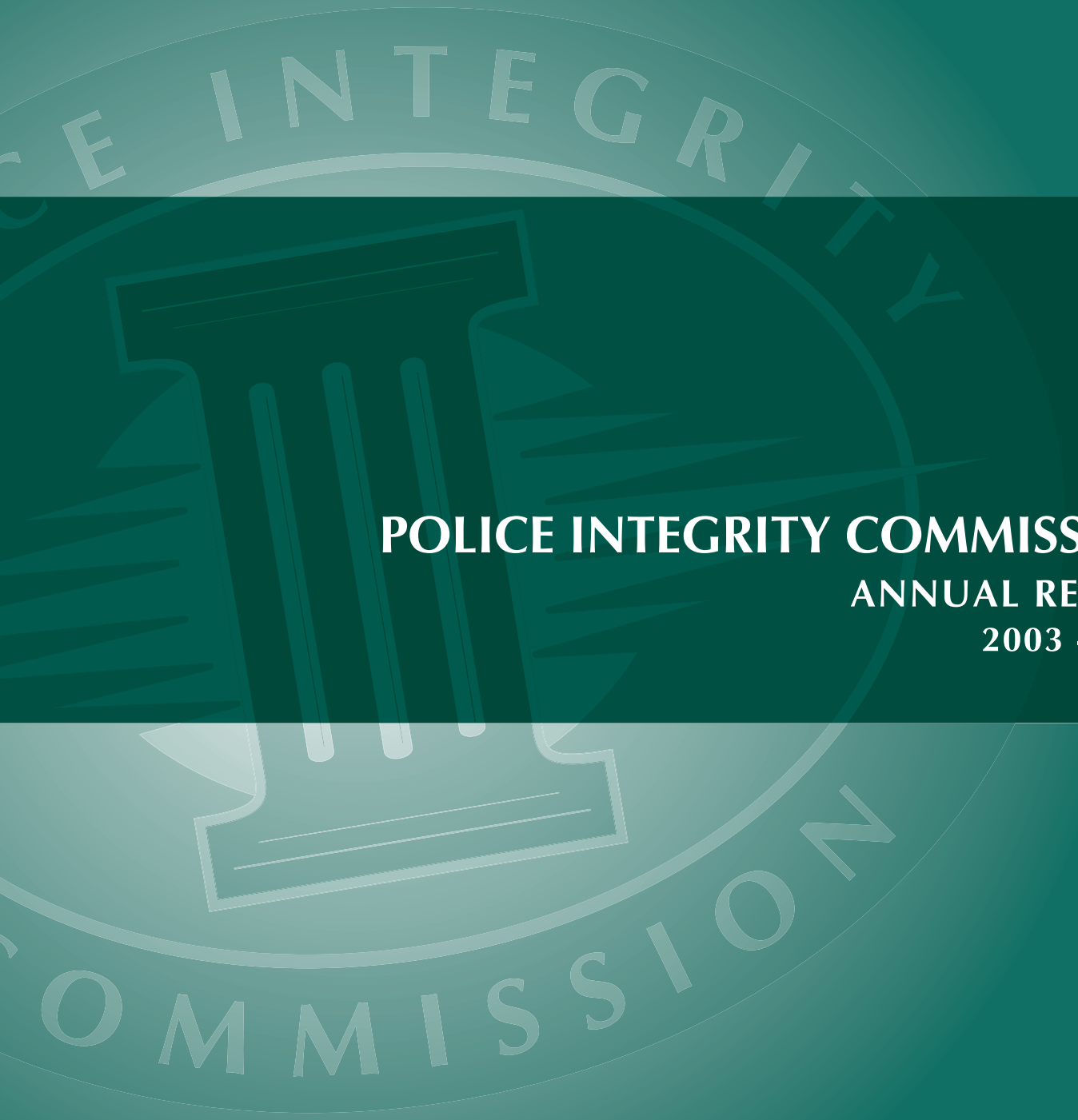


POLICE INTEGRITY COMMISSION

ANNUAL REPORT

2003 - 2004

ANNUAL REPORT 2003-2004

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The Hon Dr Meredith Burgmann MLC
President
Legislative Council
Parliament House
SYDNEY NSW 2000

The Hon John Aquilina MP
Speaker
Legislative Assembly
Parliament House
SYDNEY NSW 2000

Dear Madam 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 2004.

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

T P Griffin
Commissioner

October 2004

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1. COMMISSIONER'S REPORT

During 2003-2004 the Police Integrity Commission ("the Commission") focused on two different areas of operation: investigations and research. In addition to dealing effectively with individual cases of serious police misconduct through its investigations, the Commission is developing its capacity to examine broader misconduct issues in NSW Police through research-led initiatives.

Last year I reported that the Commission had commenced Operation Abelia, a project examining the use of illegal drugs by some police. The main emphasis of Operation Abelia is on the identification and evaluation of systems and strategies to minimise drug use in NSW Police. Through this project the Commission has combined detailed national and international research with investigations regarding drug use and drug supply. Private and public hearings have been held to obtain a better understanding of the nature of the problem. The combined use of investigative and research strategies in Operation Abelia represents a new approach for the Commission. Internally this has involved integrating reporting and decision-making processes and managing differing objectives from the two functional areas.

Detailed consultation in the form of round table discussions with NSW Police, the Police Association and other stakeholders on strategies to deal with drug use in NSW Police has also occurred in 2003-2004. The Commission's report on Operation Abelia is being drafted. In the absence of unexpected developments, it will be published within the 2004-2005 reporting year. Concurrently, the Commission is considering several options for its next major project.

