessed a NSWPF database without obtaining proper authorisation in relation to a male friend and his girlfriend.

The Commission commenced its investigation in April 2005. In the course of its investigation the Commission discovered additional evidence of the officer having made a number of other unauthorised and improper inquiries on behalf of the male person and another associate in relation to offences for which they were being investigated by other police.

The Commission has referred information gathered during the investigation to the NSWPF which has commenced action under s181D of the *Police Act 1990* with a view to his removal from the NSWPF. This action is not complete.

Operation MALLARD

Operation Mallard commenced in June 2005 and is an investigation into an allegation that NSWPF officers engaged in serious police misconduct in connection with the investigation of a sexual assault allegation made to Waverley Police in November 2004.

In the period April 2007 to June 2007 the Commission held private and public hearings during which a number of police and civilian witnesses were called to give evidence.

The general scope and purpose of the hearings was: *Whether any current or former police officer, or any other person has been involved in serious police misconduct or criminal activity in connection with the investigation of the allegation of sexual assault made to Waverley police on 20 November 2004.*

During the course of the investigation material was also collected suggesting that Superintendent Adam Purcell may have been releasing confidential police information to non-police in relation to ongoing investigations.

Consequently, on 31 May 2007, the general scope and purpose of the public hearings was amended by the addition of the following paragraph: *Whether Superintendent Adam Purcell has been involved in serious misconduct or criminal activity in relation to the release of confidential police information.*

At the conclusion of the reporting period the Commission was awaiting submissions from interested parties and will then prepare a report for presentation to Parliament.

Operation NORSCA

Operation Norsca commenced in February 2005 and is an investigation into an allegation that a serving NSWPF officer acted corruptly by providing assistance in return for payment to a property developer in his attempt to acquire a dwelling that was previously unavailable. During the course of the investigation the Commission had cause to analyse a number of suspect financial transactions.

During the current reporting period the Commission held private hearings and referred a brief of evidence to the DPP for consideration of prosecution action in relation to perjury related offences.

Operation OXIDE

Operation Oxide commenced investigations in May 2005 into allegations that a senior NSWPF officer was indebted to a loan company for the sum of \$70,000.00 and that he attempted to misuse his position to prevent the company from pursuing repayment.

The investigation also revealed that the officer had sought the assistance of a registered police informant in obtaining other loans which were deposited into a bank account operated by the informant and later withdrawn.

During this investigation the Commission held a number of private hearings where evidence was given confirming the relationship between the officer and the company director. The officer also confirmed the financial relationship between himself and the registered informant.

Evidence from the Commission's investigation has been referred to the DPP to consider whether the officer should be prosecuted for several fraud related offences and giving false evidence to the Commission. Information from this investigation was referred to the NSWPF to consider whether the officer should be dismissed under section 181D of the *Police Act 1990*. The officer has since been medically discharged.

Operation RANI

Janine Vaughan disappeared in Bathurst in the early hours of 7 December 2001. The NSWPF established Strike Force Toko to investigate her disappearance and suspected murder.

In 2005 an allegation was received by NSWPF that former Detective Sergeant Bradley Hosemans had an association with Janine Vaughan and may have been involved in her disappearance and suspected murder.

The Commission commenced inquiries in September 2005 into this allegation together with the conduct of the police involved in Strike Force Toko.

As part of the investigation the Commission held a public hearing which commenced in Orange in June 2006 and continued in Sydney in August 2006.

As a result of the Commission's public hearings a number of people came forward with further information. The Commission disseminated this information to the NSWPF who established Strike Force Mountbatten to continue the investigation into Ms Vaughan's disappearance. Strike Force Mountbatten's inquiries continue.

The Commission expects to report to Parliament in relation to its investigation during the second half of 2007.

Operation SALZBURG

Operation Salzburg commenced in August 2005 and is an investigation into allegations that a NSW police officer was involved in the illegal sale of firearms and prohibited drugs.

During the course of its investigation the Commission used electronic and physical surveillance and in May 2007 conducted private hearings. The Commission is currently preparing a brief of evidence in relation to the police officer for fraud, firearms, and giving false or misleading evidence offences. A second brief is being prepared in relation to a civilian for fraud related offences.

Information obtained during the investigation has also been provided to the NSWPF. The officer is currently on suspension.

UPDATES ON FINALISED INVESTIGATIONS

Operation ACER

In its 2005-2006 Annual Report the Commission reported on an investigation involving two NSWPF officers who were involved in the supply of prohibited drugs.

In the current reporting period one officer was charged with three counts of providing false evidence to the Commission and is due to stand trial in November 2007.

The other officer has been dismissed from the NSWPF pursuant to section 181D of the *Police Act 1990*.

Operation ALPINE

In its 2005-2006 Annual Report the Commission reported that prosecution action had commenced against former Detective Sergeant Sam Foster and former Victoria Police Detective James McCabe and another person. This action commenced after the Commission discovered evidence to indicate that each person was involved in armed robbery, drug trafficking, and corruption.

During the 2006-2007 reporting year Foster entered pleas of guilty to charges of armed robbery, supply and attempt to supply a prohibited drug, and corruption and is awaiting sentence. His former NSWPF colleague Baljeet Dhadlie also entered pleas of guilty to charges of attempting to supply prohibited drugs and corruption. He was convicted and sentenced to imprisonment for a term of 2 years and 7 months. In late June 2007, McCabe returned to Australia from Cambodia and is awaiting trial for offences of armed robbery and the supply of prohibited drugs. The trial of a fourth person for supplying a prohibited drug is scheduled for later this year.

Operation AVILLIA

In its 2004-2005 Annual Report, the Commission reported an officer had been suspended from duty without pay and nominated for removal from the NSWPF under s181D of the *Police Act 1990*. The evidence obtained during the course of the Commission's investigation contributed to this management action. In January 2007, this officer was removed from the NSWPF.

Operation COBALT

In a 2004 public hearing evidence was revealed in relation to Sergeant Chris Laycock who, together with a former police officer Christopher Walker, David Hopes and several civilians, was involved in the extortion and theft of money, perverting the course of justice and the unauthorised release of confidential NSWPF documents and information. These activities occurred over a 10 year period.

The Commission recently received advice from the DPP that charges may be laid and prosecution action against Mr Laycock and a number of others has commenced.

Operation DAKOTA

Operation Dakota involved allegations in relation to NSWPF officers supplying and using illegal drugs. The Commission previously reported that a police officer and a civilian had been sentenced to substantial prison terms as a result of the Commission's investigation.

The Commission has also received advice from the DPP that there is enough evidence to pursue criminal charges against three additional civilians in relation to their involvement in the sale and supply of prohibited drugs. Prosecution briefs are currently being prepared.

Operation MERCURY

Operation Mercury commenced in June 2005 and concerned the handling of a complaint against senior police. This investigation was reported in last year's Annual Report. In a report furnished to the Commissioner of Police in May 2006, the Commission concluded that the officer responsible for the initial assessment made a number of errors of judgement in handling the complaint. The Commission made a recommendation that the officer should be considered for non-reviewable action under section 173 of the *Police Act 1990*.

In September 2006, NSWPF provided advice to the effect that non-reviewable action was appropriate. The officer who is the subject of this recommendation is currently on sick leave. NSWPF will consider this recommendation on the officer's return from leave.

Operation REGAL

Operation Regal was an investigation into the use and supply of illegal drugs by NSWPF officers.

The Commission held private hearings in which two former police officers, Paul Bruce Sutton and Leif Gould and a civilian, David Andrew Natoli, gave evidence concerning drug use and supply. All three persons were subsequently prosecuted for giving false or misleading evidence to the Commission.

On 22 August 2006 Mr Sutton entered a guilty plea to the offence charged. On 10 November 2006 Sutton was sentenced to 12 months imprisonment with an eight month non-parole period, suspended for the full term of the sentence with a good behaviour bond.

Mr Gould entered a not guilty plea before the court in February 2005. On 29 November 2006 during a voir dire hearing it was ruled that the evidence of an expert witness relied on by the DPP was inadmissible and the charges against Mr Gould were consequently withdrawn.

On 30 November 2006 Mr Natoli entered a guilty plea to the offence charged and was sentenced to 300 hours of community service.

Operation Regal has now concluded.

Operation RUSTIN

In its 2005-2006 Annual Report the Commission reported that it had investigated a NSWPF officer and others for inappropriate interference in a prosecution. The report indicated that the NSWPF were considering taking reviewable management action against the officer who was the subject of the investigation. This officer has since been medically discharged.

Operation SANDVALLEY

Operation Sandvalley was an investigation into the suspicious financial activities of NSWPF constable Daniel Ryan. In its 2005 - 2006 Annual Report the Commission reported that Ryan was involved in suspected thefts from automatic teller machines and that Ryan was facing dismissal action.

In December 2006 Ryan was dismissed by the NSWPF and prosecution action was initiated in relation to offences of fraudulently obtaining money. Ryan is also the subject of prosecution action by the Commonwealth Director of Public Prosecutions for one offence relating to giving false testimony in a judicial proceeding under s 35 *Crimes Act 1914 (Cth)*.

During the current reporting year prosecution action was also initiated against an associate of Ryan, Wayne Roger Dixon for offences relating to obtain Money etc by False or Misleading Statement (s 178BB *Crimes Act 1900 (NSW)*).

The 2005 - 2006 Annual Report referred to prosecution action against two other people for robbery offences. The first person Darren Ryan, brother of Daniel Ryan, received a two year suspended sentence with a good behaviour bond. The second person, Wayne Dodd, received a 21 month suspended sentence with a good behaviour bond.

Operation WHISTLER

In its 2005 - 2006 Annual Report the Commission reported on a matter referred by Magistrate W Pierce in relation to the events surrounding the arrest and assault of Allan Hathaway. As part of its investigation the Commission held a public hearing in 2005 and provided a report to Parliament in December 2005.

As a result of the Commission's investigation Constable Christopher Jackson was charged in February 2007 with an assault related offence. The hearing of the charge has been set down for November 2007. Constable Jackson is currently suspended from the NSWPF.

The Commission also recommended reviewable management action against three officers: Detective Senior Constable Timothy Briggs, Inspector Thomas Murphy and Constable Jackson. NSWPF has delayed making a decision in relation to Constable Jackson pending the outcome of the criminal charge. Implementation of action against Detective Briggs has also been delayed at the request of the Commissioner of Police. After the DPP advised, in January 2007, that there was insufficient evidence to commence criminal proceedings against Inspector Murphy, NSWPF advised that they were considering dismissing Inspector Murphy from the NSWPF under section 181D of the *Police Act 1990*.

The Commission also recommended that consideration be given to taking non-reviewable management action against four other NSWPF officers. The Commission is satisfied that the NSWPF has taken appropriate action in relation to these officers.

SPECIALIST ASSISTANCE PROVIDED TO OTHER AGENCIES

During the reporting period the Commission provided specialist assistance to a number of agencies in respect of local and nationally significant investigations, playing an important role in their success.

As noted in previous reports, the subjects of investigations become increasingly aware of, and are able to avoid, the strategies that agencies deploy against them. In response agencies must vary strategies and be more creative in order to maintain an advantage. It is not practical for all agencies, particularly small agencies such as this Commission, to develop and maintain capabilities in all investigation areas, particularly as they may be deployed infrequently. Agencies therefore develop new capabilities and strategies that specifically suit their purposes, and, when appropriate, share them with agencies that may not have the capability, or, a capability which is overwhelmed. In the instances referred to above the Commission was able to assist. During the year the Commission was assisted in return by other agencies, most notably the Australian Federal Police.

RESEARCH PROJECTS

Counter-Terrorism Policing – Misconduct Risk Assessment

In the previous reporting period the Commission commenced its assessment of the management of misconduct risks faced by officers working in what was then called the Counter Terrorist Coordination Command (the CTCC), and now called the Anti-Terrorism and Security Group (AT & SG). The Commission undertook this assessment to consider what, if any, special oversight or monitoring arrangements are needed to adequately manage the misconduct risks that result from the nature of the work undertaken by officers in the CTCC.

In its assessment the Commission sought to develop a better understanding of the nature of the misconduct risks associated with the functions of the CTCC and how well the NSWPF is identifying, assessing and managing these misconduct risks. The Commission's assessment focused on the nature of the work undertaken by the CTCC and on the management of any associated misconduct risks. It did not examine the conduct of individual officers. The methodology used by the Commission was described in its 2005-2006 Annual Report.

In late September 2006 the Commission completed its assessment and provided a copy to the NSW Parliamentary Committee on the Office of the Ombudsman and the Police Integrity Commission (Parliamentary Committee) which was undertaking an inquiry concerning the oversight of the conduct of NSWPF officers involved in the CTCC and a related inquiry into the scrutiny of the NSWPF counter-terrorism and other powers. Given its direct relevance to the Committee's inquiries, the Commission's assessment was provided to the Committee as a submission.

■ Why the CTCC was of particular interest

The Commission's interest in the misconduct risks of the CTCC stemmed from a recognised need for the oversight of NSWPF units which have provided intelligence about politically motivated violence (including terrorism) in the past.

The CTCC is not the first unit of the NSWPF that has had a responsibility for counter-terrorism policing. For half a century, the Special Branch was responsible for providing intelligence concerning politically motivated violence, including terrorist activity. The Special Branch was disbanded in March 1997 after evidence was heard in the Royal Commission into the NSW Police Service (Royal Commission) concerning abuses of power and a lack of accountability including, amongst a number of other concerns, officers gathering information and maintaining files on people who posed no threat of politically motivated violence, and a lack of satisfactory procedures for the management and payment of informants.

The then Commissioner of Police, the Royal Commission and the NSW Government each identified the need for special oversight for any unit that was to replace the Special Branch. When establishing the Protective Security Group (PSG) to replace the disbanded Special Branch, the then Minister for Police noted that the NSW Government held the view that any unit undertaking the functions that were to be undertaken by the PSG should be subject to high standards, and an even higher level of scrutiny than other commands. To provide this oversight the NSW Government introduced legislation that required the NSWPF to conduct annual audits of the operations of PSG and required the Commission to monitor and report on those audits.

In March 2003, the PSG's functions were absorbed into the newly created CTCC and the annual audits ceased. This resulted in a legislative anomaly, whereby the sections of the *Police Act 1990* concerning the conduct of annual audits of the PSG

and sections of the *Police Integrity Commission Act 1996* concerning the monitoring of those audits no longer had practical application.

The Commission's interest in the management of misconduct risks faced by officers working in the CTCC was the result of:

- the Commission's broad role in preventing serious police misconduct
- the Commission's specific role in monitoring and reporting on the NSWPF annual audits of the former PSG
- the Commission's undertaking to conduct a risk management assessment to inform the Parliamentary Committee's inquiry into the Commission's jurisdiction to oversight the PSG and the Parliamentary Committee's decision to await the outcomes of this assessment prior to concluding its inquiry.

The Commission's observations

Notwithstanding the name of the command, the work undertaken by the CTCC is broader than counter-terrorism policing. While the CTCC's work is also broader than that of the former PSG and that of the former Special Branch, it incorporates all of the functions of the former PSG and the former Special Branch. This includes the functions that were associated with the documented problems of the former Special Branch and the functions of the PSG that were seen to require special monitoring.

Overall, the Commission considered that, like officers from any command, officers who work in the CTCC face a range of integrity risks. While most of these integrity risks (such as the unauthorised release or misuse of confidential information, or improper associations) are pertinent to officers working in other commands, some misconduct risks arising in the counter terrorism environment (such as the potential for inappropriate targeting or for maintaining files on those who are unlikely to pose a threat of politically motivated violence) would be uncommon in other commands.

Unlike the former PSG, the CTCC is not the subject of any special legislated oversight requirements. At the time of the Commission's assessment, much of the oversight of the work of the CTCC, like the oversight of the work of other NSWPF commands, was (and still is) based on supervision and self-assessment audits from within the command.

In the years since the closure of the Special Branch, the NSWPF has revised or developed many of its policies and systems. Unlike the former Special Branch, the CTCC does not rely on stand-alone systems. Instead it uses NSWPF corporate systems for information management, informant (or source) management, and for recruitment. Some of these corporate systems include facilities which enable regular audits to be conducted. Additionally, targeting is more closely supervised.

However, while the CTCC had also introduced further processes to manage some of its misconduct risks at the time of the assessment, the Commission considered that there were opportunities to further strengthen the CTCC's capacity to resist misconduct.

The Commission's suggested way forward

The Commission suggested that the way forward should include actions at both the corporate level as well as actions at the command level, in broad terms incorporating three elements:

- an acknowledgement of the special misconduct risks faced by officers undertaking counter-terrorist policing and dignitary protection
- strengthening capacity to identify and respond to current and future misconduct risks
- oversight from beyond the command.

The Commission's specific proposals and the NSWPF's response to these proposals are outlined in more detail in Section 6 of this Annual Report entitled Tracking the Commission's Recommendations.

The Commission concluded its assessment by stating that it would continue to retain an interest in this area until it was satisfied with the systems put in place by the CTCC and by the NSWPF to manage these potential misconduct risks.

The report of the Parliamentary Committee

The Parliamentary Committee drew upon the Commission's assessment in preparing its own Report on the Inquiry into Scrutiny of New South Wales Police Counter Terrorism and Other Powers, which was tabled on 21 November 2006. In the Chairman's Foreword, Paul Lynch stated that the Committee's 'report draws on foundation work done by the Police Integrity Commission in conducting a risk assessment of the Counter Terrorism Coordination Command'. The Chairman also stated: *'If we are to trade some of our liberties for uncertain security, we must be as sure as we can that these powers are not abused'*. To this end, the Parliamentary Committee made seven recommendations. Chief amongst these was that the NSWPF should implement the recommendations contained within the Commission's report. In its report, the Parliamentary Committee advised that it would be seeking regular progress reports from the Commission in regard to the NSWPF response

to the Commission's assessment. Furthermore, the Parliamentary Committee stated that

Should the PIC's recommendations contained in its report *Management of Misconduct Risks by the NSW Police Counter Terrorist Coordination Command: An Assessment* not be implemented, or should they prove not to be effective, the Committee will consider recommending legislation to reintroduce a statutory audit (p. ix).