In addition to the major work in Operation Abelia, the Commission continued with other significant investigations. Operation Alpine, a current overt investigation, warrants particular mention. Through public hearings this investigation exposed a police officer's involvement in the theft of illegal drugs and the receiving of proceeds from the sale of drugs. The phases of this investigation carried out to date have been complex, requiring considerable planning, coordination with other agencies (including Victoria Police), deployment of physical and electronic surveillance and the execution of a controlled operation. The success of this operation reflects well on the skill and commitment of the Commission's staff. Operation Alpine also reinforces the critical role electronic surveillance plays in the conduct of police corruption investigations.

The Commission's most significant investigation to date, Operation Florida, came to an end in 2003-2004. With investigations concluding in the latter half of 2003, the Commission tabled its report to Parliament in June 2004. This investigation was a significant and long-term undertaking by the Commission and its partners, the NSW Police and NSW Crime Commission. The Commission's report found that 28 officers or former officers had engaged in 43 incidents of misconduct. Recommendations were also made in that report for improvements in systems and procedures.

Not all outcomes from investigations revolve around such things as prosecutions or disciplinary action or the confiscation of assets. Clarifying the circumstances in which misconduct has been alleged can, in some circumstances, achieve a significant result. Operation Tower, which examined a complaint by Mr John Marsden concerning a police investigation into allegations against him and which concluded in 2004, was one such matter. In its April 2004 report to Parliament, the Commission concluded that the establishment and conduct of the police investigation in question was reasonable and appropriate.

Finally, a note of appreciation to the staff of the Commission. It is widely acknowledged that dealing with police corruption involves complex and difficult work. Results are hard won and the staff of the Commission can be justly proud of their efforts and achievements in 2003-2004.



T P Griffin
Commissioner

2. CORPORATE OBJECTIVES AND PERFORMANCE MEASUREMENT FRAMEWORK

The Commission continues to report on its performance this year against the Corporate Planning and Performance Measurement Framework for 2003-2006. In doing so, the Commission demonstrates its ongoing commitment to an Outputs/Outcomes based approach to performance measurement.

As the Performance Measurement Framework has continued to evolve, some minor changes have been made to measures to improve clarity or simplify data collection and performance reporting. Any changes that have occurred are noted in footnotes in the relevant sections of the report.

OUR VISION

Confidence in the integrity of NSW Police.

OUR MISSION

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

OUR VALUES

- 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 NSW Police

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 ("the Royal Commission"). The Commission is a statutory corporation constituted under the *Police Integrity Commission Act 1996* ("the 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). The Commission is also empowered to manage those matters not completed by the Royal Commission. The Commission is required, as far as practicable, to turn its attention particularly to serious police misconduct.

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).

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. Further details on Commission strategies, outputs, outcomes, and associated performance measures, are contained in the Commission's 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.

3. PERFORMANCE OVERVIEW 2003-2004

IDENTIFICATION OUTCOMES

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

There were 56 full and preliminary investigations open during the year, including 21 major[1] investigations. 29 investigations were concluded during the year, with the following reports released:

- a s96(1) report to Parliament for Operation Tower that examined the conduct of a NSW Police investigation into paedophilia allegations, following a complaint by the subject of the investigation
- a s96(1) report to Parliament for Operation Ibis that considered whether information provided to the Commission disclosed deficiencies by NSW Police in the conduct of an investigation into alleged sexual misconduct by a NSW Minister that might warrant a more complete investigation
- a s96(2) report to Parliament for Operation Florida that examined allegations that NSW Police officers attached to a number of commands had engaged in corrupt conduct including accepting bribes and stealing from drug dealers.

The reports identify issues concerning, among other things:
- specific misconduct
- the execution of search warrants
- the role of supervision in management of corruption risk
- police impartiality and appropriate standards in the conduct of investigations
- the Commission's oversight and review of the exercise of police discretion in the course of police investigations.

Measures	Target	Result
Output Measure: Proportion of convictions in prosecutions that arise from investigations in which the Commission is involved.[2]	N/A	N/A
Output Measure: Ratio of the number of opportunities for police misconduct identified in Commission reports, to the number of recommendations made for corrective action.[3]	1 : 0.8	1 : 2 (2 : 4)

[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.

[2] This measure was reviewed in 2002-03 and is no longer used for performance reporting, due to wide variations in the extent to which the Commission contributes evidence to prosecution briefs in joint investigations. Figures aggregated for all investigations in which the Commission is involved can be misleading. Prosecutions and results for Commission and joint investigations are listed in Appendix 5 and discussed in context in the Summary of Operations Review.

[3] In 2002-03, the ratio replaced the measure previously expressed as a proportion: our target remains equivalent to providing recommendations for corrective action on 80% of occasions where opportunity for corruption is identified.

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 6 out of 21 (29%) major investigations that were open during the reporting year. There were a total of 17 days of public hearings during which evidence was considered in Operations Florida, Icemint, Sandvalley, Norandra, Abelia and Alpine. This is down from 28 in the previous period, although the number of investigations for which public hearings were conducted doubled from three to six. The number of public hearing days is determined by the nature of the Commission's investigations on foot during the year. In some years the Commission will undertake investigations where there will be a clear public or investigations interest in detailed, public hearings. In other years, such as this current reporting period, short, discrete public hearings will be appropriate.