Development of an Early Intervention System

Early intervention systems – sometimes known as early warning systems – are essentially misconduct risk management systems. Their principal purpose is to assist organisations, particularly law enforcement agencies, to identify behaviour which, if left unchecked, could potentially lead to serious misconduct.

Since January 2003, the Commission has been involved in providing advice to NSWPF on the development of an early intervention system for police misconduct. The Commission's involvement in this research supports the broad corruption prevention function outlined in section 14 of the *Police Integrity Commission Act 1996*.

In its 2004-2005 Annual Report, the Commission noted that the NSWPF had deferred the development of an early intervention system in favour of a process known as the Officer Risk Assessment (ORA). The Commission observed there were fundamental differences between the two processes. Whereas early intervention systems seek to identify potential officers of difference through a combination of observations from managers and 'warning flags' generated through a computer system, the ORA was intended as a risk management tool, relying entirely on the observations of managers.

Following a trial of ORA, and ongoing discussions between the Commission, the Ombudsman, the Police Association of NSW and the NSWPF, over a lengthy period concerning the efficacy of the ORA as an early intervention system, the NSWPF

advised the Commission in April 2007 that ORA would be 'retired' in favour of the development of a new model. In July 2007, a multi-agency forum was convened involving the agencies mentioned above. The purpose of the forum was to discuss foundational issues relating to early intervention systems, with the intended outcome being to inform any future decision-making within the NSWPF on the next stage in the development of an early intervention system. Prior to the meeting, the Commission circulated a paper detailing, amongst other things, the purpose and underlying assumptions of an early intervention system and the process by which such a system might be developed and subsequently evaluated and monitored.

At the time of writing, the NSWPF was preparing options for the consideration of the Commissioner's Executive Team with regard to early intervention systems. Discussions between agencies remain ongoing.

Identification and management of misconduct risks by individual commands

Project MANTA

In February 2007, in line with the Commission's function to prevent serious police misconduct, the Commission commenced a new project which focuses on strategies to prevent future misconduct in individual commands.

The NSWPF is subdivided into 80 local area commands as well as a number of specialist commands. Responsibility for misconduct risk management and corruption prevention lies with the individual commands. While the NSWPF provides corporate tools (such as the Command Management Framework (CMF)) for use by individual commands, it is up to the individual command to adapt and apply such tools and hence to identify and manage its own specific misconduct risks.

The aims of this project, codenamed Project Manta, are to contribute to the prevention of serious police misconduct and other police misconduct by:

- auditing the misconduct risk identification and management processes in place in a sample of commands to identify strengths as well as areas for improvement in current processes
- developing a profile of the functions, misconduct risks and prevention strategies of individual commands
- seeking to identify examples of good practice in misconduct risk management or corruption prevention employed by individual commands that could be disseminated to other commands.

Project Manta focuses on the nature of the work undertaken by individual commands and on the management of any misconduct risks associated with this work.

To collect information for this project, the Commission surveyed approximately one-quarter of all NSWPF commands. The Commission wrote to commanders from a randomly selected sample of 25 commands (20 local area commands and five specialist commands) to seek their responses to a series of written questions and to obtain copies of relevant documentation. The survey included questions about:

- the command's functions, factors that distinguish the command from others and staffing profile
- identification, management and review of misconduct risks facing officers working in the command
- corruption prevention strategies employed.

At the end of the reporting period, data collection was progressing well with the Commission having obtained completed responses and documentation from 17 of the 25 commands sampled. It is intended that a public report, which summarises the collective responses from the different commands will be one key product of this work. Potential outputs and outcomes include:

- a profile of the functions, risks and corruption prevention strategies of each of the commands that participate in the research and hence a better understanding of the similarities and differences in misconduct risks and misconduct risk management among different commands
- identification of examples of good practice in relation to misconduct risk management and corruption prevention strategies which could be shared with different commands
- identification of the strengths as well as areas for improvement in current NSWPF misconduct risk identification and management practices.

Identification and management of problem officers

Project ODIN

The term High Risk Officer is widely used in the NSWPF in connection with officers who are considered at risk of engaging in undesirable behaviour, including misconduct and poor work performance. In February 2007, the Commission commenced a project to examine, amongst other things, the manner in which some police officers throughout the agency are identified as being high risk and the kinds of interventions that might follow.

Consistent with the Commission's function with regard to the prevention of serious police misconduct, this project – Codenamed Project Odin – seeks to contribute to a reduction of police misconduct by:

- developing a better understanding of how the risk of individual misconduct is identified and managed by the NSWPF
- identifying and disseminating examples of good practice in individual misconduct risk identification and management
- providing the NSWPF with advice on how best to detect High Risk Officers, manage the risk that they pose, and reduce their ability to engage in future acts of misconduct.

A central feature of the Commission's methodology with regard to this project is to obtain first hand information from commands that have identified officers as being high risk. A group of thirty commands was identified through the Commission's research. A sample of twenty were selected to be approached for assistance. As at 30 June 2007, the Commission had written to each of the commands in the sample with a series of structured questions as to their processes and systems for the identification and management of High Risk Officers. Follow-up interviews have taken place with regard to three commands, with the remainder to occur early in the 2007-2008 reporting period.

Other aspects of the Commission's methodology include:

- analysing complaints data and police documentation on officers who have been identified as being high risk
- obtaining advice from the NSWPF on corporate policies and practices governing the identification and management of High Risk Officers
- liaising with other external stakeholders.

With the information obtained from these processes, the Commission will be aiming to provide high-level advice to the NSWPF as to how the process of identifying and managing High Risk Officers might be strengthened and made more effective.

Under s99(2)(c) of the *Police Integrity Commission Act 1996*, 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 findings and recommendations.

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. They are also the means by which the Commission formally notifies the Commissioner of Police regarding officers it believes should be considered for managerial action. The status of these latter recommendations is discussed in the preceding section: Summary Review of Operations.

OPERATION ABELIA

Operation Abelia combined misconduct investigations and hearings with detailed national and international research to provide a better understanding of the nature of the problem of illegal drug use by some NSWPF officers and what can be done to minimise such illegal drug use. As described in its previous Annual Report, the Commission made 64 recommendations in its Operation Abelia report, which it presented to the NSW Parliament on 30 September 2005. Because of the large number of recommendations, the discussion of progress with implementation of these recommendations is more abbreviated than is the usual Commission practice. For a complete listing of the recommendations and the codes used to describe them see pp. s-31 to s-42 of the Commission's *Operation Abelia: Research and investigations into illegal drug use by some NSW Police officers. Volume 1: Summary Report*¹⁰.

Liaison with the NSWPF to monitor the implementation of these recommendations has been ongoing throughout the reporting period. The Commission is pleased with the quality and frequency of the advice and with the openness of the communication provided by the NSWPF regarding the implementation of these recommendations.

The NSWPF accepted 54 of the Commission's 64 recommendations, either as drafted or with minor variation. Significant progress has been made in the implementation of these recommendations during the year under review. Of the 54 recommendations that the NSWPF has accepted, at 1 July 2007:

- 25 have been implemented (compared to 12 recommendations considered implemented at the end of the previous reporting period)
- 22 have been partly implemented (compared to 17 at the end of the previous reporting period)
- 3 which were able to be implemented have yet to be implemented (compared to 17 at the end of the previous reporting period)
- 4 were not able to be implemented at this time because their implementation is dependent upon the prior implementation of other recommendations (compared to 8 at the end of the previous reporting period).

¹⁰ This Summary Report can be found on the Commission's website www.pic.nsw.gov.au

As reported last year, the NSWPF did not accept three of the Operation Abelia recommendations. Specifically, the NSWPF has not accepted that:

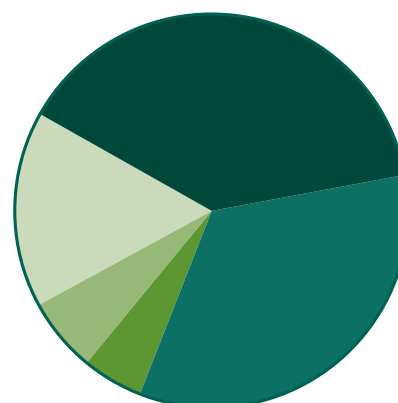
- it should continue to arrange assistance in the form of rehabilitation, counselling and/or relapse for prevention for officers who come forward for help concerning their illegal drug use (Recommendation SR 1)
- it should conduct a 12-month trial of the use of drug testing based on the analysis of hair samples (Recommendation TDT 8)
- there is a need to resolve a perceived inconsistency between clause 54 of the Police Regulation 2000 and police practice (Recommendation M 5).

As a consequence of not accepting these three recommendations, seven others (such as the recommendation that concerns promoting the assistance available for those who come forward for help regarding their illegal drug use (Recommendation SR 3) and the recommendation that concerns reporting the results of the 12-month trial of hair testing (Recommendation TDT 11)) are no longer relevant.

In June 2007 the NSWPF Commissioner's Executive Team endorsed the revocation of the NSWPF Drug Amnesty and determined that an announcement should occur on 1 July 2007 that the Amnesty would cease on 1 October 2007.

The percentages of the 64 recommendations that have reached the different stages of implementation are depicted in Figure 6.1.

Figure 6.1: Implementation status of the Operation Abelia recommendation at July 2007



Implemented	39%
Partly implemented	34%
Yet to be implemented	5%
Too early to implemented	6%
Rejected or no longer relevant	16%

Key developments during 2006-2007

In response to the Operation Abelia recommendations, the *Police Act 1990* has been amended and a new Drug and Alcohol Policy endorsed.

The NSWPF's capacity to detect illegal drug use by its officers has been strengthened with the commencement of aspects of the *Police Amendment (Miscellaneous) Act 2006*, on 1st February 2007. This Act amends the *Police Act 1990* to enable testing for non-prescribed use of anabolic steroids (Recommendation TDT 7) and to authorise recall-to-duty targeted drug testing (Recommendation TDT 9).

This Act also amends the *Police Act 1990* to broaden what is now referred to as 'mandatory testing incidents' or circumstances following the death or serious injury of a person that require a directly involved officer to be drug tested (Recommendation MDT 2) and to clarify the nature of the testing required in these specified circumstances (Recommendation MDT 4). The NSWPF *Guidelines for the Management and Investigation of Critical Incidents* have been amended to reflect these legislative changes.

A revised NSWPF Drug and Alcohol Policy has been endorsed by the Commissioner's Executive Team. This revised policy, which commenced on 1 July 2007, incorporates the effects of the legislative changes. As recommended in Operation Abelia, this policy separates messages about the use of illegal drugs from messages about the abuse of legally acquired substances and it, together with the new Code of Conduct and Ethics, clarifies that the use of prohibited drugs is not appropriate at any time, whether the officer is rostered on duty or not (Recommendation CCE 1). The new Drug and Alcohol Policy incorporates a reference to the policy's statutory basis including the Code of Behaviour (Recommendation CoB 1) and reporting requirements for officers who suspect they may have accidentally ingested any illegal drugs (Recommendation M 4).

Although the NSWPF conducted random drug testing of its officers prior to Operation Abelia,

the numbers tested were so small that it was not considered to be an effective deterrent. The Commission recommended increasing the perceived risk of being caught by increasing the number of random drug tests conducted. During 2006-2007, 2267 drug tests were conducted on randomly selected officers. This is a sizeable increase on the approximately 500-600 tests that had been conducted in previous years (Recommendation RDT 2).

In its Operation Abelia report, the Commission recommended introducing drug testing of students at the NSWPF College. It did this as one element of its strategies to discourage those who may be prone to using illegal drugs from applying to join the NSWPF as well as one element of its strategies for providing clear messages early and reinforcing them in different ways. In October 2006 the NSWPF introduced drug testing for students at the NSWPF College (Recommendation R 5). The NSWPF has advised that 180 random drug tests and two targeted drug tests of students were conducted during 2006-2007.

Start made during the year

Although implementation had not been finalised as at 1 July 2007, it is noteworthy that substantial work had been undertaken during the reporting period in relation to a number of the recommendations.

Educational material in the form of a Mandatory Continuing Police Education (MCPE) package to promote the new Drug and Alcohol Policy was being finalised at the end of the reporting period. Available drafts suggest that in addition to broadly promoting the contents of the Drug and Alcohol Policy and the effects of the legislative changes, this education package proposes to provide information relevant to a range of Operation Abelia recommendations. In particular, the draft MCPE provides information concerning how illegal drug use can compromise an officer's position (Recommendation SR 2), what officers should do if they suspect illegal drug use by a fellow officer (Recommendation ETC 3), the effects of different illegal drugs (Recommendation ETC 4), and what officers should do if they suspect that they have accidentally ingested illegal drugs (Recommendation M 4). The draft also includes information that promotes awareness of random drug testing (Recommendation RDT 1) and the Code of behaviour (Recommendation CoB 2), and promotes the availability of training on the detection and management of substance abuse problems (Recommendation SS 2).

The NSWPF has also prepared a draft Communications and Change Management Plan for the Operation Abelia Implementation Project in response to the Commission's recommendation that an integrated communication strategy be prepared (Recommendation ETC 5).

In response to the Commission's recommendation that the NSWPF provides additional information to potential applicants to discourage those who may be unsuitable from applying, the NSWPF has designed a brochure for potential applicants. This brochure is entitled 'NSW Police Force: A Lifestyle Change'. Amongst other things it provides information about how applicants can expect employment with the NSWPF to change their off-

duty life and about NSWPF values and expectations of ethical standards to be met by its officers (Recommendation R 1). At the end of the reporting period this brochure had yet to be printed and disseminated.

Some of the Commission's recommendations were directed at reducing the time to finalise the outcome of management action and providing information to officers notified for reviewable action and to their commanders. The Commission is pleased to note that the NSWPF commenced a formal project on 'Streamlining 181D and 173 Reviewable processes' during the year (Recommendation M 2a) and has commenced process of facilitating information provision to those who are notified for reviewable management action and for their commanders (Recommendation M 3). The NSWPF has also advised that it has recruited case officers to assist in monitoring each step of the management action process and to minimise possible delays (Recommendation M 2b).

In response to Operation Abelia recommendations, the NSWPF has published articles designed to improve the understanding of behaviour expectations, in the *Police Weekly*, the *Policing Issues and Practice Journal* and on NSWPF intranet.

To assist the Commission monitor the effectiveness of the processes in place, in response to Operation Abelia recommendations, the NSWPF has commenced providing the Commission on a quarterly basis with a copies of its reviews of targeted drug testing decisions (Recommendation TDT 10) and a copy of schedules concerning officers who are or have been subject to reviewable management action (Recommendation M 7).

More to do

In addition to recognising the significant progress that has been made in the implementation of the Operation Abelia recommendations during the year, it is also important to recognise that, as can be seen from Figure 6.1, considerable work remains. The Commission will continue to monitor NSWPF progress in its implementation of the remaining recommendations.

COUNTER-TERRORISM POLICING – MISCONDUCT RISK ASSESSMENT

As described earlier in this report, late in September 2006 the Commission completed its assessment of the management of misconduct risks faced by officers working in what was then called the NSWPF Counter Terrorist Coordination Command (the CTCC). The unit doing the work of the former CTCC is now called Anti-Terrorism and Security Group (AT & SG). As part of that assessment, the Commission suggested that the way forward should include actions at both the corporate level as well as actions at the command level, incorporating three elements, which are discussed below.

The Commission sought the NSWPF response to the proposed way forward, initially by way of letter to the Commissioner of Police in December 2006. Further correspondence and discussion ensued. The responses outlined below rely largely on this correspondence and the subsequent communication that followed.

Acknowledging the special misconduct risks faced by officers undertaking counter-terrorist policing and dignitary protection

To minimise the likelihood that the CTCC, or any unit that undertakes its functions though perhaps given a different name in the future, should repeat the same misconduct as the Special Branch, the Commission suggested that:

1. the CTCC (at the command level) and the NSWPF (at the corporate level) should document their recognition of the inherent misconduct risks for any unit that undertakes the work of the former Special Branch and document the lessons, for those currently undertaking this work, to be learnt from the investigations undertaken into the work of the former Special Branch.

The Commission is pleased to report that action has been taken at the command level to implement this suggestion. Specifically, the AT & SG (formerly known as the CTCC) has revised its Induction Package to include a section entitled *Potential*

Misconduct Risks, which reproduces key findings concerning matters for serious concern within the Special Branch made by both the Wood Royal Commission and the Commission and identifies the misconduct risks associated with this work. Furthermore the NSWPF has advised that effective from 1 July 2007, all those who serve within the AT & SG are to be provided with and required to read the relevant sections of the Wood Royal Commission Report and the Executive Summary of the 1998 Commission report.

In addition, the Commission has been advised that corporate recognition of these risks is to occur through the inclusion of a requirement for an audit of the work of this unit into the performance agreements of relevant police.

■ Strengthening capacity to identify and respond to current and future misconduct risks

The second component of the Commission's suggested way forward for managing misconduct risks faced by those who undertake counter-terrorism policing and/or dignitary protection was:

2. the CTCC to more generally strengthen its capacity to identify and respond to current as well as future misconduct risks by:
 - preparing and implementing a documented misconduct risk management plan
 - equipping its officers for the misconduct risks they may face through their work in the CTCC by informing them of the specific misconduct risks they might encounter in their work and how these officers should respond if they find themselves in such circumstances.

In its assessment, the Commission provided the guidance concerning the preparation of a documented misconduct risk management plan. This guidance identified six elements of the misconduct risk management strategy which should be documented. Amongst other things, it proposed documenting a timeframe when the risks, assessments and management strategies would next be reviewed and a process for this review.

In response, having accepted the need to prepare a documented misconduct risk management plan, the AT & SG is now in the process of finalising the Corruption Resistance Plan. This is being done with the support of the Professional Standards Command as part of corruption resistance planning trial presently being conducted in NSWPF. The object of this trial is to test the tailoring of corruption resistance planning to address the specific risks of individual Commands.

Preliminary planning material has been provided to the Commission and, whilst it is an early draft, it appears consistent with the intent of the Commission's recommendation and common risk management standards. The Commission will continue to monitor progress in the AT & SG's corruption resistance planning.

With regard to equipping officers for the misconduct risks they may face through their work, the Commission acknowledges that this has been addressed in the new *Potential Misconduct Risks* section of the Induction Package, discussed above.

■ Oversight from beyond the command

Unlike the former Protective Security Group, neither the CTCC at the time of the Commission's assessment, nor the AT & SG currently is the subject of any special legislated oversight requirements. Much of the oversight of the former CTCC and current AT & SG, like the oversight of the work of other NSWPF commands, is based on supervision and self-assessment audits from within the command.

The third element of the Commission's suggested way forward was that:

3. the NSWPF to impose some form of monitoring that directly focuses on minimising the potential for inappropriate targeting and retention of inappropriate information which may be perceived as 'dirt files'.

In its assessment, the Commission stated that it did not wish to prescribe the form of monitoring to be used by the NSWPF. It considered that this is, and should be, a management issue for the NSWPF. However, the Commission stated that it would be concerned if there were not clearly defined, transparent procedures developed and promulgated. Furthermore, the Commission did not suggest that oversight by an external agency needed to be mandated. The Commission considered that current absence of a legislative provision for auditing and monitoring does not in any way preclude it from exercising its functions and powers in connection with the CTCC. Also the management of any complaints about CTCC officers remains subject to the oversight of the NSW Ombudsman's Office.

The Commission is pleased to note that in response to this suggestion, the Commissioner of Police has advised that the NSWPF proposes to initiate formal oversight by the Deputy Commissioner, Specialist Operations in the future:

The Deputy Commissioner, Specialist Operations, will conduct an inspection and audit of the practices and procedures of AT & SG, including but not limited to the management of targeting, information retention and disposal. This will

be done annually, or more frequently if the Commissioner so decides. The first inspection will be undertaken before the end of 2007. A plan for the first inspection and audit will be prepared and provided to you, and a report on the inspection and audit will likewise be prepared and provided to you. It is likely that as the result of the first inspection and audit, some refinement of the initial plan will be recognised as desirable and implemented accordingly. Again, your Commission will be notified of any such change, or subsequent changes.

The Commission understands that further work has yet to be undertaken in specifying and formalising the nature of the inspections that are proposed to be undertaken by the Deputy Commissioner, Specialist Operations. Furthermore, the Commission notes that it will be consulted in relation to a plan for the proposed inspection.

Moreover, as noted above, the Commission has been informed that the conduct of this audit is to be incorporated into the performance agreements of relevant police. In addition, a copy of the first audit report is expected to be provided both to the Minister for Police and to the Commission by late 2008.

The Commission will continue to monitor NSWPF implementation of these recommendations and will report on progress in this area in its next annual report.

OPERATION CASSAVA

In its 2005-2006 Annual Report, the Commission noted that it had conducted inquiries into the issue of unauthorised secondary employment within the Marine Area Command. Operation Cassava was initiated after a Commission investigation codenamed Operation Sandvalley revealed information concerning an officer engaging in secondary employment without approval.

On the basis of its inquiries, in March 2006 the Commission suggested a number of strategies to clarify and strengthen the NSWPF's secondary employment policy in respect of: the application process, the approvals process, record keeping of decisions and the definition of high risk employment.

The Commission reported last year that it had been informed by the NSWPF that the secondary employment policy was under review. At the time of writing, the policy was yet to be finalised. The Commission has provided comments and input to each version of the draft policy. Liaison with the NSWPF on this matter is ongoing.

OPERATION FLORIDA

The Commission's report on Operation Florida, which was furnished to Parliament in June 2004, contained five recommendations for changes or improvements to processes and systems. Last year, the Commission reported that three of these recommendations had been implemented. Those not implemented – recommendations 1(a) and 1(b) – related to the execution of search warrants. Recommendation 1(a) proposed an improved use of technology in the execution of search warrants, while recommendation 1(b) sought NSWPF to increase the level of supervision of these types of operations. Neither recommendation was implemented during the 2006 - 2007 reporting year. The disappointment expressed by the Commission last year remains as despite requests, NSWPF has not proposed alternative strategies as to how the outcomes envisaged by the recommendations might be achieved. The Commission will take no further action in relation to either recommendation.

The Commission receives complaints from the NSWPF and the Ombudsman (known as referred complaints) and from a range of other sources (non-referred complaints) as set out in the following table.

The consideration of each complaint is conducted in two parts. The first part is concerned with whether the complaint is a Category 1 complaint as defined by the agreement between the Commission and the Ombudsman. The agreement in place during the reporting year defined a Category 1 complaint as:

- A. A complaint that a police officer has or may have sought or may seek to pervert the course of justice by giving false evidence, by destroying or interfering with evidence, by withholding or refraining from giving evidence, by fabricating evidence or by influencing another so to act.
- B. A complaint that a police officer has or may have committed or may commit
 - (i) an assault which has caused or may cause a serious injury and which could lead to a charge of maliciously wounding or inflicting grievous bodily harm upon a person pursuant to section 35 of the *Crimes Act 1900*; or
 - (ii) an offence (including larceny) relating to property where the value exceeds \$5000; or
 - (iii) any offence (other than assault occasioning actual bodily harm) punishable on conviction on indictment by a maximum sentence of imprisonment or penal servitude for five years or more.
- C. A complaint that a police officer has or may have solicited or accepted, or may solicit or accept, a benefit for himself/herself or for another in return for failing to carry out his/her duties.
- D. A complaint that a police officer has or may have sought or may seek to interfere improperly in the investigation by another police officer of an alleged offence.
- E. A complaint that a police officer investigating an offence alleged to have been committed by another police officer has or may have improperly failed to carry out, or may improperly fail to carry out, his/her duties in the course of that investigation.

- F. A complaint that a police officer has or may have manufactured, or may manufacture, a prohibited drug, cultivated or may cultivate a prohibited plant, or supplied or may supply a prohibited drug or a prohibited plant, unless the amount or number of such drug or plant is less than the indictable quantity therefore as specified in the *Drug Misuse and Trafficking Act 1985*.

The second part is concerned with whether the Commission ought to activate an investigation into the allegations. Complaints that do not reach the threshold of a Category 1 complaint are generally referred to the NSWPF pursuant to sub-section 131(1)(b) of the *Police Act 1990* and are dealt with in the same manner as complaints from other sources.

There were two legislative changes during the 2006-2007 period that were directly relevant to the Commission's complaint assessment process. The *Police Integrity Commission Amendment Act 2006*, which commenced on 12 January 2007, extended the Commission's functions to include unsworn administrative officers. Subsequently, the Commission received complaints from the NSWPF that were to be dealt with under the *Public Sector Employment and Management Act 2002* instead of the *Police Act 1990*. These constituted 25 ("PSEMA complaints") of the 644 complaints received from the NSWPF.

The *Police Amendment (Miscellaneous) Act 2006* abolished the distinction between Category 1 and Category 2 complaints, and also amended provisions relating to the referral of complaints between the NSWPF and the Commission. This part of this Act commenced on 1 June 2007. For the purpose of consistency in presentation here, complaints statistics gathered between 1 June 2007 and 30 June 2007 have been categorised on the basis that the distinction between Category 1 and Category 2 complaints remained in place.

The Commission's complaint assessment processes have, in previous years, included detailed assessments of some complaints by either the Investigations Unit or Target Development. These assessments are, in effect, preliminary investigations. Relevant statistics on these preliminary investigations are included below.

During the reporting year, the Commission assessed a total of 1201 complaints. Of these, 656 were determined to be Category 1 complaints; 472 were determined to be non-Category 1 complaints (for example, Category 2, PSEMA); 83 were determined not to contain allegations of misconduct by members of the NSWPF. The types of allegations raised in the 656 Category 1 complaints are shown in Figure 7.1. Figure 7.2 indicates the decisions made regarding these Category 1 complaints. Both figures also contain, for comparison, the corresponding numbers for the previous reporting year.

Eleven of the complaints assessed were under investigation during the reporting period, some of which were continuing as at 30 June 2007.

Another 138 were the subject of preliminary investigation. A further 25 were oversighted. Consistent with previous years, the majority of Category 1 complaints were referred to NSWPF and the Ombudsman to be dealt with in accordance with Part 8A of the *Police Act 1990*.

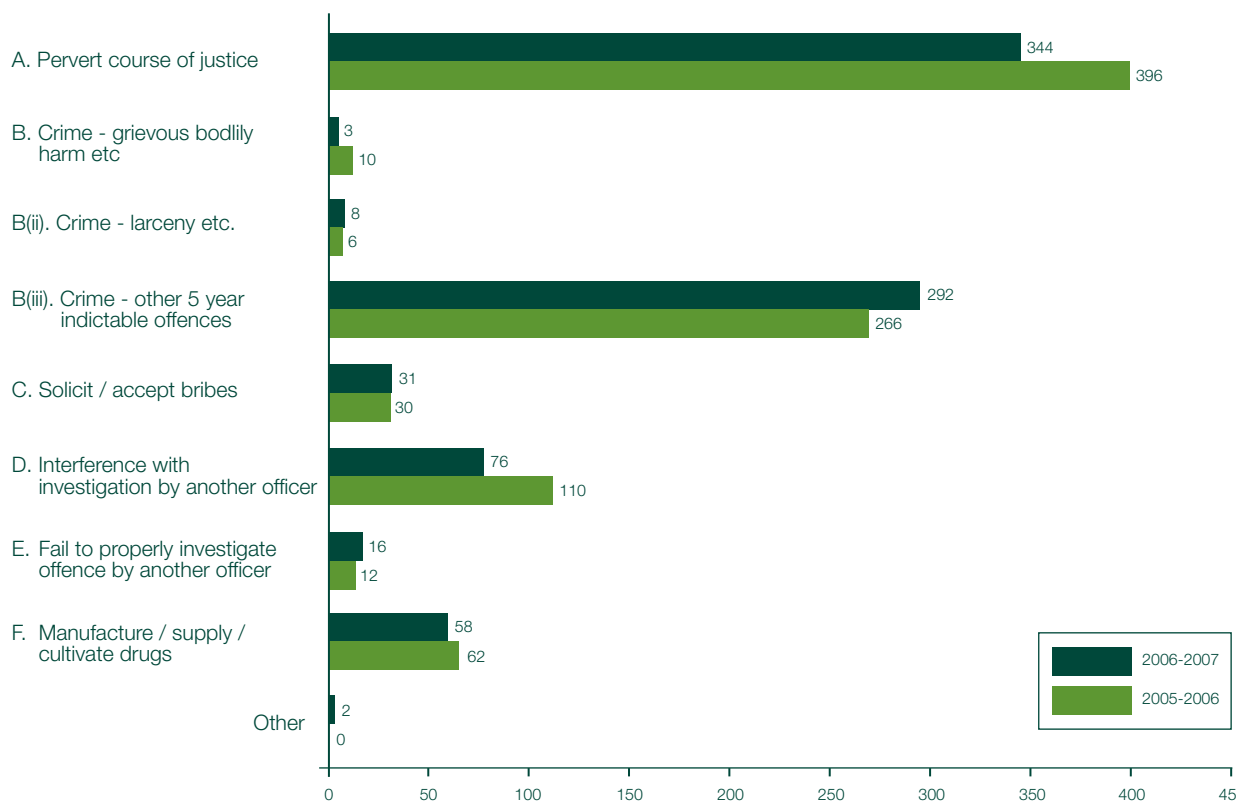
Other work conducted under the complaint assessment process included:

- receiving over 1060 telephone calls raising various complaint issues, of which 466 were formally assessed
- reviewing (not oversight) 39 reports into the police investigation of complaints. A further 133 have been requested for review.

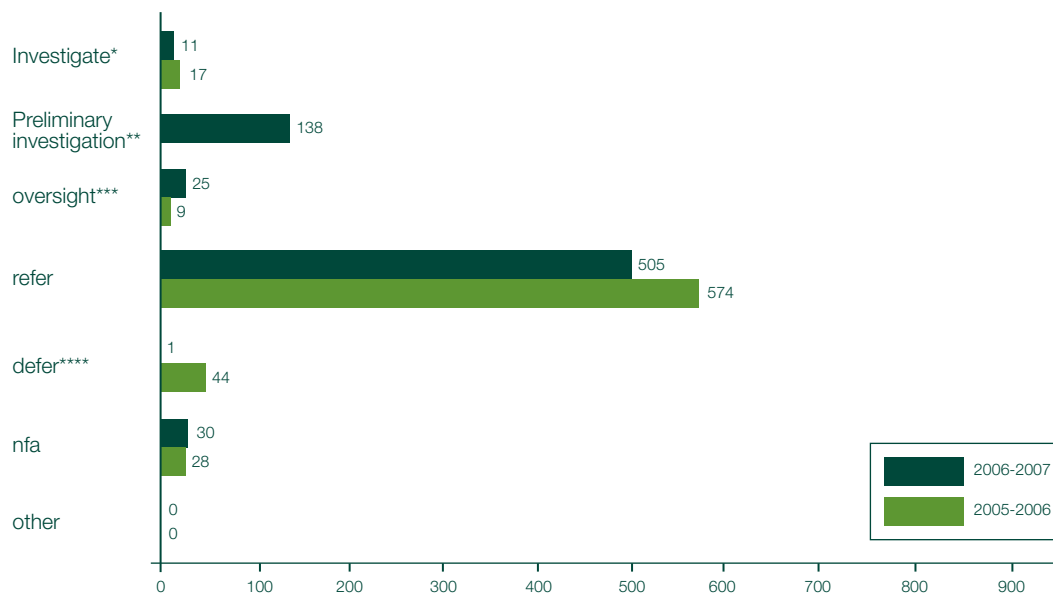
Source of Complaints Assessed

Source	July 2006 – June 2007	July 2005– June 2006
Referred	679	682
NSWPF	644	623
Ombudsman	34	54
Both NSWPF & Ombudsman	1	5
Non-referred	515	457
Anonymous	72	62
Australian Crime Commission	0	3
Australian Federal Police	1	0
Australian Taxation Office	1	0
NSW Cabinet Office	4	0
Department of Commerce	0	1
Department of Corrective Services	1	0
Department of Juvenile Justice	1	0
Independent Commission Against Corruption (ICAC)	4	3
ICAC & Member of Public	0	1
Insurance company	0	1
Legal Practitioner	10	19
Lifeline	1	0
Member of the Judiciary	2	2
Member of NSW Parliament	6	5
Member of Public	371	338
Member of Public & Member of Press	1	0
Ministry for Police	1	0
NSW Crime Commission	0	1
Office of the Director of Public Prosecutions NSW	2	1
Police Integrity Commission	2	0
Police Officers / NSWPF employees	34	17
Queensland Police	0	1
South Australia Police	1	0
Referred & Non-Referred	7	2
NSWPF & Anonymous	1	0
NSWPF & Legal Practitioner	1	0
NSWPF & Member of Parliament	1	0
NSWPF & Member of Public	2	0
NSWPF & Ombudsman & Australian Crime Commission	1	0
Ombudsman & Member of Public	1	1
Ombudsman & Member of Public & Police Officer	0	1
TOTAL	1201	1141

Types of Allegations Raised in Category 1 Complaints - Figure 7.1



Decisions Made Regarding Category 1 Complaints – Figure 7.2



* The 11 matters investigated included three complaints that were determined to be non-Category 1.

** The 138 matters the subject of preliminary investigation included 38 complaints that were determined to be non-Category 1.

*** The 25 matters oversights included 17 complaints that were determined to be non-Category 1.

**** The printed version of this report incorrectly notes the 2006-2007 figure for deferred decisions as 44 and does not record a figure for 2005-2006. This online version shows the correct figures.

POLICE CORRUPTION EDUCATION AND PREVENTION PROGRAMS

One of the Commission's functions under s14(c) of the *Police Integrity Commission Act 1996* is:

to make recommendations concerning police corruption education programs, police corruption prevention programs, and similar programs, conducted within the NSWPF or by the Ombudsman or the Independent Commission Against Corruption for the NSWPF

From time to time, the Commission makes recommendations concerning police corruption education and prevention programs in its reports to Parliament.

Additionally, the Commission reports its performance in its education and corruption prevention role in terms of the number of occasions on which staff members participate in education or prevention programs or discussion panels, or make special presentations on these subjects.

During the year, Commission staff attended a total of 30 such sessions, including:

- presentations on professional standards and detective training courses
- meetings with the NSWPF to discuss and resolve issues associated with early identification and intervention systems, corruption prevention, matters arising from Commission investigations and reports, and, the NSWPF policy and procedures
- meetings with senior police concerning Class & Kind Agreements and the Review of the Complaints Process.

The Commissioner also participated in the Independent Commission Against Corruption's Rural and Regional Outreach Program (RAROP) conducted on the mid North Coast in June 2007. RAROP is designed to provide specialised anti corruption training to local public sector agencies and to support regional NSW through training and education and the promotion of ethical standards across the State. As part of this program the Commissioner visited and met with senior police officers at the Coffs Harbour and Port Macquarie Police stations and addressed a community

breakfast in Coffs Harbour outlining the role and functions of the Commission.