In public hearings for Operation Abelia, evidence from witnesses was instrumental in building a better understanding of the nature of the drug problem within NSW Police. As part of Operation Abelia, public hearings for Operation Icemint examined the nature and extent of drug use by three police officers. Public hearings for Operation Alpine questioned an officer about details of a sham arrest, and, as part of Operation Abelia, his personal drug use and corrupt relationships with drug suppliers. In public hearings for Operation Norandra, a female officer admitted releasing confidential police information to a civilian who admitted in the hearings to his involvement in the use and supply of prohibited drugs. The Operation Sandvalley hearings examined evidence related to a police officer's financial dealings, association with others suspected of criminal activity, items found at his business premises and his secondary employment.

A report was provided to Parliament in June this year on Operation Florida. A report will be prepared in the next reporting year for Operation Abelia which will include Operations Icemint, Norandra and possibly Alpine. Operation Sandvalley is ongoing. Outcomes of this investigation will be further reported in the next Annual Report.
There were 35 private hearing days held during the year, compared with 55 and 35 days in 2002-2003 and 2001-2002 respectively. Additional evidence was considered in private for Operations Florida, Abelia and Sandvalley. Two major investigations held hearings in private only.

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 : 2 (2 : 4)
Output Measure: Proportion of major investigations for which public hearings are conducted and/or a report issued.	30%	33%
Output Measure: Number of public hearing days.	40 days	17 days

CLARIFICATION OUTCOMES

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

To measure its performance in regard to this outcome, the Commission obtains feedback from an external panel on certain of its reports. Reports selected for consideration 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, disciplinary action, or improvements in practices) may not be appropriate.

The Operation Tower report, released in April 2004, was considered suitable for submission to an external panel for the purpose of obtaining such feedback. The Commission sought advice on whether the report had adequately clarified the issues and the evidence upon which the Commission relied in forming its assessments and opinions. Details of Operation Tower are contained in the Summary of Operations Review.

The panel for the Operation Tower report consisted of the chief executives from the Queensland Crime and Misconduct Commission, the Community Relations Commission, the NSW Auditor and the St James Ethics Centre. Panel members were asked to consider four questions pertaining to the clarity of the allegations, the relevance of material presented in the report, the extent to which reported assessments and opinions address the allegations and follow logically from the material presented.

In the case of Operation Tower, all four responses indicated the report met or exceeded the 'satisfactory' standard in respect of each of the criteria referred to above. The external panel's responses confirm that the Operation Tower report clarified the circumstances surrounding matters where serious police misconduct had been alleged, and to which the report related.

This process of review by an external panel also allows stakeholders and agencies with common interests to comment on the value of Commission reports or to provide specific advice on whether reasonable standards have been met for a report of this kind.

Investigations by the Commission that lead - as in the case of Operation Tower - to conclusions that no misconduct has been found, also deliver positive outcomes. They play an important role in independently settling what may be contentious issues, and in maintaining public assurance that effective oversight is in place.

Measures	Target	Result
Outcome Measure: Majority of an external panel advise that a report clarifies the circumstances surrounding matters where serious police misconduct has been alleged to the level of satisfactory or better.[4]	Yes	Yes

[4] This measure reviewed and adjusted in 2002-03 to improve clarity and to ensure consistent application over time.

ADDRESSING SERIOUS POLICE MISCONDUCT OUTCOMES

Serious police misconduct which has been identified is addressed.

Following investigations ongoing or reported during the year, a number of officers have left NSW Police. Two officers were dismissed under s181D Commissioner's Confidence provisions (Operation Alpine) and two remain suspended from duty awaiting final results of investigations (Operations Regal and Sandvalley). 29 officers resigned at different stages of investigations (Operations Florida, Icemint and Regal).

One officer who gave evidence in Operation Norandra resigned and the Commissioner of NSW Police has advised that action under s181D is being considered against another two officers.

NSW Police has provided advice on the implementation of 3 recommendations for disciplinary action arising from a previous Commission investigation (Operation Pelican). One officer has left the Police, one is not to be subject to reviewable or non-reviewable action, and a decision has yet to be taken regarding a third officer. These cases are described in greater detail in Section 6 of this report.

Investigations also resulted in briefs of evidence for 12 persons and a possible 72 charges being referred to the Office of the Director of Public Prosecutions (ODPP) in this reporting period. An additional 7 briefs involving 38 possible charges were ongoing from 2002-2003. Recommendations proceeded to prosecution against five persons involving 32 charges (86% of 37 charges recommended against 6 persons). Two of these cases are listed for sentencing and the remaining briefs, involving 73 possible charges, are still being considered by the ODPP. Outcomes in regard to these matters will be reported next year. The details of current prosecutions arising from Commission and joint investigations are contained in Appendix 5. Details of prosecutions for a number of major investigations are contained in the Summary Review of Operations.

In 2002-2003, the Commission reported that it had commenced confiscation proceedings against an officer named in Operation Dakota under the *Criminal Assets Recovery Act 1990*. These proceedings were finalised during the 2003-2004 reporting year with orders being made in the NSW Supreme Court for the former officer to pay $55,820.

Measures	Target	Result
Outcome Measure: The proportion of recommendations relating to potential criminal charges which proceed to prosecution.[5]	80%	86%
Outcome Measure: The proportion of recommendations relating to disciplinary action that are accepted by NSW Police.	80%	N/A[6]
Outcome Measure: Success rate for confiscation proceedings under the *Criminal Assets Recovery Act 1990*.[7]	1 : 1	1 : 1
Output Measure: Number of participations/ representations in education or prevention programs/ seminars/ presentations/reviews/ discussion panels.	N/A	38

[5] This measure was reviewed and adjusted in 2002-03. It refers now to 'potential charges' rather than 'prosecutions', for clarity, and to 'proceed to prosecution' which is a higher standard than the original 'prima facie'.