LEGISLATIVE MATTERS AND LAW REFORM

During the reporting year there were several legislative reviews and initiatives of significance to the Commission's functions. These matters are discussed at Appendix 3.

INTEGRITY REPORTS

Prior to appointing a person to a NSWPF executive or non-executive police officer position, the Commissioner of Police is required to make enquiries concerning the integrity of the person with the Commission. The Commission is required to furnish an integrity report on the basis of the information available to it and without the need for any special investigation or inquiry. The Commissioner of Police may enquire as to the integrity of a person proposed for appointment to a NSWPF non-executive administrative position. The Commission is authorised, but not required to furnish a report in relation to such an enquiry. In all cases, the Commissioner of Police is required to have regard to the contents of any report provided by the Commission, as well as any other information that comes to the Commissioner's attention as to the person's integrity.

During the reporting year, the Commission provided reports in response to 607 inquiries received from the NSWPF regarding the integrity of officers nominated for appointment, compared with 576 the previous year.

The Commission also provided reports in response to 75 requests from the NSWPF regarding the integrity of officers for reasons other than that of consideration for promotion, and provided 117 responses to requests from other agencies considering current or former NSWPF officers for employment.

CRIMINAL ASSETS RECOVERY ACT 1990

Under the *Criminal Assets Recovery Act 1990* ("CARA"), the Commission may apply to the Supreme Court for orders to recover proceeds derived from illegal activities and/or the forfeiture of illegally acquired property.

CARA proceedings commenced in the previous reporting year against two (now former) police officers arising from its Operation Alpine investigation continued during the reporting period. Proceedings against one of the officers concluded on 7 August 2006, with the officer being ordered to pay \$14,300 to the State as his proceeds from illegal activities. The other action remains on foot. Details of prosecutions arising from the Commission's investigation may be found in Appendix 5.

Proceedings under Criminal Assets Recovery Act 1990

Name	Assets forfeited	Proceeds Ordered
Baljeet Singh DHADLIE	–	\$14,300
Samuel John FOSTER.	Proceedings ongoing	

WITNESS ASSISTANCE

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

To ensure this invaluable 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. The Commission made use of both these mechanisms during the reporting year.

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*, 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 s56(4)(c) of the *Police Integrity Commission Act 1996*. Under that section, the Commissioner has a broad discretion to otherwise 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 *Police Integrity Commission Act 1996 (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 subs56(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.

The Commission has published comprehensive guidelines as part of its Practice Guidelines dealing with applications for the release of information under subs56(4)(c) among other things. The Practice Guidelines and an application form may be downloaded from the Commission's website.

STAKEHOLDER AND EXTERNAL RELATIONS

General nature and extent of information provided under the Act

During the year there was continuing contact with a range of agencies including the Ombudsman, the Independent Commission Against Corruption, the NSW Crime Commission, the NSWPF and other police agencies in regard to the exchange of relevant information and coordination of activities in respect of common responsibilities. Information disseminated to agencies during the reporting period included relevant investigation information, intelligence and reports concerning matters of interest and complaints or allegations of misconduct.

Types of matters referred to the Commission

Matters referred to the Commission during the reporting period typically related to complaints or allegations of police misconduct, or, to police investigations about which police misconduct had been alleged.

Relations with other agencies

The Commission provided specialist assistance to a number of agencies in respect of local and nationally significant investigations, playing an important role in their success. This assistance is briefly discussed in Section 5.

A Commission representative presented at the International Congress on Ethics (Ottawa, Canada) on: *Managing integrity risks in policing: Case study of the New South Wales Counter Terrorist Coordination Command*.

The Commission is presently reviewing a number of Memoranda of Understanding with agencies which may result in some change. Results of this review may be reported next year.

Meetings were held with representatives from local and international agencies and from government including:

- Parliamentary Committee for the Crime and Misconduct Commission, Queensland
- The Constitution Council, Sri Lanka
- Public Servants Supervision Committee Hubei Province, China
- Independent Commission Against Corruption (Korea)
- Malaysian Parliamentary Secretary for Foreign Affairs
- Consul General, India
- Supreme People's Procuratorate, China
- Australian Commission for Law Enforcement Integrity
- Office of Police Integrity, Victoria

SIGNIFICANT COMMITTEES

Operations Advisory Group

The Commissioner, Director Operations, Director Intelligence & Executive Services and the Commission Solicitor met every two to three weeks, and as required, to provide direction, and make decisions in relation to investigations and research projects undertaken by the Commission.

Commission / Professional Standards Command Weekly Liaison Meeting

The Commissioner, the Director Operations and the Commander of the NSWPF Professional Standards Command met weekly to discuss matters relevant to the functions of both the Commission and the Command.

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Management Advisory Group (MAG)

The Commissioner, the Director Operations, the Director Intelligence & Executive Services, the Commission Solicitor, the Manager Finance & Administration, the Information Manager and the Executive Officer met, usually bi-monthly, to discuss matters relevant to the management and functioning of the Commission. The MAG also sits as the Budget Committee, and, with the addition of the Manager IC&T, as the Information Technology Governance Committee. These committees meet every alternating fourth meeting.

Information Systems Steering Committee

The role of the Information Systems Steering Committee (ISSC) is to oversight the development and maintenance of the Commission's core Information Management systems, ensuring the

program of ICT applications development and enhancement work is aligned with business priorities. The ISSC meets usually every two months, is chaired by the Information Communications & Technology Manager and includes the Information Manager, Manager Projects & Planning (Mr Digby Morrison), a member of the Investigations Unit and other senior managers and operational staff as required to represent business interests. Major stakeholders in projects carried out by the ISSC may also attend meetings as necessary.

Protected Disclosures Act 1994 Implementation Steering Committee

The Protected Disclosures Act Implementation Steering Committee was established by the Premier, following the enactment of the *Protected Disclosures Act 1994*, to develop strategies to implement that Act more effectively across the NSW public sector. The Steering Committee is comprised of representatives from the ICAC, the Office of the Auditor General, the Ombudsman, the Cabinet Office, the Department of Local Government, the NSWPF, the Premier's Department and the Commission. The Commission is represented by the Manager, Assessments & Research (Mr Peter Barnett). The Steering Committee did not meet during the year.

Internal Audit Committee

In the reporting period the Commissioner reconstituted the Internal Audit Committee by changing its focus and membership. The new Committee intends to identify high risk areas in the organisation prior to commencing audit projects. The Committee held its first meeting in June 2007 where it considered and endorsed a new Audit Committee charter. The Internal Audit Committee consists of the Commissioner, Director Operations and the Executive Director Corporate Services for the ICAC (Mr Lance Favelle). Copies of the minutes of the Internal Audit Committee meetings are provided to the Audit Office of NSW.



APPENDIX 1 –**PRESCRIBED ANNUAL
REPORTING REQUIREMENTS
(STATUTORY AND
DEPARTMENTAL)****Industrial Relations**

The 2006-07 reporting period is the first full year in which the Police Integrity Commission Division operated as an employing entity following the introduction of the *Public Sector Employment Legislation Amendment Bill 2006*. Under the provisions of this Bill, the Commission's employees are deemed to be employees of the Crown under Chapter 1A of the *Public Sector Employment and Management Act 2002* (PSEMA). The Commission has "Special Employment Division" status under the PSEMA, thus allowing for employees to be employed other than as public servants.

Under the delegated "employer" authority bestowed by the PSEMA, the Commissioner has deemed that staff of the Police Integrity Commission Division will continue to be employed on the basis of individual Employment Agreements of a duration that is usually either three (3) or five (5) years in length.

There were no industrial relations issues that impacted upon the Commission's operations during the reporting period. A review of the Commission's Disciplinary Action Policy and Grievance Policy determined that both policies remained relevant and appropriate for the operations of the Commission.

Personnel Policies

The Commission relies on a wide range of personnel policies to establish and maintain acceptable levels of performance and conduct across the organisation. These policies are made available to all staff. During this reporting period, particular emphasis was placed upon reviewing the relevance and appropriateness of the Commission's discrimination and workplace harassment policies and procedures. The review determined that policies and procedures in these key areas required updating and further development. It is anticipated that this work will be completed during the next reporting period.

Formalisation of practices surrounding the management of gifts and benefits, and, conflicts of interest will be a focus in the forthcoming reporting period.

The Employee Assistance Program (EAP) available to Commission staff was assessed during this reporting period. While it continues to be used sparingly, the assessment supported the ongoing availability of the program to Commission staff.

Staff Movement 2006-2007

No. staff commenced employment	No. staff ceased employment
18	12

**Exceptional Movements
in Wages and Salaries**

There were no exceptional movements in wages and salaries during the 2006-07 year. Apart from the Commissioner whose salary is set by the Statutory and Other Officers Remuneration Tribunal, all other staff received a 4% salary increase effective from 1 July 2006, in line with the Public Sector employees settlement of claims agreement.

Executive Remuneration – Level 5 and above

The Commissioner for the Police Integrity Commission, John Pritchard, is appointed by the Governor pursuant to s7 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*.

The Commissioner's remuneration is set by the Statutory and Other Officers Remuneration Tribunal, which, for the reporting period, was \$366,045pa. 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 executive positions under the *Public Sector Employment and Management Act 2002*.

Training and Development

Training and Development opportunities made available to staff during the 2006-07 reporting period covered a wide range of disciplines. Specialist training included Operational Safety & Tactics, Advanced Driving, Investigations Management, Police Intelligence Education and Solicitor's Obligations Courses. The more generic training undertaken included Policy & Procedure Writing, various IT Software Training courses, Project Management and First Aid training.

A stronger focus on providing support for tertiary related study saw a total of eight (8) staff members obtain approval under the Commission's study leave policy for assistance in the pursuit of enhanced academic qualifications. This is up from three (3) staff members in the previous reporting period. Twenty-three (23) staff members developed their skills, knowledge and experience by acting in higher duties arrangements during the reporting period.

Occupational Health and Safety (OH&S)

During the reporting period, six (6) workplace accidents/incidents were reported. Of the six (6) accidents/incidents, two (2) resulted in a total of five and a half lost working days. None of the accidents/incidents were serious in nature nor did any require instant remedial action. The Commission is happy to report that the staff member who was involved in a serious accident resulting in a broken shoulder in the last reporting period has returned to her pre-injury duties with no long-lasting adverse affects.

A new Occupational, Health and Safety Committee (OH&S Committee) was convened in this reporting period and a total of eight (8) staff underwent formal OH&S Committee training. The OH&S Committee was the driving force behind engaging the services of an Ergonomic Assessments Consultant to provide an information session to staff and to undertake a number of individual ergonomic assessments across all areas of the organisation.

The Commission has also met its reporting responsibilities with respect to the requirements of the New South Wales Government's "Working Together: Public Sector OHS and Injury Management Strategy". There were no OH&S related prosecutions under the *Occupational, Health and Safety Act 2000* during this reporting period.

Code of Conduct

The Commission's Code of Conduct was the subject of a comprehensive review in the previous reporting period. The review has resulted in a number of changes to bring the Code of Conduct up to date. The new Code will be available for distribution by the end of November 2007. The new Code of Conduct will be supported by a compulsory training program for all management and staff together with a review of related policies and procedures.

Disability Action Plan

The Commission's Disability Action Plan reinforces a commitment to the government's Disability Policy Framework. In terms of the physical environment, 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 actually 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 disabled people.

The Disability Action Plan also commits the Commission to ensuring that staff are provided with access to relevant education and training to maintain appropriate levels of awareness of disability related issues within the workplace. Complaints procedures are reviewed on an ongoing basis to ensure that they remain relevant in dealing with people with disabilities.

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.

Action Plan for Women

Objective	Results / Plans
An equitable and balanced workplace responsive to all aspects of women's lives	A total of 21% of the Commission's female employees are currently employed on approved part-time working arrangements as a means of balancing work and home life responsibilities. This is equivalent to the percentage reported in the last reporting period. Policies and procedures are now in place and well established to ensure that women who are seeking a better work/life balance are given the opportunity to do so by accessing flexible work practices. This applies to women returning from maternity related leave as well as those with other non work related responsibilities and obligations. A total of 70% of the Commission's female staff accessed the Commission's FACS leave arrangements on one or more occasions during the reporting year. This is a 23% increase on the previous reporting period.
Equitable access for women to educational and training development opportunities	9 of a total of 23 HDA staff development opportunities across the organisation were filled by women during this reporting period. 32 of a total of 89 external training placements were filled by women during this reporting period.
Promote the position of women	Women currently make up a total of 40% of the Commission's workforce. A total of 23% of the Commission's management level positions are held by women and 77% of the Commission's female staff are remunerated at the equivalent of NSW Public Sector Grade 5 or above.

Ethnic Affairs Priority Statement

The Commission recognises and promotes the principles of multiculturalism and is committed to the ongoing support of these principles, both within the workplace and in ensuring that the full range of services provided by the Commission is better understood and embraced by all ethnic groups.

The focus of the Commission's Ethnic Affairs Priority Statement throughout the reporting period has been to strengthen existing communication channels to groups of a non-English speaking background. Information brochures covering the role and functions of the Commission have again been predominantly produced in Arabic, Turkish and Vietnamese to meet the particular demands of these communities. The brochures provide details of the kinds of complaints which are relevant to the work of the Commission, how to make a complaint, what happens to the complaint and how to find out more about the Commission.

Basic research has identified the Commission's website as a key information medium to reach people of a non-English speaking background. Plans to re-build the Commission's website are currently well underway and it is intended that information on the new website will be available in Cantonese, Mandarin, Vietnamese and Arabic in the forthcoming reporting period.

The Commission has continued to use interpreters from a variety of ethnic backgrounds where necessary to assist in dealing with people and information arising from operational matters. The complaints and general enquiries processes and procedures also help the Commission to provide better access to services for individuals of non-English speaking backgrounds.

Ethnic Affairs Priority Statement

Initiative	Strategies / Tasks	Timeline	Outcomes
Improved access for people from non-English speaking backgrounds (NESB) to services and materials provided by the Commission	1. Ensure brochures, other material produced, and, information services are made available to people from NESB in multi-lingual formats	1. Ongoing as appropriate	1. To reach as many key ethnic groups as possible in order to increase community awareness of the services that the Commission provides
	2. Provide interpreter services as required for witnesses and complainants from NESB	2. Ongoing	2. To provide appropriate support to people accessing Commission services, or, appearing before the Commission
	3. Target information campaigns to Ethnic community groups that have not previously been subject to the Commission's formal attention	3. 2007-2008 financial year	3. Distribute information brochures &, where appropriate, conduct information sessions to raise community awareness of the Commission's role in relevant ethnic groups

Number of Employees

Number of officers and employees by category & comparison to prior three years¹¹

	2004	2005	2006	2007
Statutory appointments	1	1	1	1
Executive appointments	3	2	2	3
Female executive appointments	0	0	0	1
Operational staff	71.8	74	74.8	75.6
Support staff	24	24	25	24
Total	99.8	101	102.8	103.6

The number of female employees who are currently employed in part-time working arrangements to better balance their home and work life responsibilities remained steady at 21% of the Commission's female staff.

In the coming year the Commission will continue to work towards reviewing its existing policies and ensuring that such policies provide equal opportunities for all. The focus on harassment and discrimination policies will continue with a dedicated compulsory training program designed to supplement these policies. Further effort will also be made to ensure that appropriate channels of communication are available to provide staff with adequate access to EEO related information.

Equal Employment Opportunity (EEO)

The Commission maintained its commitment to achieving and preserving the key principles of Equal Employment Opportunity in the NSW Public Sector throughout the reporting period. The Commission also continued its commitment towards maintaining a family friendly workplace by promoting policies that are geared towards greater flexibility of conditions in the workplace.

The Commission's EEO Management Plan remains relevant in relation to EEO targets. The small size of the Commission, combined with the specialised nature of the role of the Commission, provides for an environment within which it is not always operationally viable to meet EEO quotas. A comprehensive staff survey was conducted in May 2007 and received a very good response from 86% of staff. The responses to this survey will be reviewed in the forthcoming period and will influence management planning.

¹¹This table refers to Executive appointments. The Executive has been defined as the Commissioner, Director of Operations, Director, Intelligence and Executive Services and Solicitor to the Commission/ Manager, Legal Services Unit.

Trends in the Representation of EEO Groups

% of Total Staff¹²

EEO Group	Bench- mark or Target	2004	2005	2006	2007
Women	50%	46%	43%	44%	40%
Aboriginal People & Torres Strait Islanders	2%	1%	1%	2%	2%
People whose first language was not English	20%	8%	8%	9%	11%
People with a disability	12%	4%	6%	6%	9%
People with a disability requiring work-related adjustment	7%	1.1%	0.9%	0.9%	0.9%

Trends in the Distribution of EEO Groups

% of Total Staff¹³

EEO Group	Bench- mark or Target	2004	2005	2006	2007
Women	100	89	88	84	88
Aboriginal People & Torres Strait Islanders	100	N/A	N/A	N/A	N/A
People whose first language was not English	100	N/A	N/A	N/A	N/A
People with a disability	100	N/A	N/A	N/A	N/A
People with a disability requiring work-related adjustment	100	N/A	N/A	N/A	N/A

¹² Staff numbers are at 30 June. Excludes casual staff.

¹³ A Distribution Index of 100 indicates that the centre of the distribution of the EEO group across salary levels is equivalent to that of other staff. Values less than 100 mean that the EEO group tends to be more concentrated at lower salary levels. Values more than 100 indicate that the EEO group is less concentrated at lower salary levels. The Distribution Index is automatically calculated by software provided by Office of the Director of Equal Opportunity in Public Employment. The Distribution Index is not calculated where EEO group or non-EEO group numbers are less than 20.

Plans for Human Resource Policy Development 2006-2007

The focus in the 2007-2008 reporting year will be on finalising the updated Code of Conduct and formalising policies on Conflict of Interest and Gifts and Benefits. A concerted effort will also be made to strengthen the Commission's Human Resources related policies across the board to ensure that they remain relevant, fair and equitable in the modern work environment.

Information Communication and Technology Management

At the beginning of 2006-2007 the Commission's Information Technology Governance Committee endorsed the new ICT Strategic Plan. Under the plan a number of activities have been completed to enhance the Investigation-Intelligence Business Systems suite of products. Significant resources were also committed to infrastructure improvements and other applications enhancement projects, including work with a nexus to the "People First – NSW Government ICT Strategic Plan".

Achievements over the period include:

- the completion and limited rollout of a trial system aimed at enhancing the ability of operational teams to capture and utilise Entities-of-Interest and associated information
- the implementation of new electronic service applications to enhance Commission processes for obtaining telephone call charge and telephone subscriber information
- the implementation of a replacement Telephone Interception system (refer to the section covering Major Works that follows)
- the upgrading of firewall facilities - elements of this work were driven by the need to replace leased assets, a cancellation of external firewall facilities management arrangements and the need to securely interface the new Telephone Interception system with the Commission's existing production environment
- the re-design of the Commission's website to achieve compliance with the NSW Government Style Directive and to add functionality associated with the online access of public hearing transcripts (refer to the section entitled Delivery of Electronic Services that follows)
- the migration to new telecommunication voice service price plans available under the recently implemented NSW Government Telecommunication Agreements
- the implementation of a range of improvements in relation to information systems access and data feed services provided to the Commission by NSW, AUSTRAC, NSW Department of Corrective Services and NSW Department of Fair Trading
- The provision of PODS (the Police Oversight Data Store system) maintenance and ongoing product management services to the Office of the Ombudsman and the NSW.

Plans for 2007-2008 include a range of initiatives to further enhance Investigation-Intelligence applications and upgrade client access facilities. Additionally, the Commission will be reviewing and refining its desktop software and office automation strategy in lieu of the NSW Government CIO decision not to seek a replacement for the Microsoft NAMS agreement that expires at the end of 2007-2008.

Major Works

The Telephone Interception Replacement Project was completed in June 2007.

The project involved the issue of a Tender in conjunction with the Department of Commerce in 2006 and the subsequent evaluation of responses against the Commission's specified requirements. A contract was signed with the successful vendor in January 2007 leading to a detailed planning and implementation phase. The replacement system went live in June 2007 providing the Commission with state-of-the-art interception and collection management capabilities.

This was the only "major works" project undertaken over 2006-2007 as shown in the following table:

Major Works	Cost 2006- 2007 (\$'000)	Acquisition	Implementation
Telephone Interception Replacement	\$1,559	Jan 2007	Jun 2007

Delivery of Electronic Services

The Commission plans to achieve compliance with the recently issued NSW Government Website Style Directive with the launch of a new website in September 2007. The new site will include additional electronic services as well as enhance internal processes in relation to content management. Until the launch, all existing Commission services will continue to be maintained on the current website. During the reporting period, the Commission's website attracted 75,307 visitors, at an average of 205 per day. This figure represents an increase of 26% over the previous reporting period.

FINANCIAL SERVICES

Audits

The Audit Office of NSW was engaged to carry out an audit of the 2006–2007 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 at Appendix 7.

Accounts Payable Policy

The Commission has set a benchmark for paying 85% 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 either late invoicing, or invoicing for non-delivered, or incorrect, goods in which case the Commission withholds payment until it is satisfied that goods and services have been received as contracted.

The Commission paid no interest on outstanding accounts during the reporting year.

Aged analysis at the end of each quarter 2006-2007

Qtr	Current (ie within due date)	Less than 30 days overdue	Between 30 and 60 days overdue	Between 60 and 90 days overdue	More than 90 days overdue
	\$	\$	\$	\$	\$
Sept	54,942	127,192	10,062	179	0
Dec	136,598	240,727	24,510	158	0
March	91,648	145,217	18,275	34,678	2,079
June	135,621	203,908	4,222	14,467	0

Accounts paid on time within each quarter 2006–07

Qtr	Total Accounts Target %	Paid On Time Actual %	Total Accounts Paid \$	Paid On Time* \$
Sept	85	98.0	6,913,110	6,775,676
Dec	85	87.3	6,256,772	5,460,901
March	85	97.4	7,599,929	7,399,678
June	85	97.4	8,657,129	8,434,531

*includes employee-related expenses

Statutory Reporting

The Commission and Division Financial Statements for 2006–2007 were prepared and submitted to the Audit Office of NSW within the required timeframe.

Consultants

During the year, there was no single engagement equal to or more than \$30,000. The Commission engaged the services of three consultants, in the following areas:

Area of consultancy	Amount (\$)
Management Services	2,025
Organisational Review	17,600
TOTAL	19,625

Land Disposal

The Commission does not hold any real property.

Insurance

Insurance during the reporting year was undertaken through the NSW Treasury Managed Fund Scheme, self-insurance for government agencies.

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.

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 Police Integrity 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

There were no known instances of misuse of credit cards during the year.

Major Assets

In 2006–2007 the Commission undertook leasehold improvements of \$259,000.

Risk Management and Internal Control

The Internal Audit Committee is responsible for the management of risk and for auditing internal controls. Please see: Significant Committees in Section 8 for further information on this committee.

Energy Management Plan

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

Any office equipment purchased by the Commission must meet the appropriate energy management accreditation from approved Government contract suppliers as outlined in the Waste Reduction and Purchasing Policy. Timers continue to be used on all appropriate office equipment.

Air-conditioning is also run on timers and is constantly monitored. The running times are reduced during the cooler months of the year or whenever possible.

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Air-conditioning is also run on timers and is constantly monitored. The running times are reduced during the cooler months of the year or whenever possible.

Waste Management

In accordance with the Government's Waste Reduction and Purchasing Policy the Commission continues to implement waste reduction management.

The Commission continues to use paper containing at least 35% of recycled content.

Other measures to achieve compliance include reducing the generation of waste by:

- recycling all paper, toner cartridges, and other items where recycling is possible
- continuing the use of photocopiers capable of double-sided copying
- using re-manufactured toner cartridges, and
- printing corporate and other stationery on recycled paper.

Overseas Visits

The following Commission staff undertook overseas travel on official business during 2006-2007.

Officer	Destination	Purpose	Cost
Senior Investigators x 2	Cambodia	Escort duties	\$5,766*
Manager, Physical Surveillance Unit	USA	Conference/training on physical surveillance methodologies	\$6,090
Principal Analyst	Canada	International Congress on Ethics	Nil

*trip undertaken in late June 2007, some costs were paid in early July 2007.

Assumed Identities

The *Law Enforcement and National Security (Assumed Identities) Act 1998* provides for the acquisition and use of assumed identities by officers of law enforcement agencies such as the Commission, on authorisation by its chief executive officer. An authorisation permits an officer to use an assumed identity in the course of carrying out official duties.

Section 12 requires that an agency report in its Annual Report details relating to assumed identity approvals granted, varied or revoked for the relevant reporting period. The results of the most recent audit of assumed identity records, as reported to the chief executive officer of the agency, must also be reported so far as they "disclose any fraudulent or other criminal behaviour." The audit of assumed identities records for the reporting period did not disclose any fraudulent or other criminal behaviour.

The results of the annual audit for 2006-2007 were:

Assumed Identities

Granted	Revoked	Varied	Duty Type (Granted):	
6	6	1	Surveillance	Admin.
			3	3

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 information protection principles.

During the reporting period, no internal reviews were applied for or undertaken in relation to those Commission functions to which the PPIP Act applies.

APPENDIX 2 – STATISTICAL DATA ON EXERCISE OF COMMISSION POWERS

The following table indicates the frequency with which the Commission exercised its various powers in 2006-2007, compared with the two previous reporting years.

FUNCTIONS	YEAR ENDING 30 JUNE 2007	YEAR ENDING 30 JUNE 2006	YEAR ENDING 30 JUNE 2005
<i>Under Police Integrity Commission Act 1996</i>			
s 16 — Establishment of task forces within the state	NIL	NIL	NIL
s 25 — Requiring public authority or public official to produce a statement of information	6	12	14
s 26 — Requiring a person to attend before an officer of the Commission and produce a specified document or other thing	278	406	257
s 29 — Commission may authorise an officer of the Commission to enter and inspect premises etc	2	NIL	NIL
s 32 and s 33 — Hearing days:			
• public	4	3	26
• private	38	40	34
s 38 — Commissioner may summon a person to appear before the Commission and give evidence or produce documents or other things	54	68	88
s 45(1) — Authorised justice may issue search warrant	1	NIL	NIL
s 45(2) — Commissioner may issue a search warrant	NIL	NIL	NIL
s 50 — Number of warrants obtained under <i>Listening Devices Act 1984</i>	43	25	24
<i>Under Law Enforcement (Controlled Operations) Act 1997</i>			
Applications granted by Commissioner for authority to conduct controlled operations	2	13	12
Applications granted by Commissioner for variation of authority to conduct controlled operations	NIL	3	2
<i>Under Law Enforcement (Assumed Identities) Act 1998</i>			
Applications of assumed identity approvals granted	6	1	12
Applications of assumed identity approvals revoked	6	2	10
<i>Under Telecommunications (Interception) Act 1979</i>			
Warrants issued for the Interception of Communications	40	51	59
<i>Under Protected Disclosures Act 1994</i>			
Complaints received by the Commission that constitute Protected Disclosures	46	27	17

APPENDIX 3 – LEGISLATIVE MATTERS AND LAW REFORM

Police Integrity Commission Amendment Act 2006 No. 64

The *Police Integrity Commission Amendment Act 2006* (Act) commenced on 12 January 2007.

The Act amended the *Police Integrity Commission Act 1996* by establishing a system of investigation, referral and oversight of complaints against members of the NSWPF who are not sworn police officers (i.e. administrative officers).

The amendments confirm that the Commission's functions extend to include all employees of the NSWPF, both sworn police officers and unsworn administrative officers.

As reported in the last Annual Report, the process of extending the functions of the Commission in this respect had begun with the *Independent Commission Against Corruption Amendment Act 2005* on 1 July 2005, which amended the definition of 'police officer' in the *Police Integrity Commission Act 1996* to include all members of the NSWPF (whether or not a police officer). The Act consolidated those amendments by way of further relevant amendments to the *Police Integrity Commission Act 1996*.

The Act also extended to three years, the time within which criminal proceedings in respect of certain offences under the *Police Integrity Commission Act 1996* may be commenced. Prior to this amendment, proceedings were required, pursuant to s179(1) of the *Criminal Procedure Act 1986*, to be commenced within 6 months.

Part 6 of the *Police Integrity Commission Act 1996* ('Inspector of the Police Integrity Commission') was also amended by the Act with the insertion of the new section 93A, the effect of which is to confirm that the conduct of former officers of the Police Integrity Commission may be investigated by the Inspector of the Commission.

Police Amendment (Miscellaneous) Act 2006 No. 94

The *Police Amendment (Miscellaneous) Act 2006* No. 94 (Act) amended the *Police Act 1990* to make further provision for the testing of police officers for the presence of alcohol, prohibited drugs and steroids, to rename NSW Police as the NSW Police Force and to make miscellaneous amendments to the *Police Act 1990* and other Acts. Significantly, the Act also abolished the previous distinction between Category 1 and Category 2 complaints.

The Act also effected a number of amendments to the *Police Integrity Commission Act 1996*, most significantly in the following respects:

- (a) removing the distinction between Category 1 and Category 2 police complaints;
- (b) removing references to "serious police misconduct" (which were based on the Category 1 complaint classification);
- (c) amending provisions relating to the referral of complaints between the NSWPF and the Police Integrity Commission;
- (d) amending provisions as a consequence of the change of name to the NSWPF and the NSWPF Senior Executive Service.

Also of relevance to the Commission was the amendment of section 200 of the *Police Act 1990* (which section relates to bribery and corruption offences), the effect of which was to remove the 2-year limitation period on taking proceedings for an indictable offence under that section.

Police Powers Legislation Amendment Act 2006 No. 128

This Act effected amendments to the following Acts, which are of relevance and interest to the Commission:

- *Law Enforcement (Powers and Responsibilities) Act 2002*
- *Police Powers (Drug Detection in Border Areas Trial) Act 2003*
- *Terrorism (Police Powers) Act 2002*
- *Crimes Act 1900*
- *Criminal Procedure Act 1986*
- *Criminal Procedure Regulation 2005*

Police Amendment (Police Promotions) Act 2006 No. 63

The primary object of this Act was to amend the *Police Act 1990* and the *Police Regulation 2000* to implement a new system for the promotion and appointment of police officers other than constables and executive officers.

This Act did not effect any amendments to the Commission's governing legislation. Nonetheless, this Act is of interest and relevance to the Commission, particularly given the Commission's responsibilities in relation to the providing of integrity reports, pursuant (now) to section 71 of the *Police Act 1990*.

Telecommunications (Interception and Access) Act 1979 (Cth)

Pursuant to the provisions of the *Telecommunications (Interception) Amendment Act 2006* (Cth), further amendments to the *Telecommunications (Interception and Access) Act 1979* (Cth) (TIA Act) of relevance to the Commission commenced during the reporting period.

The commencement, on 1 July 2006, of Schedule 4 of the Amendment Act removed the distinction between class 1 and class 2 offences for which telecommunications interception powers are available to law enforcement agencies. Formerly, the TIA Act required certain additional factors to be taken into account in the issue of a

telecommunications interception warrant for the investigation of the less serious class 2 offences. The removal of the distinction has the effect that those factors are to be considered in relation to warrants for all offences.

Significant Judicial Decisions

Commissioner for the Police Integrity Commission v Walker [2006] NSWSC 964

Last year's annual report briefly noted the matter of Police Integrity Commission v Walker [No. 2] [2006] NSWSC 696. Those proceedings were commenced, pursuant to s119 of the *Police Integrity Commission Act 1996* in the Supreme Court of NSW as the Commissioner for the Police Integrity Commission considered that a former police officer, Christopher Walker, was in contempt of the Commission in the manner he gave evidence during Commission hearings for the purpose of Operation Cobalt.

In a decision delivered on 14 July 2006 ([2006] NSWSC 696) the Supreme Court found Walker guilty of contempt of the Commission. The contempt was constituted by a refusal or failure to answer questions in Commission hearings by way of a pretended failure of memory.

In the ensuing sentencing hearing held on 25 September 2006 ([2006] NSWSC 964), the Supreme Court sentenced Walker to 6 months' imprisonment. The Court subsequently ordered that that sentence be served by way of home detention.

During the reporting period there were no other judicial decisions of immediate relevance to the operation of the *Police Integrity Commission Act 1996* or to the functions and powers of the Police Integrity Commission.

APPENDIX 4 – COMMISSION INVESTIGATIONS AS AT 30 JUNE 2007

Primary allegation prompting investigation	Ongoing as at 30 June 2007	Closed ¹⁴ during 2006-2007
Pervert the course of justice	6	9
Soliciting or accepting bribes	3	1
Being involved in the manufacture, cultivation or supply of prohibited drugs	3	3
Assault causing serious injury	0	1
Complaint made against an officer who is of, or above, the rank of Superintendent	0	0
Improperly accessing/disclosing information	0	1
Improper associations	6	6
Improperly investigating or interfering with an investigation by another officer	0	0
Financial misconduct	6	1
Managerial/procedural issues	1	1
Reckless discharge of firearms	0	0
Offence punishable, on conviction, by 5 years or more imprisonment	5	2
Total¹⁵	30	25

¹⁴ For the purposes of this table, an investigation is considered 'Closed' when a public report has been submitted to Parliament (if appropriate), a referral is submitted to the NSWPF (if appropriate), a brief of evidence has been referred to the Director of Public Prosecutions (if appropriate), or the Commissioner has decided that no further action (NFA) is required.

¹⁵ The table includes investigations that were not always active throughout the reporting year.