[6] No recommendations for disciplinary action arose from Commission investigations in this reporting year.

[7] This measure reviewed and a ratio is now used rather than a percentage, due to the small numbers of such proceedings.

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.

Three public reports were released this year: Operations Ibis, Tower and Florida.

The yearly average rate[8] of downloads[9] of documents from the Commission's website increased by 117% during the month following the release of the Tower report. The rate increased by 898% in the month following the release of the Florida Report, indicating the level of awareness and interest in the outcomes of that investigation. Overall, there was a three fold increase in downloads from the Commission's website during the reporting period compared to the last period. This may be due to a number of factors other than the release of the Florida Report, including: increased awareness of Commission investigations; improved accessibility to the website through a wider range of internet search engines; or it may be the influence of an increased interest in police oversight both here in Australia and overseas.

References to the Commission in the media have lifted from 1472 in the previous period to 3189 in this period. The reason for this significant increase is not known, however it may be due to the increase in the number of investigations for which public hearings were conducted (as distinct from number of hearing days) in the year.

The rate at which Category One complaints are made direct to the Commission has varied over the last three years from 47% (2001-02) to 36% (2002-03) and, in this reporting period, 31%. Previous annual reports have referred to an apparent link between the rate of direct referrals and the number of public hearing days: as hearing days increase so does the direct referral rate. As previously noted, public hearings for the reporting period were down to 17 from 28 compared with the previous period.

Allowing for these fluctuations, the figures in the table below continue to indicate an acceptable level of public awareness of the role and outputs of the Commission. Consequential awareness of the matters identified and addressed by the Commission can be reasonably inferred.

Measures	Target	Result
Outcome Measure: Number of references in media to Commission investigations/projects.	1500	3189
Outcome Measure: Proportion of Category 1 complaints which are made direct to the Commission.	30%	31%
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	1.7 : 1[10]
Output Measure: Number of public hearing days.	40 days	17 days

8 Yearly average for the months in which no report was released

9 Downloads includes 'on-line' views.

10 In the month following the release of the Florida Report the number of downloads increased almost tenfold. This has had a disproportionate impact on the ratio reported here.

IMPROVEMENTS IN PRACTICES - OUTCOMES

Improvements in NSW Police systems, practices and standards to reduce opportunities for serious police misconduct.

The Commission made a total of 4 recommendations during the year concerning possible improvements in systems and practices.

The report to Parliament in June 2004 on Operation Florida made specific recommendations for changes in the execution of search warrants and in supervision and management. The Commission will monitor NSW Police response to the Florida recommendations. NSW Police has advised that it has made changes in relation to some of these matters.

There were no other recommendations for changes to police systems and practice contained in Commission reports this year. Operations Tower and Ibis required the Commission to investigate the conduct and appropriateness of two earlier police investigations. Commission findings in support of the appropriateness of the investigations did not result in any recommendations for change.

During the reporting period, NSW Police provided advice on the implementation of a further 22 recommendations relating to systems improvements recommended by previous Commission investigations. NSW Police has advised that 7 of the recommendations have been implemented. This low proportion is strongly influenced by delay in implementation of 7 recommendations contained in the report on Operation Bangkok. NSW Police has advised that these recommendations are supported, but that amendments to the NSW Police Handbook are to be published before they can be finalised.

Measures	Target	Result
Outcome Measure: Proportion of recommendations relating to law reform and improvements in the practices of NSW Police or other relevant agencies that are accepted.	80%	N/A[11]
Output Measure: Number of issues identified in Commission hearings and reports which result in a change in police practice.	N/A	4[12]
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 : 2
Output Measure: Proportion of recommendations for improvements in practices of NSW Police where consultation has occurred.	80%	100%

[11] No response has been received from NSW Police to recommendations or issues raised in this reporting year regarding improvements to systems or practices.

[12] Three Dresden II recommendations and one Malta recommendation.

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 NSW Police investigations into serious police misconduct.

The Commission adopts two main approaches to fulfil this role: it may select particular investigations for oversight and, where appropriate, make recommendations for improvements in the conduct of investigations. As well, the Commission's cyclical Dresden project audits a large sample of completed police investigations.

The audit of investigations undertaken in the Dresden project has the potential to make recommendations for organisation-wide improvements. This project is the key means by which the Commission measures and reports on its performance to improve NSW Police investigations into serious police misconduct.

The Commission has set a target to complete a Dresden audit every three years using a 25% sample of all Category One investigations conducted by NSW Police. In the Dresden II audit conducted in 2002-2003, the Commission made 11 recommendations for improvements in timeliness, consistency and transparency of decision-making and investigation planning by NSW Police, and for management of conflict of interest risks and the consideration of complaint histories in investigations. Consultation between the Commission and NSW Police established before completion of the report continued throughout 2003-2004 regarding implementation of the recommendations.

NSW Police has advised that 4 of the 11 recommendations contained in the Dresden report have been implemented, and a further two are awaiting implementation. Further details on the NSW Police response to Dresden II are contained in Section 6 of this report.

In 2004-2005, the Dresden III audit of police investigations conducted during the period 1 July 2001 to 30 June 2004 is expected to commence.