APPENDIX 5 – PROSECUTIONS IN 2006-2007 ARISING FROM COMMISSION INVESTIGATIONS¹⁶

PROSECUTIONS BY PIC		
Name	Offence	Status/Result
Rafiq AHMED	1 x s 178BB <i>Crimes Act 1900</i> Obtain a financial advantage by making a false statement	7/6/07 Listed for hearing on 10/10/07
Peter BEZKOROWAJNY*	1 x s 319 <i>Crimes Act 1900</i> Pervert the course of justice 2 x s 327 <i>Crimes Act 1900</i> Perjury	Plea of guilty to Pervert charge accepted in full satisfaction 27/10/06 Sentenced to 18 months periodic detention
Baljeet Singh DHADLIE ¹⁷	1 x s 25(2) <i>Drug Misuse and Trafficking Act 1985</i> Attempt Supply not less commercial quantity of prohibited drug 1 x s 200(2)(b) <i>Police Act 1990</i> Corruption 1 x s 178BA <i>Crimes Act 1900</i> Attempt to obtain benefit by deception	Plea of guilty to Aid and Abet the attempted supply of prohibited drug (charge 1) and Receive bribe (charge 2) 13/2/07 Sentenced to 2 years and 7 months imprisonment with a non-parole period of 1 year and 6 months in relation to charge 1. Sentenced to 2 years and 1 month imprisonment with a non-parole period of 1 year in relation to charge 2. Sentences to run concurrently Appeal lodged by DHADLIE re severity of sentence
Wayne DIXON	8 x s 178BB <i>Crimes Act 1900</i> Obtain a financial advantage by making a false statement	6/3/07 Court Attendance Notices served 12/6/07 Mentioned at Downing Centre Local Court. Stood over to 3/7/07
Samuel FOSTER*	1 x s 97(2) <i>Crimes Act 1900</i> Robbery whilst armed 3 x s 25(1) <i>Drug Misuse and Trafficking Act 1985</i> Supply prohibited drug 1 x s 25(1) <i>Drug Misuse and Trafficking Act 1985</i> Conspiracy to supply 1 x s 25(1) <i>Drug Misuse and Trafficking Act 1985</i> Attempt Supply prohibited drug 1 x s 200(2)(b) <i>Police Act 1990</i> Corruption 5 x s 25(1) <i>Drug Misuse and Trafficking Act 1985</i> Supply prohibited drug charges still outstanding (expected to be dealt with by way of Form 1) 4 other charges have been withdrawn	27/10/06 Committed for trial 16/4/07, however guilty pleas entered on 5/4/07 and trial date vacated 20/4/07 Sentencing mention. Stood over to 15/6/07 due to additional (unrelated) matters still before Central Local Court and severity appeal lodged by co-offender DHADLIE 15/6/07 Listed for sentence on 3/8/07 & 10/8/07
Leif GOULD*	4 x s 107 <i>Police Integrity Commission Act 1996</i> Give False Evidence	29/11/06 charges dismissed at Downing Centre Local Court

¹⁶ Does not include briefs referred to DPP for consideration where a decision concerning prosecution is yet to be made

¹⁷ * Denotes matters carried over from previous reporting period

PROSECUTIONS BY PIC

Name	Offence	Status/Result
Christopher JACKSON	1 x s 35 <i>Crimes Act 1900</i> Maliciously inflict GBH	Listed for hearing on 12/11/07 at Wagga Wagga
Con KOSTAKIDIS	1 x s 178BB <i>Crimes Act 1900</i> Obtain a financial advantage by making a false statement	5/4/07 Plea of guilty and remanded until 15/5/07 for sentencing 15/5/07 sentenced to a 2 year good behaviour bond and \$1,500 fine.
Laurence LUKE*	1 x s 319 <i>Crimes Act 1900</i> Pervert the course of justice 2 x s 327 <i>Crimes Act 1900</i> Perjury	Plea of guilty to Pervert charge accepted in full satisfaction 27/10/06 sentenced to 18 months periodic detention
Emile MATTAR*	1 x s 25(1)/26 <i>Drug Misuse and Trafficking Act 1985</i> Conspiracy to supply prohibited drug 1 x s 25(1) <i>Drug Misuse and Trafficking Act 1985</i> Supply prohibited drug	Committed for trial on 10/9/07
James MCCABE*	1 x s 97(2) <i>Crimes Act 1900</i> Robbery whilst armed 1 x s 25(2) <i>Drug Misuse and Trafficking Act 1985</i> Supply not less commercial quantity	27/10/06 Committed in absentia to stand trial 16/4/07. Arrest warrant issued 5/4/07 Trial date vacated due to pleas of guilty by co-offender FOSTER McCABE extradited from Cambodia in June 2007 4/07/07 Arraigned on charges listed. Plea of not guilty, bail refused Listed for trial 29/10/07
David NATOLI*	5 x s 107 <i>Police Integrity Commission Act 1996</i> Give False Evidence	Plea of guilty to 4 x s 107 Give False Evidence charges 30/11/06 sentenced to 300hrs community service
Daniel RYAN	1 x s 300(2) <i>Crimes Act 1900</i> Use false instrument 5 x s 178BB <i>Crimes Act 1900</i> Obtain money by false or misleading statements 1 x s 109 <i>Police Integrity Commission Act 1996</i> Procure false testimony 1 x s 35 <i>Crimes Act 1914</i> (Cth) False testimony Family Court	4/4/07 Court Attendance Notices served on defendant in relation to charges listed. 3/7/07 Mentioned at Downing Centre Local Court. Stood over to 24/7/07

Paul SUTTON*	1 x s 107 <i>Police Integrity Commission Act 1996</i> Give False Evidence	Plea of guilty to 1 x s 107 Give false evidence 10/11/06 sentenced to 12 months imprisonment with a non-parole period of 8 months, suspended and released on a Good Behaviour Bond
Christopher WALKER*	1 x s 118 <i>Police Integrity Commission Act 1996</i> Contempt of the Commission	14/7/06 Convicted in Supreme Court 25/9/06 sentenced to 6 months imprisonment, deferred pending assessment of suitability for home detention 8/11/06 order that 6 month sentence be served by way of home detention

PROSECUTIONS BY NSWPF (evidence supplied whole or in part by PIC)

Name	Offence	Status/Result
Wayne DODD*	1 x Conspiracy – Aggravated break and enter, commit serious indictable offence in company	Plea of guilty to conspiracy charge 15/12/06 Sentenced to 21 months imprisonment, suspended and released on Good Behaviour Bond for 1 year and 9 months

APPENDIX 6 – FREEDOM OF INFORMATION STATEMENT OF AFFAIRS

Structure and Functions of the Commission

The Commission is a statutory corporation established under the *Police Integrity Commission Act 1996*, the principal function of which is to detect, investigate and prevent serious police misconduct and other police misconduct. Detailed descriptions of the Commission's structure, functions, objectives and performance measures are contained elsewhere in this Annual Report.

Effect of Functions on Members of the Public

While not providing services directly to members of the public, the Commission can have an impact on members of the public when dealing with complaints of serious police misconduct. The Commission exercises powers to investigate police misconduct which may affect members of the public. For example, the Commission may issue a notice requiring a member of the public to produce documents to assist an investigation into misconduct.

Participation by Members of the Public in Policy Formulation and Exercise of Functions

The Commission is exempt from the *Freedom of Information Act 1989* (FOI Act) in relation to its corruption prevention, complaint handling, investigative and report functions. In relation to its non-exempt functions, the Commission tends to adopt policies and practices adopted by the NSW Public Service. In these circumstances, the Commission has not found it necessary to involve members of the public in policy formulation or the exercise of statutory functions.

Nature of Documents Held by the Commission

A list of publications available to the public was printed in the Commission's 2000-2001 Annual Report and a list of new publications is included in each subsequent Annual Report. All publications and other public documents are listed and available on the Commission's website.

Categories of other documents available include:

- administrative policy and education documents
- guides for recipients of Commission Notices and witnesses.

Obtaining Access to and Seeking Amendment of the Commission's Records

Access to administrative policy and education documents and guides for recipients of Notices or witnesses may be obtained by contacting the Information Manager. All other enquiries may be directed to the FOI Coordinator. The contact details for the Commission are contained in Appendix 9. Copies of these policy documents are generally available free of charge.

The Commission reserves the right to charge for photocopies of more than 10 pages. Access may also be provided by way of inspection at the Commission's premises.

Statistics and Assessment of Statistical Report for Year Ending 30 June 2007

There were no requests under the FOI Act determined or still under consideration in the reporting period. The Commission has had no requests for amendment or notation of personal records. There have been no internal reviews, Ombudsman reviews or District Court appeals in respect of FOI requests finalised from an earlier period or in the reporting period.

One application was received for information related to Commission functions that are exempt from the operation of the FOI Act. As such, the application could not be determined or considered under the FOI Act, and was declined.

The impact on the Commission of fulfilling its requirements under the FOI Act (including consideration of the application noted above) during the reporting year has been negligible. No major issues have arisen during the reporting year in connection with the Commission's compliance with FOI requirements.

Appendix 7

Financial statements 2006-2007

POLICE INTEGRITY COMMISSION

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GPO BOX 12
Sydney NSW 2001

INDEPENDENT AUDITOR'S REPORT POLICE INTEGRITY COMMISSION

To Members of the New South Wales Parliament

I have audited the accompanying financial report of the Police Integrity Commission (the Department), which comprises the balance sheet as at 30 June 2007, and the income statement, statement of recognised income and expense, cash flow statement, program statement - expenses and revenues, and summary of compliance with financial directives for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Auditor's Opinion

In my opinion, the financial report:

- presents fairly, in all material respects, the financial position of the Department as of 30 June 2007, and of its financial performance and its cash flows for the year then ended in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations)
- is in accordance with section 45E of the *Public Finance and Audit Act 1983* (the PF&A Act) and the Public Finance and Audit Regulation 2005.

Commissioner's Responsibility for the Financial Report

The Commissioner is responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the PF&A Act. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Department's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Department'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 report.

I believe that 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 Department,
- that it has carried out its activities effectively, efficiently and economically,
- about the effectiveness of its internal controls, or
- on the assumptions used in formulating the budget figures disclosed in the financial report.

Independence

In conducting this audit, the Audit Office has complied with the independence requirements of the Australian Auditing Standards and other relevant ethical requirements. The PF&A Act further promotes independence by:

- providing that only Parliament, and not the executive government, can remove an Auditor-General, and
- 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 are not compromised in their role by the possibility of losing clients or income.



M P Abood, CPA
Director, Financial Audit Services

27 September 2007
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 2007 have been prepared in accordance with the provisions of the *Public Finance and Audit Act 1983* and Regulations, the *Financial Reporting Code for Budget Dependent General Government Sector Agencies*, and the *Treasurer's Directions*
- (b) the statements exhibit a true and fair view of the financial position and transactions 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.



J W Pritchard
Commissioner
27 September 2007

Income Statement for the Year Ended 30 June 2007

		Parent Entity (Police Integrity Commission)		Economic Entity (Consolidated)		
	Notes	Actual 2007 \$'000	Actual 2006 \$'000	Actual 2007 \$'000	Budget 2007 \$'000	Actual 2006 \$'000
Expenses excluding losses						
Operating Expenses						
Employee related	2(a)	28	7,692	11,754	12,200	10,888
Other operating expenses	2(b)	4,081	4,281	4,081	4,789	4,281
Personnel services	2(c)	11,234	3,075	--	--	--
Depreciation and amortisation	2(d)	1,035	917	1,035	1,319	917
Total Expenses excluding losses		16,378	15,965	16,870	18,308	16,086
Less:						
Revenue						
Investment revenue	3(a)	102	86	102	50	86
Other revenue	3(b)	--	1	--	--	1
Total Revenue		102	87	102	50	87
Gain/(loss) on disposal	4	39	--	39	--	--
Net Cost of Services	27	16,237	15,878	16,729	18,258	15,999
Government Contributions						
Recurrent appropriation	6	15,196	14,850	15,196	16,567	14,850
Capital appropriation	6	2,571	1,550	2,571	2,372	1,550
Acceptance by the Crown Entity of employee benefits and other liabilities	9	--	295	492	548	416
Total Government Contributions		17,767	16,695	18,259	19,487	16,816
SURPLUS/(DEFICIT) FOR THE YEAR		1,530	817	1,530	1,229	817

The accompanying notes form part of these financial statements

Statement of Recognised Income and Expense for the Year Ended 30 June 2007

	Notes	Parent Entity (Police Integrity Commission)		Economic Entity (Consolidated)		
		Actual 2007 \$'000	Actual 2006 \$'000	Actual 2007 \$'000	Budget 2007 \$'000	Actual 2006 \$'000
TOTAL INCOME AND EXPENSE RECOGNISED DIRECTLY IN EQUITY		--	--	--	--	--
Surplus / (deficit) for the year		1,530	817	1,530	1,229	817
TOTAL INCOME AND EXPENSE RECOGNISED FOR THE YEAR		1,530	817	1,530	1,229	817

The accompanying notes form part of these financial statements

Balance Sheet as at 30 June 2007

		Parent Entity (Police Integrity Commission)		Economic Entity (Consolidated)		
	Notes	Actual 2007 \$'000	Actual 2006 \$'000	Actual 2007 \$'000	Budget 2007 \$'000	Actual 2006 \$'000
ASSETS						
Current Assets						
Cash and cash equivalents	12	886	1,114	1,462	1,281	1,114
Receivables	13	1,362	632	828	659	632
Total Current Assets		2,248	1,746	2,290	1,940	1,746
Non-Current Assets						
Plant and equipment	16	4,636	2,932	4,636	3,874	2,932
Intangible assets	17	42	211	42	322	211
Total Non-Current Assets		4,678	3,143	4,678	4,196	3,143
Total Assets		6,926	4,889	6,968	6,136	4,889
LIABILITIES						
Current Liabilities						
Payables	19	167	151	209	157	151
Provisions	21	1,039	990	1,039	1,002	990
Other	22	725	283	725	283	283
Total Current Liabilities		1,931	1,424	1,973	1,442	1,424
Total Liabilities		1,931	1,424	1,973	1,442	1,424
Net Assets		4,995	3,465	4,995	4,694	3,465
EQUITY						
Accumulated funds	23	4,995	3,465	4,995	4,694	3,465
Total Equity		4,995	3,465	4,995	4,694	3,465

The accompanying notes form part of these financial statements

Cash Flow Statement for the Year Ended 30 June 2007

		Parent Entity (Police Integrity Commission)		Economic Entity (Consolidated)		
	Notes	Actual 2007 \$'000	Actual 2006 \$'000	Actual 2007 \$'000	Budget 2007 \$'000	Actual 2006 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES						
Payments						
Employee related		(40)	(7,494)	(11,249)	(11,634)	(10,448)
Other		(4,594)	(5,035)	(4,599)	(5,399)	(5,035)
Personnel services		(11,790)	(2,954)	--	--	--
Total Payments		(16,424)	(15,483)	(15,848)	(17,033)	(15,483)
Receipts						
Interest received		91	59	91	53	59
Other		427	601	427	580	601
Total Receipts		518	660	518	633	660
Cash flows from Government						
Recurrent appropriation		15,921	14,850	15,921	16,567	14,850
Capital appropriation		2,571	1,833	2,571	2,372	1,833
Cash transfers to the Consolidated Fund		(283)	(459)	(283)	--	(459)
Net Cash Flows from Government		18,209	16,224	18,209	18,939	16,224
NET CASH FLOWS FROM OPERATING ACTIVITIES	27	2,303	1,401	2,879	2,539	1,401
CASH FLOWS FROM INVESTING ACTIVITIES						
Proceeds from sale of plant & equipment		40	--	40	--	--
Purchases of plant & equipment		(2,554)	(1,538)	(2,554)	(2,082)	(1,538)
Purchases of Intangible Assets		(17)	(12)	(17)	(290)	(12)
NET CASH FLOWS FROM INVESTING ACTIVITIES		(2,531)	(1,550)	(2,531)	(2,372)	(1,550)
NET INCREASE / (DECREASE) IN CASH		(228)	(149)	348	167	(149)
Opening cash and cash equivalents		1,114	1,263	1,114	1,114	1,263
CLOSING CASH AND CASH EQUIVALENTS	12	886	1,114	1,462	1,281	1,114

The accompanying notes form part of these financial statements

Summary of Compliance with Financial Directives for the Year Ended 30 June 2007

2007				
	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	16,567	15,196	2,372	2,372
	16,567	15,196	2,372	2,372
OTHER APPROPRIATIONS/ EXPENDITURE				
• Treasurer's Advance	--	--	--	--
• Additional appropriation	--	--	--	--
• Transfers from another agency (s28 of the Appropriation Act)	--	--	199	199
	--	--	--	199
Total Appropriations/ Expenditure/Net claim on Consolidated Fund	16,567	15,196	2,571	2,571
Amount drawn down against Appropriation		15,921		2,571
Liability to Consolidated Fund		725		--

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.

The accompanying notes form part of these financial statements

2006				
	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	16,116	14,850	2,549	779
	16,116	14,850	2,549	779
OTHER APPROPRIATIONS/ EXPENDITURE				
• Treasurer's Advance	--	--	950	771
• Additional appropriation	--	--	--	--
• Transfers from another agency (s28 of the Appropriation Act)	--	--	--	--
	--	--	950	771
Total Appropriations/ Expenditure/Net claim on Consolidated Fund	16116	14,850	3,499	1,550
Amount drawn down against Appropriation		14,850		1,833
Liability to Consolidated Fund		--		283

The accompanying notes form part of these financial statements

Summary of Compliance with Financial Directives for the Year Ended 30 June 2007 (cont)

Recurrent Appropriation

The Commission's recurrent appropriation of \$16.567m was not fully drawn down as the agency did not employ the full number of staff expected during the year, and was able to make additional savings on other operating expenses.

Capital Appropriation

The Commission's original capital appropriation of \$2.372m was fully expended during the year, and approval was given to transfer an additional capital allocation of \$199,000 from the NSW Crime Commission to the Police Integrity Commission.

1. Summary of Significant Accounting Policies

(a) *Reporting entity*

The Police Integrity 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 report for the economic entity consisting of the controlling and controlled entities, all inter-entity transactions and balances have been eliminated.

The Police Integrity Commission is a NSW Government department. The Commission is a not-for-profit entity (as profit is not its principle objective) and it has no cash generating units. The reporting entity is consolidated as part of the NSW Total State Sector Accounts.

The consolidated financial report for the year ended 30 June 2007 has been authorised for issue by the Commissioner for the Police Integrity Commission on 27 September 2007.

(b) *Basis of preparation*

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

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

Plant and equipment are measured at historical cost, as a surrogate for fair value. Other financial items are 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 consolidated and parent entity financial statements and notes comply with Australian Accounting Standards, which include AEIFRS.

This financial report and comparatives for the year ended 30 June 2006 has been prepared based on AEIFRS.

(d) Administered activities

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

(e) 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.

An exception to the above is when appropriations are unspent at year end. In this case, the authority to spend the money lapses and generally the unspent amount must be repaid to the Consolidated Fund in the following financial year. As a result, unspent appropriations are accounted for as liabilities rather than revenue.

The liability is disclosed in Note 22 as part of 'Current Liabilities–Other'. The amount will be repaid and the liability 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 Income

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

*(f) Employee benefits and other provisions**(i) 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.

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.

(ii) *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". Prior to 2005–06 the Crown Entity also assumed the defined contribution superannuation liability.

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 06/09) 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.

(iii) *Other Provisions*

Other provisions exist when the agency 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 agency has a detailed formal plan and the agency 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) *Insurance*

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

(h) *Accounting for the Goods and Services Tax (GST)*

Revenues, expenses and assets are recognised net of the amount of GST, except where:

- (i) 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.
- (ii) receivables and payables are stated with the amount of GST included.

(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 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.

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.

(j) *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.

(k) *Re-valuation 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-economic 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.

There has been no re-valuation of any of the Commission's plant and equipment as they are mainly non-specialised assets. Non-specialised assets with short useful lives are measured at depreciated historical cost, as a surrogate for fair value.

(l) *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.

(m) *Assets Not Able to be Reliably Measured*

The Commission does not hold any assets that have not been recognised in the Balance Sheet.

(n) *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	7 years
Leasehold improvements	The initial period of the lease

(o) *Major Inspection Costs*

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

(p) *Restoration Costs*

The Commission did not incur restoration costs during the year.

(q) *Maintenance*

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

(r) *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 Income Statement in the periods in which they are incurred.

(s) *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.

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.

In general, 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 (l)).

(t) 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 Income Statement when impaired, de-recognised 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.

(u) Investments

The Commission holds no investments for 2005–06 and 2006–07.

(v) De-recognition of financial assets and financial liabilities

A financial asset is de-recognised when the contractual rights to the cash flows from the financial assets expire; or if the agency transfers the financial assets:

- where substantially all the risks and rewards have been transferred;

or

- where 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 de-recognised when the obligation specified in the contract is discharged or cancelled or expires.

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

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

(x) Trust funds

The Commission does not hold any trust funds.

(y) Other Assets

Other assets are recognised on a cost basis.

(z) Equity transfers

The transfer of net assets between agencies as a result of an administrative restructure, transfers of program/functions and parts thereof between NSW public sector agencies is designated as a contribution by owners and recognised as an adjustment to "Accumulated Funds". This treatment is consistent with Urgent Issues Group Interpretation 1038 *Contributions by Owners Made to Wholly-Owned Public Sector Entities*.

Transfers arising from an administrative restructure between government departments are recognised at the amount at which the asset was recognised by the transferor government department immediately prior to the restructure. In most instances this will approximate fair value. All other equity transfers are recognised at fair value.

(aa) *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.

(ab) *Budgeted Amounts*

The budgeted amounts are drawn from the budgets as formulated at the beginning of the financial year and with any adjustments for the effects of additional appropriations, s 21A, s24 and/or s 26 of the *Public Finance and Audit Act 1983*.

The budgeted amounts in the Income Statement and Cash Flow Statement are generally based on the amounts disclosed in the NSW Budget Papers (as adjusted above). However, in the Balance Sheet, the amounts vary from the Budget Papers, as the opening balances of the budgeted amounts are based on carried forward actual amounts; ie per audited financial statements (rather than carried forward estimates).

(ac) Accounting standards issued but not yet effective

The following new Accounting Standards have not been applied and are not yet effective:

- AASB 7 - Financial Instruments: Disclosures
- AASB 101 - Presentation of Financial Statements
- AASB 1049 - Financial Reporting of Government Sectors by Governments
- AASB 2005–10 - Amendments to Australian Accounting Standards [AASB 132,

AASB 101, AASB 114, AASB 117, AASB 133, AASB 139, AASB 1, AASB 4, AASB 1023, AASB 1038]

- AASB 2007–2 - Amendments to Australian Accounting Standards [AASB 1, AASB 117, AASB 118, AASB 120, AASB 121, AASB 127, AASB 131, AASB 139]
- AASB 2007–03 - Amendments to Australian Accounting Standards [AASB 5, AASB 6, AASB 102, AASB 107, AASB 119, AASB 127, AASB 134, AASB 136, AASB 1023, AASB 1038]
- AASB 2007–4 - Amendments to Australian Accounting Standards [AASB 1, 2, 3, 4, 5, 6, 7, 102, 107, 108, 110, 112, 114, 116, 117, 118, 119, 120, 121, 127, 128, 129, 130, 131, 132, 133, 134, 135, 136, 137, 138, 139, 141, 1023, 1038]
- AASB 2007–6 - Amendments to Australian Accounting Standards [AASB 1, AASB 101, AASB 107, AASB 111, AASB 116, AASB 138]

It is not anticipated that there will be any material impact for the Commission during the period of initial application of these Standards.

2. Expenses Excluding Losses

	Police Integrity Commission		Consolidated	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
(a) Employee related expenses				
Salaries and wages (including recreation leave)	--	6,322	9,656	8,961
Superannuation—defined benefit plans	--	67	100	95
Superannuation—defined contribution plans	--	495	774	708
Long service leave	--	223	386	315
Workers' compensation insurance	--	67	95	98
Payroll tax and fringe benefits tax	28	468	686	644
Other	--	50	57	67
	28	7,692	11,754	10,888
(b) Other operating expenses include the following:				
Administration charges	114	76	114	76
Books and periodicals	27	49	27	49
Auditor's remuneration—audit or review of financial information	32	26	32	26
Consultancies	20	14	20	14
Contractors	295	214	295	214
EDP expenses (including equipment leasing charges)	234	625	234	625
Maintenance *	182	222	182	222
Insurance	29	36	29	36
Rent and outgoings	1,713	1,694	1,713	1,694
Minor equipment	140	154	140	154
Motor vehicle costs (including leasing charges)	241	225	241	225
Advertising	65	23	65	23
Printing and stationery	31	79	31	79
Staff development	35	57	35	57
Travelling expenses	271	235	271	235
Telephones	271	237	271	237
Other	381	315	381	315
	4,081	4,281	4,081	4,281
* Reconciliation - Total maintenance				
Maintenance expense - contracted labour and other (non-employee related), as above	182	222	182	222
Maintenance related employee expenses included in Note 2 (a)	--	--	--	--
Total maintenance expenses included in Note 2 (a) + 2 (b)	182	222	182	222

		Police Integrity Commission		Consolidated	
		2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
(c)	Personnel Services expenses				
	Police Integrity Commission Division	11,234	3,075	--	--
(d)	Depreciation and amortisation expense				
	Depreciation				
	Computer Equipment	322	208	322	208
	Office Equipment	365	457	365	457
	Office Furniture and Fitting	20	2	20	2
	Amortisation				
	Leasehold Improvements	142	36	142	36
	Intangibles	186	214	186	214
		1,035	917	1,035	917

3. Revenue

	Police Integrity Commission		Consolidated	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
(a) Investment revenue				
Interest	102	86	102	86
	102	86	102	86
(b) Other Revenue				
Commission on salary deductions, conduct fees, fines	--	1	--	1
	--	1	--	1

4. Gain/(loss) on Disposal

In 2006–07 the Commission disposed personal computers, monitors and some office equipment in accordance with the NSW Government computer re-use pilot guidelines called *ReConnect.NSW Computer Program*. A fully-depreciated motor vehicle and office equipment was sold during the year.

Gain / (loss) on disposal				
Proceeds from disposal	40	--	40	--
Written down value of assets disposed	(1)	--	(1)	--
Gain / (loss) on disposal	39	--	39	--

5. Conditions on Contributions

The Commission did not receive any contributions during 2006–07.

6. Appropriations

	Police Integrity Commission		Consolidated	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Recurrent appropriations				
Total recurrent draw-downs from NSW Treasury (per Summary of Compliance)	15,921	14,850	15,921	14,850
Less: Liability to Consolidated Fund (per Summary of Compliance)	725	--	725	--
	15,196	14,850	15,196	14,850
Comprising:				
Recurrent appropriations (per Income Statement))	15,196	14,850	15,196	14,850
Transfer payments	--	--	--	--
	15,196	14,850	15,196	14,850
Total capital draw-downs from NSW Treasury (per Summary of Compliance)	2,571	1,833	2,571	1,833
Less: Liability to Consolidated Fund (per Summary of Compliance)	--	283	--	283
	2,571	1,550	2,571	1,550
Comprising:				
Capital appropriations (per Income Statement)	2,571	1,550	2,571	1,550
Transfer payments	--	--	--	--
	2,571	1,550	2,571	1,550

7. Prior Period Errors

No prior period errors have been discovered.

8. Individually Significant Items

During the year approval was given to transfer an additional capital allocation of \$199,000 from the NSW Crime Commission to the Police Integrity Commission.

9. 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

Superannuation
Long service leave
Payroll tax

Police Integrity Commission		Consolidated	
2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
--	67	100	95
--	223	386	315
--	5	6	6
--	295	492	416

10. Transfer Payments

There were no transfer payments during the reporting period.

11. Programs/activities of The Agency

Program 1: *Prevention of Serious Police Misconduct*

Objective: *To effectively contribute to the State response in combating serious police misconduct.*

12. Current Assets – Cash and Cash Equivalents

Cash at bank
Cash on hand

Police Integrity Commission		Consolidated	
2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
874	1,102	1,450	1,102
12	12	12	12
886	1,114	1,462	1,114

For the purposes of the Cash Flow Statement, cash and cash equivalents include cash on hand and cash at bank. Cash and cash equivalent assets recognised in the Balance Sheet are reconciled at the end of the financial year to the Cash Flow Statement as follows:

Cash and cash equivalents (per Balance Sheet)

886	1,114	1,462	1,114
------------	--------------	--------------	--------------

Closing Cash and Cash Equivalents (per Cash Flow Statement)

886	1,114	1,462	1,114
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13. Current Assets – Receivables

	Police Integrity Commission		Consolidated	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Prepayments	288	382	415	478
Other debtors	413	250	413	154
PIC Division	661	--	--	--
	1,362	632	828	632

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

Prepayments made by the Commission have been classified as receivables in compliance with AASB 101.75(b).

The \$661,000 represents advances made to the Division and salary deductions by the Division on behalf of the Commission.

14. Current / Non-current Assets – Inventories

The Commission had no inventories in the current year or the prior year.

15. Current / Non-current Assets – Financial Assets at Fair Value

The Commission had no other financial assets in the current year or the prior year.

16. Non-current Assets

– Plant and Equipment

Plant and Equipment

At 1 July 2006

	Police Integrity Commission	Consolidated
	\$'000	\$'000
At Cost or Fair Value	13,510	13,510
Accumulated depreciation and impairment	(10,578)	(10,578)
Net Carrying Amount	2,932	2,932

At 30 June 2007

At Cost or Fair Value	15,688	15,688
Accumulated depreciation and impairment	(11,052)	(11,052)
Net Carrying Amount	4,636	4,636

Reconciliations

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

Year ending 30 June 2007

Net carrying amount at start of year	2,932	2,932
- Additions	2,554	2,554
- Disposals	(376)	(376)
- Depreciation Expense	(849)	(849)
- Other movements - disposals – depreciation	375	375
Net carrying amount at end of year	4,636	4,636

At 1 July 2005

At Cost or Fair Value	11,972	11,972
Accumulated depreciation and impairment	(9,875)	(9,875)
Net Carrying Amount	2,097	2,097

At 30 June 2006

At Cost or Fair Value	13,510	13,510
Accumulated depreciation and impairment	(10,578)	(10,578)
Net Carrying Amount	2,932	2,932

Reconciliation

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

Year ending 30 June 2006

Net carrying amount at start of year	2,097	2,097
- Additions	1,538	1,538
- Disposals	(66)	(66)
- Depreciation expense	(703)	(703)
- Other movements - disposals – depreciation	66	66
Net carrying amount at end of year	2,932	2,932

There has been no re-valuation 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.

Notes to and forming part of the Financial Statements for the year ended 30 June 2007

17. Intangible Assets

	Police Integrity Commission	Consolidated
	\$'000	\$'000
At 1 July 2006		
Cost (gross carrying amount)	3,994	3,994
Accumulated amortisation and impairment	(3,783)	(3,783)
Net Carrying Amount	211	211
At 30 June 2007		
Cost (gross carrying amount)	4,009	4,009
Accumulated amortisation and impairment	(3,967)	(3,967)
Net Carrying Amount	42	42
Year ended 30 June 2007		
Net carrying amount at start of year	211	211
Additions	17	17
Disposal	(2)	(2)
Amortisation (recognised in "depreciation and amortisation")	(186)	(186)
Other movements - disposals – amortisation	2	2
Net carrying amount at end of year	42	42
At 30 June 2005		
Cost (gross carrying amount)	3,982	--
Accumulated amortisation and impairment	(3,569)	--
Net Carrying Amount	413	--
At 30 June 2006		
Cost (gross carrying amount)	3,994	3,994
Accumulated amortisation and impairment	(3,783)	(3,783)
Net Carrying Amount	211	211
Year ended 30 June 2006		
Net carrying amount at start of year	413	413
Additions	12	12
Amortisation (recognised in "depreciation and amortisation")	(214)	(214)
Net carrying amount at end of year	211	211

Computer softwares that are not an integral part of the related hardware were reclassified as intangibles assets 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 2007

18. Restricted Assets

The Commission has not expended any of the \$65,888 in its Operating Account (2005–06 \$65,888), being the balance of the Police Oversight Data Store grants funding.

19. Current Liabilities – Payables

	Police Integrity Commission		Consolidated	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Accrued salaries, wages and on-costs	--	--	42	39
Creditors	167	112	167	112
Accrued personnel services	--	39	--	--
	167	151	209	151

20. Current / Non-current Liabilities – Interest Bearing Liabilities

The Commission does not have any current or non-current interest bearing liabilities.

21. Current Liabilities - Provisions

	Police Integrity Commission		Consolidated	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Employee benefits and related on-costs				
Recreation leave	--	--	787	810
Long service leave on-costs	--	--	189	161
Payroll tax and FBT provision	16	--	63	19
	16	--	1,039	990
Other provisions				
Provision for personnel services	1,023	990	--	--
Total Provisions	1,039	990	1,039	990
Aggregate employee benefits and related on-costs				
Provisions – current	--	--	1,039	990
Accrued salaries, wages and on-costs (Note 19)	--	--	42	39
	--	--	1,081	1,029

22. Current Liabilities – Other

Liability to the Consolidated Fund

Police Integrity Commission		Consolidated	
2007	2006	2007	2006
\$'000	\$'000	\$'000	\$'000
725	283	725	283
725	283	725	283

23.Changes In Equity

	Police Integrity Commission		Consolidated	
	2007	2006	2007	2006
	\$'000	\$'000	\$'000	\$'000
Accumulated funds				
Balance at the beginning of the financial year	3,465	2,648	3,465	2,648
Changes in equity - transactions with owners as owners				
Increase/decrease in net assets from equity transfers	--	--	--	--
Total	--	--	--	--
Changes in equity - other than transactions with owners as owners				
Surplus/(deficit) for the year	1,530	817	1,530	817
Increment/decrement on revaluation of plant and equipment	--	--	--	--
Other increases/(decreases)	--	--	--	--
Total	1,530	817	1,530	817
Transfers within equity				
Asset revaluation reserve balance transferred to accumulated funds on disposal of asset	--	--	--	--
Total	--	--	--	--
Balance at the end of the financial year	4,995	3,465	4,995	3,465

24. Commitments For Expenditure

		Police Integrity Commission		Consolidated	
		2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'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		66	83	66	83
Total (including GST)		66	83	66	83
(b) Other Expenditure Commitments					
Aggregate other expenditure for the acquisition of external training and minor equipment contracted for at balance date and not provided for:					
Not later than one year		12	20	12	20
Total (including GST)		12	20	12	20
(c) Operating Lease Commitments					
Future non-cancellable operating lease rentals not provided for and payable:					
Not later than one year		1,612	1,950	1,612	1,950
Later than one year and not later than five years		6,646	--	6,646	--
Later than five years		1,565	--	1,565	--
Total (including GST)		9,823	1,950	9,823	1,950
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					
(d) Finance Lease Commitments					
The Commission has no finance lease commitments.					
(e) GST on Commitments					
The total commitments for 2007 include input tax credits of \$900,066 (2005–06 \$271,923) that are expected to be recoverable from the Australian Taxation Office.					

25. Contingent Liabilities and Contingent Assets

As at the reporting date, the Commission is not aware of any contingent liabilities and contingent assets that will materially affect its financial position.

26. Budget Review

Net cost of services

The actual net cost of services was lower than budget by \$1.5m primarily due to employee-related expenses and administration charges being underspent by \$446,000 and \$339,000 respectively. The Telecommunications Interception Systems replacement project was not completed at year-end which resulted in lower depreciation and amortisation.

Assets and liabilities

Assets were higher than budget by \$832,000 due to increases in GST receivable and non-current assets. Liabilities were higher than budget by \$531,000 due to liability to the Consolidated Fund for unspent allocation during the year.

Cash flows

The increase in cash flows of \$181,000 was due to employee-related and other expenses. Actual appropriation was less because it was expected that total payments at year end would be lower than budget. Additional capital funding was received from the NSW Crime Commission.

27.Reconciliation of Cash Flows From Operating Activities to Net Cost of Services

	Police Integrity Commission		Consolidated	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Net cash used on operating activities	2,303	1,401	2,879	1,401
Cash Flows from Government Appropriations	(18,209)	(16,224)	(18,209)	(16,224)
Acceptance by Crown Entity of employee benefits and other liabilities	--	(295)	(492)	(416)
Depreciation and amortisation	(1,035)	(917)	(1,035)	(917)
Decrease/(increase) in provisions	(49)	(82)	(49)	(82)
Increase/(decrease) in prepayments and other assets	730	282	196	282
Decrease/(increase) in creditors	(16)	(43)	(58)	(43)
Net gain/loss on sale of plant and equipment	39	--	39	-
Net cost of services	(16,237)	(15,878)	(16,729)	(15,999)

28. Non-cash Financing and Investing Activities

There were no non-cash financing and investing activities undertaken by the Commission for the reporting period.