The Commission's work this year on Operations Ibis and Tower also provided opinions and comments on issues relating to the quality of police investigations. The reports drew attention to the importance of thoroughness in investigations, the need for corroboration, and for police to guard their independence. The Commission considers these reports an additional resource to inform NSW Police standards for the conduct of investigations.

Measures	Target	Result
Outcome Measure: Proportion of recommendations relating to law reform and improvements in the practices of NSW Police or other relevant agencies that are accepted.	80%	N/A
Output Measure: Number of special audits of the quality of investigations by police into serious police misconduct.	1 per 3 years	N/A[13]
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[14]

[13] Dresden is a cyclical audit program conducted every three years. No Dresden audit was conducted in 2003-04.

[14] See above.

PLANS FOR 2004 - 2005

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

- Investigations and research associated with Operation Abelia will be substantially completed and reported to Parliament. Some associated investigations will continue during this period

- Operation Dresden III is to commence. The Commission will also conduct research and make a submission to the Parliamentary Joint Committee concerning oversight of the NSW Police Counter Terrorism Coordination Command

- Selection of new projects will aim to optimise the use of the Commission's resources, as in Operation Abelia, where a valuable strategy of complementary research and investigations was adopted. Project selection criteria will be used to maintain the strategic focus of the Commission's program

- The Commission will continue to give priority in its investigations and projects to those NSW Police policies, supervisory practices and other factors which provide opportunities for minimising serious police misconduct

- Ongoing investigations such as Abelia/Alpine, Sandvalley and Cobalt, will progress the Commission's objectives to substantially expose and deter serious police misconduct

- The Commission will expand its accessibility for NSW Police through visits to regional areas. The Commission will also implement measures to improve access for people from non-English speaking backgrounds (NESB) to services and materials provided by the Commission. The measures include consultation with community leaders and translation and distribution of information brochures

- The Commission will hold hearings in public as appropriate to expose and deter serious police misconduct and to improve community and other stakeholder awareness of aspects of the nature and extent of serious police misconduct.

4. GOVERNANCE

This section of the Annual Report contains details of the principal officers of the Commission and of the accountability regime set in place to monitor and review certain Commission activities.

THE EXECUTIVE

Commissioner	Mr Terence P Griffin LLB
Assistant Commissioner	Mr G E (Tim) Sage Dip. Law
Director Operations	Mr Andy Nattress
Director Intelligence & Executive Services	Mr Allan Kearney

CHANGES IN ORGANISATIONAL STRUCTURE

An independent review of the Commission's corporate services structure was conducted in 2002-03. Arising from that review the position of Director Corporate and Information Services was deleted from the Commission's structure. Aspects of the role of Corporate and Information Services have since been devolved to the following positions:

Manager Finance and Administration
Information Manager
Executive Officer
Manager Intelligence

Each of these positions now report directly to the Commissioner in a flat structure. In a separate but related review, the Manager Intelligence position was re-titled Director, Intelligence & Executive Services.

Executive level officers departing the Commission during the year included the Assistant Commissioner, Mr Sage, and the Director Corporate and Information Services, Mr David Rawson.

THE PARLIAMENTARY JOINT COMMITTEE

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

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

As at 30 June 2004 the members of the Committee were:

- Mr Paul Gerard Lynch, MP, Member for Liverpool (Chairperson) (ALP)
- Ms Jan Burnswoods, MLC, (Vice-Chairperson) (ALP)
- Mr Malcolm John Kerr, MP, Member for Cronulla (LIB)
- The Hon Peter James Breen, MLC (Reform the Legal System)
- The Hon David Clarke, MLC (LIB)
- Ms Noreen Hay, MP, Member for Wollongong (ALP)
- Mr Geoffrey Corrigan, MP, Member for Camden (ALP).

Interaction between the Parliamentary Joint Committee and the Police Integrity Commission

On 10 July 2003, members of the Committee visited the Commission and met informally with the Commissioner, Assistant Commissioner and senior staff. Members of the Committee were also shown some of the Commission's facilities, given a demonstration of its use of technology and a presentation on Project Dresden II.

The seventh General Meeting of the Committee took place at Parliament House on 25 November 2003. Commissioner Griffin and a number of senior Commission staff attended to give evidence before the Committee.

As is its practice, the Committee provided written questions on notice. The answers to these were provided before the meeting. The topics covered by the questions on notice and those without notice during the meeting included:

- use of powers
- Reports to Parliament
- participation in legislative reviews
- Operation Abelia.

A report in relation to the seventh General Meeting was published by the Committee in December 2003.

A further meeting occurred between the Commission and the Committee on 27 May 2004 concerning inquiries by the Committee into s10(5) of the Act and oversight of the NSW Police Protective Security Group. Commissioner Griffin and a number of senior Commission officers attended to give evidence.

At the time of writing, the Committee's report in relation to these inquiries has not been published.

THE INSPECTOR, POLICE INTEGRITY COMMISSION

The Hon M D Ireland QC was appointed as the Inspector of the Police Integrity Commission on 12 June 2002.

The principal functions of the Inspector[15] 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, the Assistant 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.

[15] Sub Section 89(1) of the *Police Integrity Commission Act 1996.*

5. SUMMARY REVIEW OF OPERATIONS

The purpose of this section of the Annual Report is to outline the main investigations initiated or progressed by the Commission in the 2003-2004 reporting year. Further outcomes are also reported in relation to investigations where operational activity concluded prior to 2003-2004.

OPERATION ABELIA

Key Points:

Operation Abelia, which is concerned with illegal drug use by police officers, remains an active investigation. The Commission is combining misconduct investigations with in-depth national and international research. Detailed consultation occurred during the reporting year on drug use prevention and detection strategies with NSW Police, the Police Association and other stakeholders through a series of round table discussions.

As described in last year's annual report, during 2002-2003 the Commission commenced a project to examine the use of illegal drugs and the abuse of prescription drugs by some police officers in NSW. This project, known as Operation Abelia, has three broad objectives:

- to investigate allegations of some NSW Police using illegal drugs or illegally obtained drugs
- to provide an informed understanding of the nature of the problem of drug use by some NSW police
- to examine relevant NSW Police policies, procedures and training materials, and compare these to what is done in other jurisdictions, with a view to advising NSW Police how and where it can intervene to most effectively minimise drug use.

On 27 August 2003 the Commission publicly announced the commencement of Operation Abelia and invited information and submissions from interested parties concerning the use of drugs by NSW police officers.

Public hearings commenced on 6 November 2003. To date there have been ten public hearing days with 16 witnesses giving evidence. The public hearings have revealed evidence of serving police involved in drug use, drug supply, stealing from drug dealers and forming corrupt relationships with drug offenders. The separate hearing segments which have examined this evidence have been codenamed Icemint, Norandra and Alpine. Further information concerning each of these segments appears below.

The Commission is using the information collected through its public and private hearings to obtain a better understanding of the nature of the drug problem within NSW Police. In this regard, Operation Abelia seeks to answer questions such as:

- Why do some NSW police use prohibited drugs?
- What types of drugs do these police use?
- What are the circumstances under which some police use drugs?
- Is prohibited drug use confined to a particular age group?
- Is the problem confined to one geographical area or is it more widespread?
- Had those police who use prohibited drugs used such drugs prior to joining NSW Police?
- How long after joining NSW Police do some officers start using prohibited drugs?
- How do those who use drugs obtain their drugs?
- What strategies do police who use prohibited drugs employ to avoid detection?

Unlike previous projects conducted by the Commission, Operation Abelia has combined misconduct investigations, such as Operation Alpine, with detailed national and international research.

Part of the research has involved obtaining perceptions of the nature of the problem and the effectiveness of current NSW Police policies and suggestions for policy and procedural improvements from the perspectives of:

- current and former sworn officers who have admitted drug use
- current sworn officers
- Local Area Commanders.

The research has also involved the development of case studies based on information obtained from Commission and NSW Police holdings to identify potential patterns in the types of officers detected using drugs and the circumstances under which they have used drugs.

In order to ensure that potential policy recommendations are well informed, in addition to reviewing the actual policy documents, the Commission has taken a consultative approach that has included:

- interviewing members of NSW Police who are in key policy areas in order to better understand the interpretation and implementation of these policies
- interviewing experts in the drug and alcohol research fields, drug testing areas (including technical experts and those who can provide the industrial relations perspective), criminology and crime prevention areas

- liaising with police departments in other jurisdictions within Australia and in Canada, USA, UK and the Netherlands to gain information about their relevant policies, procedures and training materials
- contacting non-policing agencies who either use drug testing, are considering using drug testing, or for whom drug use issues are relevant but strategies other than drug testing are being used to deal with the problem
- contacting Australian and overseas researchers in the policing, criminology and drugs fields to identify relevant materials.

During April and May 2004 the Commission organised and chaired a series of 'round table' discussions to provide a formal opportunity for consultation and discussion with NSW Police, the Police Association of NSW, the NSW Ombudsman and the Ministry of Police on matters likely to be the subject of assessment, and possibly recommendations arising from Operation Abelia. Round table discussions were held on the following topics:

- detecting drug use through targeted drug tests
- deterring drug use: using workplace drug testing
- drug testing following critical incidents
- students
- recruitment
- supporting and equipping sworn officers and supervisors.

To inform and stimulate the discussion, prior to each of these round tables, the Commission prepared and pre-circulated briefing papers that summarised relevant current NSW Police policies, the published literature about the topic, any relevant comments from interviews with Local Area Commanders and information about how other law enforcement agencies tackle these issues. Each briefing paper also provided a list of issues for discussion.

The cooperation of both NSW Police and the Police Association of NSW in Operation Abelia has been of great assistance. One example of the assistance provided is the Police Association of NSW having dedicated one part of its biennial conference in May 2004 to a discussion of Operation Abelia. This involved the approximately 130 delegates being divided into twelve focus groups to discuss strategies to minimise drug use in NSW Police. These focus groups were in addition to another set of focus groups that were organised by the Police Association to learn more about police perceptions about the problem and the effectiveness of current policies and practices. This second set of focus groups commenced in May 2004 and continued into the next reporting period.

At the end of the reporting period inquiries were continuing. Further outcomes of this project will be reported in next year's Annual Report.

OPERATION ALPINE

Key Points:

Two officers were dismissed from NSW Police on the basis of evidence obtained by the PIC. Public hearings exposed evidence of ongoing serious police corruption with one of the officers admitting to having been involved in drug taking, the theft of illegal drugs and the receiving of proceeds from drug sales. This investigation also revealed evidence of police misconduct in connection with an officer from Victoria Police. Operation Alpine remains an active investigation.

An investigation codenamed Operation Alpine was initiated in September 2003 to investigate whether Detective Sergeant Samuel John Foster and his associates had been or were involved in police misconduct.