29. Trust Funds

The Commission does not hold any trust funds

30. Administered Assets And Liabilities

The Commission does not hold any administered assets, nor does it hold any administered liabilities.

31.Administered Revenue – Debts Written Off

The Commission does not hold any administered revenue.

32.Administered Revenue – Schedule of Uncollected Amounts

The Commission does not administer any uncollected monies.

33. 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 for speculative purposes. The Commission does not use financial derivatives.

(i) 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) 11.00am unofficial cash rate adjusted for a management fee to Treasury.

(ii) Receivables

All trade debtors are recognised as amounts receivable at balance date. Collectability of trade debtors is reviewed on an ongoing basis. 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. The credit risk is the carrying amount (net of any allowance for impairment). No interest is earned on trade debtors. The carrying amount approximates fair value. Sales are made on a 14 day terms.

(iii) Bank Overdraft

The Commission does not have any bank overdraft facility.

(iv) Trade Creditors and Accruals

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 Treasurer's Direction 219.01. 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. Treasurer's Direction 219.01 allows the Minister to award interest for late payment. No interest was applied during the year.

34. After Balance Date Events

There are no known after balance date events.

End of audited financial statements



GPO BOX 12
Sydney NSW 2001

INDEPENDENT AUDITOR'S REPORT

POLICE INTEGRITY COMMISSION DIVISION

To Members of the New South Wales Parliament

I have audited the accompanying financial report of the Police Integrity Commission Division (the Department), which comprises the balance sheet as at 30 June 2007, and the income statement, statement of recognised income and expense and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Auditor's Opinion

In my opinion, the financial report:

- presents fairly, in all material respects, the financial position of the Department as of 30 June 2007, and of its financial performance and its cash flows for the year then ended in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations)
- is in accordance with section 45E of the *Public Finance and Audit Act 1983* (the PF&A Act) and the Public Finance and Audit Regulation 2005.

Commissioner's Responsibility for the Financial Report

The Commissioner is responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the PF&A Act. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Department's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Department'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 report.

I believe that 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 Department,
- that it has carried out its activities effectively, efficiently and economically,
- about the effectiveness of its internal controls, or
- on the assumptions used in formulating the budget figures disclosed in the financial report.

Independence

In conducting this audit, the Audit Office has complied with the independence requirements of the Australian Auditing Standards and other relevant ethical requirements. The PF&A Act further promotes independence by:

- providing that only Parliament, and not the executive government, can remove an Auditor-General, and
- 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 are not compromised in their role by the possibility of losing clients or income.



M P Abood, CPA
Director, Financial Audit Services

27 September 2007
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 2007 have been prepared in accordance with the provisions of the *Public Finance and Audit Act 1983* and Regulations, the *Financial Reporting Code for Budget Dependent General Government Sector Agencies*, and the *Treasurer's Directions*
- (b) the statements exhibit a true and fair view of the financial position and transactions of the Division, and
- (c) there are no circumstances that would render any particulars included in the financial statements to be misleading or inaccurate.



J W Pritchard
Commissioner
27 September 2007

Income Statement for the Year Ended 30 June 2007

	Notes	Actual 2007 \$'000	Actual 2006 \$'000
Expenses excluding losses			
Operating expenses			
Employee related	2(a)	11,726	3,196
Other Operating Expenses	2(b)	5	--
Total expenses excluding losses		11,731	3,196
Less:			
Revenue			
Personnel services		11,234	3,075
Other revenue		5	--
Total Revenue		11,239	3,075
Net Cost of Services	10	492	121
Government Contributions			
Acceptance by the Crown Entity of employee benefits and other liabilities	3	492	121
Total Government Contributions		492	121
SURPLUS/(DEFICIT) FOR THE YEAR		--	--

The accompanying notes form part of these financial statements

Statement of Recognised Income and Expense for the Year Ended 30 June 2007

	Notes	Actual 2007 \$'000	Actual 2006 \$'000
TOTAL INCOME AND EXPENSE RECOGNISED DIRECTLY IN EQUITY		--	--
Surplus / (deficit) for the year		--	--
TOTAL INCOME AND EXPENSE RECOGNISED FOR THE YEAR		--	--
Accumulated Funds		--	--

The accompanying notes form part of these financial statements

Balance Sheet for the Year Ended 30 June 2007

	Notes	Actual 2007 \$'000	Actual 2006 \$'000
ASSETS			
Current Assets			
Cash and cash equivalents	4	576	--
Receivables	5	1,150	1,125
Total Current Assets		1,726	1,125
Total Assets		1,726	1,125
LIABILITIES			
Current Liabilities			
Payables	6	703	135
Provisions	7	1,023	990
Total Current Liabilities		1,726	1,125
Total Liabilities		1,726	1,125
Net Assets		--	--
EQUITY			
Accumulated funds	8	--	--
Total Equity		--	--

The accompanying notes form part of these financial statements

Cash Flow Statement for the Year Ended 30 June 2007

	Notes	Actual 2007 \$'000	Actual 2006 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Payments			
Employee related		(11,209)	(2,954)
Other operating expenses		(5)	--
Total Payments		(11,214)	(2,954)
Receipts			
Personnel services		11,790	2,954
Total Receipts		11,790	2,954
NET CASH FLOWS FROM OPERATING ACTIVITIES		576	--
NET INCREASE / (DECREASE) IN CASH		576	--
Opening cash and cash equivalents		--	--
CLOSING CASH AND CASH EQUIVALENTS		576	--

The accompanying notes form part of these financial statements

1. Summary of Significant Accounting Policies

(a) *Reporting entity*

Police Integrity Commission 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.

Police Integrity Commission Division commenced operations on 17 March 2006 when it assumed responsibility for the employees and employee-related liabilities of the Police Integrity Commission. The assumed liabilities were recognised on 17 March 2006 together with an offsetting receivable representing the related funding due from the former employer.

The financial report was authorised for issue by the Commissioner of Police Integrity Commission Division on 27 September 2007. The report will not be amended and reissued as it has been audited.

(b) *Basis of preparation*

This is a general purpose financial report prepared in accordance with the requirements of Australian Accounting Standards, the *Public Finance and Audit Act 1983*, the Public Finance and Audit Regulation 2005, and specific directions issued by the Treasurer.

Generally, the historical cost basis of accounting has been adopted and the financial report does not take into account changing money values or current valuations. However, certain provisions are measured at fair value.

The accrual basis of accounting has been adopted in the preparation of the financial report, except for cash flow information.

Managements' judgements, key assumptions and estimates are disclosed in the relevant notes to the financial report.

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 Equivalents to International Financial Reporting Standards (AEIFRS).

This financial report and comparatives for the year ended 30 June 2006 has been prepared based on AEIFRS.

(d) *Income*

Income is measured at the fair value of the consideration received or receivable. Revenue from the rendering of personnel services is recognised when the service is provided and only to the extent that the associated recoverable expenses are recognised.

(e) *Receivables*

A receivable is recognised when it is probable that the future cash inflows associated with it will be realised and it has a value that can be measured reliably. It is derecognised when the contractual or other rights to future cash flows from it expire or are transferred.

A receivable is measured initially at fair value and subsequently at amortised cost using the effective interest rate method, less any allowance for doubtful debts. A short-term receivable with no stated interest rate is measured at the original invoice amount where the effect of discounting is immaterial. An invoiced receivable is due for settlement within thirty days of invoicing.

If there is objective evidence at year end that a receivable may not be collectable, its carrying amount is reduced by means of an allowance for doubtful debts and the resulting loss is recognized in the income statement. Receivables are monitored during the year and bad debts are written off against the allowance when they are determined to be irrecoverable. Any other loss or gain arising when a receivable is derecognised is also recognised in the income statement.

(f) *Payables*

Payables include accrued wages, salaries, and related on costs (such as payroll 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 historical cost if the effect of discounting is immaterial.

(g) *Employee benefit provisions and expenses*

Provisions are made for liabilities of uncertain amount or uncertain timing of settlement. Employee benefit provisions represent expected amounts payable in the future in respect of unused entitlements accumulated as at the reporting date. Liabilities associated with, but that are not, employee benefits (such as payroll tax) are recognised separately.

Superannuation and leave liabilities are recognised as expenses and provisions when the obligations arise, which is usually through the rendering of service by employees.

Long-term annual leave (ie that is not expected to be taken within twelve months) is measured at present value using a discount rate equal to the market yield on government bonds.

Superannuation and long service leave provisions are actuarially assessed prior to each reporting date and are measured at the present value of the estimated future payments.

All other employee benefit liabilities (ie for benefits falling due wholly within twelve months after reporting date) are assessed by management and are measured at the undiscounted amount of the estimated future payments.

The amount recognised for superannuation and long service leave provisions is the net total of the present value of the defined benefit obligation at the reporting date, minus the fair value at that date of any plan assets out of which the obligations are to be settled directly.

The amount recognised in the income statement for superannuation and long service leave is the net total of current service cost, interest cost, the expected return on any plan assets, and actuarial gains and losses. Actuarial gains or losses are recognised as income or expense in the year they occur.

The actuarial assessment of superannuation and long service leave provisions uses the Projected Unit Credit Method and reflects estimated future salary increases and the benefits set out in the terms of the plan. The liabilities are discounted using the market yield rate on government bonds of similar maturity to those obligations. Actuarial assumptions are unbiased and mutually compatible and financial assumptions are based on market expectations for the period over which the obligations are to be settled.

(h) *Accounting standards issued but not yet effective*

The following new Accounting Standards have not been applied and are not yet effective:

- AASB 7 - Financial Instruments: Disclosures
- AASB 101 - Presentation of Financial Statements
- AASB 1049 - Financial Reporting of Government Sectors by Governments
- AASB 2005-10 - Amendments to Australian Accounting Standards [AASB 132, AASB 101, AASB 114, AASB 117, AASB 133, AASB 139, AASB 1, AASB 4, AASB 1023, AASB 1038]
- AASB 2007-2 - Amendments to Australian Accounting Standards [AASB 1, AASB 117, AASB 118, AASB 120, AASB 121, AASB 127, AASB 131, AASB 139]
- AASB 2007-03 - Amendments to Australian Accounting Standards [AASB 5, AASB 6, AASB 102, AASB 107, AASB 119, AASB 127, AASB 134, AASB 136, AASB 1023, AASB 1038]
- AASB 2007-4 - Amendments to Australian Accounting Standards [AASB 1, 2, 3, 4, 5, 6, 7, 102, 107, 108, 110, 112, 114, 116, 117, 118, 119, 120, 121, 127, 128, 129, 130, 131, 132, 133, 134, 135, 136, 137, 138, 139, 141, 1023, 1038]
- AASB 2007-6 - Amendments to Australian Accounting Standards [AASB 1, AASB 101, AASB 107, AASB 111, AASB 116, AASB 138]

It is not anticipated that there will be any material impact for the Division during the period of initial application of these Standards.

2. Expenses Excluding Losses

(a)	Employee related expenses	2007	2006
		\$'000	\$'000
	Salaries and wages (including recreation leave)	9,656	2,639
	Superannuation—defined benefit plans	100	28
	Superannuation—defined contribution plans	774	213
	Long Service Leave	386	92
	Workers' compensation insurance	95	31
	Payroll tax	658	176
	Other	57	17
		11,726	3,196
(b)	Other operating expenses include the following:		
	Administration charges	1	--
	Auditor's remuneration - audit review of financial information	4	--
		5	--

3. Acceptance by The Crown Entity of Employee Benefits and Other Liabilities

	2007 \$'000	2006 \$'000
The following liabilities and/or expenses have been assumed by the Crown Entity or other government agencies		
Superannuation—defined benefit plans	100	28
Long Service Leave	386	92
Payroll tax on superannuation	6	1
	492	121

4. Current Assets – Cash and Cash Equivalents

Cash at bank	576	--
	576	

5. Current Assets - Receivables

	2007 \$'000	2006 \$'000
Prepayments	127	96
Personnel services	1,023	1,029
	1,150	1,125

6. Current Liabilities - Payables

Accrued salaries and wages	42	39
Creditor	--	96
Police Integrity Commission	661	--
	703	135

7. Current Liabilities - Provisions

	2007 \$'000	2006 \$'000
Recreation leave	787	764
Long service leave on-cost	189	161
Payroll tax	47	65
	1,023	990

8. 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.

9. Equity

Accumulated funds

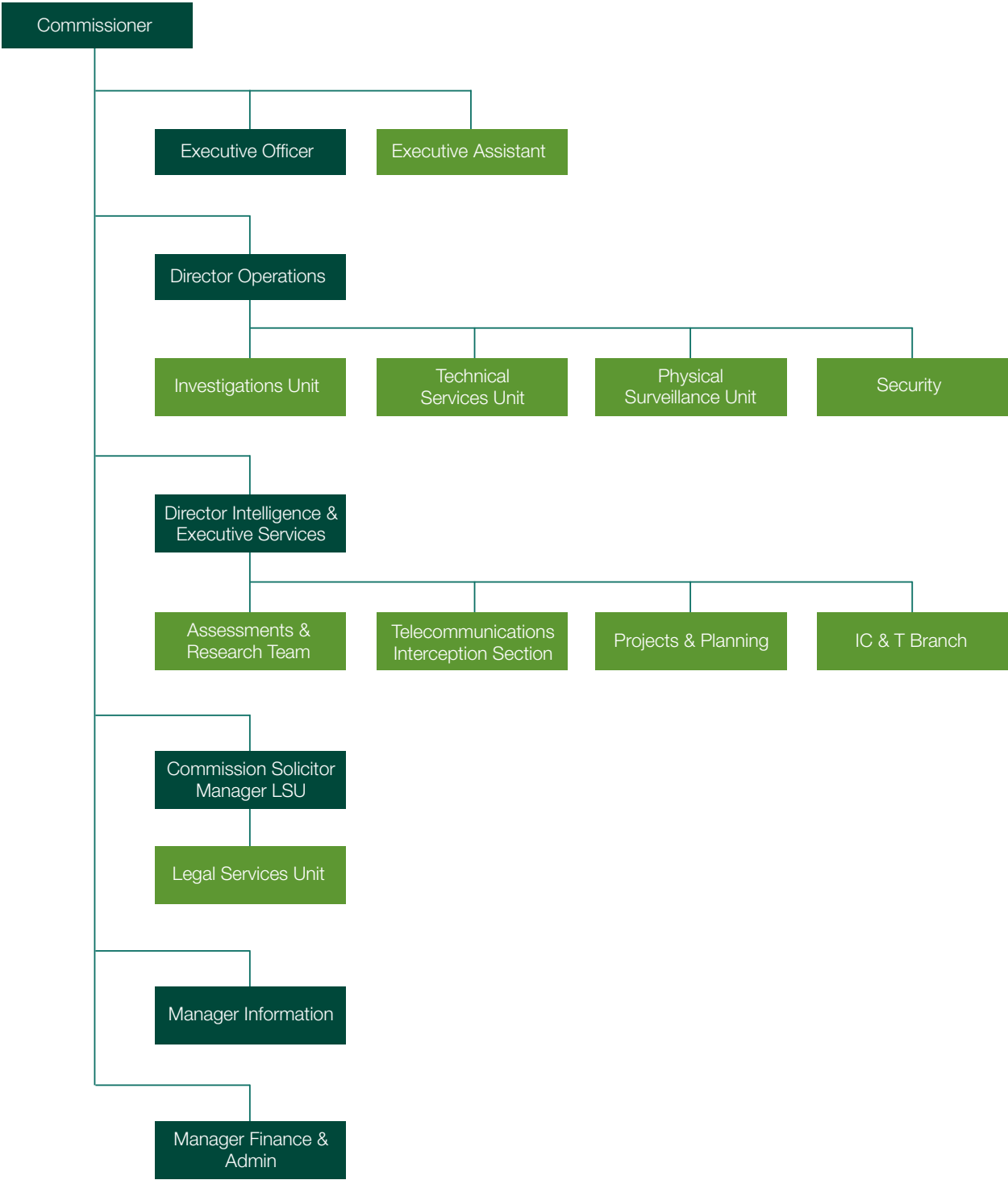
2007 \$'000	2006 \$'000
--	--

10. Reconciliation of Cash Flows From Operating Activities to Net Cost of Services

Net cash used on operating activities	576	--
Acceptance by Crown Entity of employee benefits and other liabilities	(492)	(121)
Decrease/(increase) in provisions	(33)	(990)
Increase/(decrease) in prepayments and other assets	25	1,125
Decrease/(increase) in creditors	(568)	(135)
Net cost of services	(492)	(121)

End of audited financial statements

APPENDIX 8 – ORGANISATION STRUCTURE



APPENDIX 9 – DIRECTORY, PUBLICATIONS AND PRINTING REQUIREMENTS

DIRECTORY

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Level 3, 111 Elizabeth Street
Sydney NSW 2000

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Sydney NSW 2001

Website:

www.pic.nsw.gov.au

Telephone Enquiries:

Telephone: (612) 9321 6700
Freecall: 1800 657 079
Facsimile: (612) 9321 6799

Office Hours:

8:30am - 5:00pm

Publications

The Commission's publications fall into the following categories:

- Reports to Parliament following an investigation which involved public hearings (subs96(2))
- Special reports to Parliament on any administrative or general policy matter relating to the functions of the Commission (s98)
- Annual Reports
- 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 the reporting year:

Publication Name	Publication Date
Management of Misconduct Risks by the NSWPF Counter Terrorist Coordination Command	September 2006
Annual Report 2005-2006	October 2006
Report to Parliament, Operation Banff	December 2006

Annual Report Costs

Total External Costs: \$25,972.67 (including GST)

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detect
Investigate
& prevent

detect Investigate & prevent



Police Integrity Commission

Annual Report 2006/07

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