During the course of the investigation, the Commission gathered evidence in relation to the police officer's activities, using electronic and physical surveillance, telephone intercepts, financial investigations, and through co-operation with the Australian Crime Commission (ACC), Victoria Police and NSW Police.

On 30 January 2004 the Commission conducted a controlled operation in which Foster and another NSW Police officer were covertly surveilled as they stole $20,000 and what they thought were prohibited drugs, in a sham arrest. The cash and imitation drugs were planted by the Commission in an operation that involved the use of an undercover operative and required considerable planning and coordination. Foster stole five hundred imitation ecstasy tablets and $12,000 cash. He later gave $2,000 to his NSW Police colleague and made other attempts to sell some of the tablets as ecstasy.

At public hearings of the Commission during February and April 2004, Foster was questioned about the sham arrest on 30 January and admitted that he had arranged the meeting with his NSW Police colleague and an associate in order to steal drugs from a drug supplier. On that occasion, Foster was unaware the drug supplier was an undercover operative. Foster admitted to similar incidents in the past when prohibited drugs were stolen from drug traffickers. He also admitted to receiving the cash proceeds from the sale of such drugs, and his own use of prohibited drugs.

At the time of these events, Foster was seconded to the National Crime Authority, and, from 1 January 2003, the Australian Crime Commission. The Commission's hearing also revealed that Foster and another Australian Crime Commission officer, Detective Senior Constable James McCabe of the Victoria Police, had an improper relationship with one of their ACC informants. There was evidence of Foster and his associates being involved in other instances of sham arrests, seizures of drugs, receiving the proceeds of drug sales, and other corrupt acts.

The Commissioner of NSW Police has exercised his powers under s181D of the *Police Act 1990* to remove Foster and his NSW Police colleague from the NSW Police.

Inter-agency cooperation was also a feature of this investigation. In particular, it is noted that, for the first time, the Commission was confronted with a case of inter-jurisdictional police misconduct and subsequently worked closely, and effectively, with the Victoria Police Ethical Standards Department.

The impact of Operation Alpine has extended beyond the jurisdiction of NSW. The evidence obtained by the Commission contributed to the Federal Government's decision to establish a new agency to investigate corrupt conduct in Federal law enforcement agencies.

Information regarding the nature and extent of Foster's use of illegal drugs will be used in Operation Abelia and, combined with other material, will help further the Commission's understanding of the nature of illegal drug use in NSW Police.

The Commission's investigation is continuing and further public hearings will take place. At the conclusion of the investigation, the Commission will report to Parliament and make recommendations, where appropriate, for consideration of criminal prosecution.

OPERATION ANTHILL

Key Points:

A now former police officer was convicted and sentenced for a number of criminal offences including fraud and dealing in stolen property. Intelligence obtained during this investigation helped the Commission start a new investigation into the distribution of illegal drugs and the use of illegal drugs by a number of NSW Police officers.

In the 2002-2003 reporting year Operation Anthill uncovered evidence that Constable Paulette Sewell and her civilian associates were involved in stealing luxury goods from a department store and on-selling these goods. The officer concerned was also suspected of submitting a fraudulent insurance claim for the alleged theft of her private motor vehicle.

Last year the Commission reported that the officer had been charged with a number of criminal offences. It also noted that the officer made admissions to the Commission, under inducement, regarding her use of illegal drugs. Information regarding the nature and extent of this officer's use of illegal drugs will be used in Operation Abelia and, combined with other material, will help further the Commission's understanding of the nature of illegal drug use in NSW Police.

On 21 November 2003 the officer appeared in court and pleaded guilty to receiving stolen property, fraud and giving false evidence to the Commission. A sentence of six months imprisonment was imposed and appealed against. On 20 January 2004, the officer's appeal was heard and her sentence reduced to 500 hours community service for the offence of giving false evidence to the Commission and a 3 year Good Behaviour Bond for the other offences.

Operation Anthill is now closed, having come to a conclusion prior to the end of the 2002-2003 reporting year. However, during the course of this investigation, intelligence was obtained that indicated another police officer was attending the home of a civilian suspected of being involved in the distribution of prohibited drugs. This information was instrumental in the Commission commencing Operation Icemint, a summary of which appears later in this section.

OPERATION COLORADO

Key Points:

Based on its preliminary investigation, the Commission has concluded that a further public inquiry into a 1981 death in custody is not warranted.

In September 2003 the Commission completed a preliminary investigation into the death of Edward James Murray. Mr Murray died on 12 June 1981 in a police cell at Wee Waa. His death was the subject of an Inquest and, thereafter, an investigation by the Royal Commission into Aboriginal Deaths in Custody. Both inquiries heard evidence from the involved police and were critical of aspects of the police evidence. The Coroner returned an open verdict. The Royal Commission into Aboriginal Deaths in Custody found that Mr Murray died from hanging and that it was more probable than not that death resulted from his own actions.

In 1997 there was an exhumation of Mr Murray's body which resulted in the detection of a skeletal injury not reported at the time of the original post mortem, namely, a transverse fracture of the sternum. The Coroner declined to reopen the Inquest. In August 2000, following the receipt of a report by the Many Rivers Aboriginal Legal Service, the Minister for Police asked the Commission to determine whether it would undertake an investigation.

The Commission reviewed the available evidence and obtained a detailed opinion from a forensic pathologist regarding the significance of the fractured sternum. A number of possible causes for the fractured sternum were suggested. It was not possible to confidently state how or when the fracture occurred. The Commission also obtained expert opinion regarding the possible effects on his actions of the concentration of alcohol found in Mr Murray's blood at the time of death. The Commission obtained an expert opinion from a forensic psychiatrist regarding the likelihood of Mr Murray performing the range of actions attributed to him which may have contributed to his death. The Commission re-interviewed involved police and interviewed other witnesses not previously questioned in the earlier inquiries.

The Commission was satisfied that, notwithstanding the criticisms of the police evidence in the earlier inquiries, a further public hearing would be unlikely to produce a different result, and that any defects in the earlier inquiries would not be cured by yet another public inquiry. The Commission made no adverse findings against any person and in September 2003 advised the Minister for Police and the legal representatives for the Murray family that it did not intend conducting any further investigation.

The Commission considers that the inquiries undertaken have satisfactorily resolved the questions arising from the injury reported following the exhumation of Mr Murray's body. It would not be in the public interest to hold any further hearings into the events of 12 June 1981.

OPERATION DAKOTA

Key Points:

A now former police officer was convicted of drug supply offences and sentenced to 7 years imprisonment. The amount of $55,820 has been recovered from that officer under asset confiscation proceedings. A civilian who had come to notice during Operation Dakota was also sentenced to six years imprisonment for drug supply offences. Briefs of evidence in connection with possible drug offences by a further seven civilians have been sent to the DPP for consideration.

Operation Dakota, now a closed Commission investigation, uncovered evidence in 2000 and 2001 of a police officer, Senior Constable Gary Remoundos, being involved in the supply and use of illegal drugs. Last year the Commission reported that the now former officer had been charged with the supply of illegal drugs, including cocaine, ecstasy and cannabis and giving false evidence to the Commission. The Commission also reported that it had commenced confiscation proceedings against the officer under the *Criminal Assets Recovery Act 1990.*

On 13 November 2003, Remoundos was sentenced to a minimum of four years and a maximum of seven years imprisonment for giving false evidence to the Commission and various charges associated with the supply of prohibited drugs.

Asset confiscation proceedings were also finalised during the 2003-2004 reporting year with orders being made in the NSW Supreme Court on 10 May 2004 for the former officer to pay the amount of $55,820.

Information concerning this officer's use of illegal drugs will be used in Operation Abelia and will assist in informing the Commission's understanding of the nature of illegal drug use in NSW Police.

The Commission noted in last year's Annual Report that, in addition to the proceedings against the former officer, three civilians identified through Operation Dakota had pleaded guilty to a range of drugs charges laid by NSW Police. Two of the three were sentenced in the 2002-2003 period, receiving fines and good behaviour bonds. The third civilian was sentenced on 29 October 2003 to six years imprisonment for drug supply offences with a minimum non-parole period of four and a half years. It is noted that the Commission had provided surveillance information to NSW Police, obtained during the course of Operation Dakota, which had identified a location where drugs were being stored.

Last year's Annual Report also noted that briefs of evidence in connection with 7 civilians identified during the course of the Commission's investigation had been referred to the ODPP for consideration. The Commission awaits advice from the ODPP.

OPERATION FLORIDA

Key Points:

Operation Florida, a significant and long-term joint investigation, came to a conclusion during 2003-2004. The Commission's report found that 28 former or current officers had engaged in 43 incidents of misconduct. Six officers were convicted of criminal offences and were sentenced to terms of imprisonment. Recommendations for changes to NSW Police procedures were made in connection with the execution of search warrants, supervision and management.

This investigation was conducted jointly by the Commission, NSW Police and the NSW Crime Commission and arose from a NSW Police/Crime Commission investigation codenamed Operation Mascot, which commenced in 1999. Preliminary outcomes were reported in the Commission's 2001-2002 Annual Report and further outcomes were reported in the 2002-2003 Annual Report.

Further investigations took place in the second half of 2003, with the evidence gathering stage of the investigation concluding in late 2003. The Commission's Report to Parliament was presented on 28 June 2004.

The matters examined during the investigation revealed a wide range of criminal conduct by a large number of serving and former police.

The Commission's report contains the Commission's assessments and opinions and expresses a view as to whether or not police misconduct occurred in relation to each matter examined. Twenty-eight former and serving police officers were found to have engaged in police misconduct. Some of those officers engaged in misconduct on more than one occasion, so that 43 incidents of police misconduct were identified. Of the 28 officers:

- 13 had left NSW Police by the time they appeared before the Commission and for whom management action was never therefore a possibility
- 12 left NSW Police after giving evidence[16]
- 3 remain in NSW Police.[17]

In view of the action already taken by NSW Police, no additional recommendations for reviewable and non-reviewable management action were made by the Commission in the Report.

Of the 99 witnesses who were called to the hearing, 50 individuals were identified as being "affected persons" (ie they were the subject of substantial allegations) and the report contains the Commission's recommendations in respect of those individuals. Of the 50 affected persons, nine are currently serving NSW Police Officers, 35 are former NSW Police officers and six are civilians. NSW Police and/or the ODPP have already made decisions about prosecutions in relation to all except two former officers and one civilian. As reported in the 2002-2003 Annual Report, six (now former) officers were found guilty of criminal offences and all are serving, or have served, custodial sentences.

Approximately 300 further incidents identified in the joint investigation and not examined in the Commission's hearings were investigated by NSW Police and oversighted by the Commission.

The report also made recommendations in relation to supervision and management, the execution of search warrants, the handling and storage of exhibits and the preparation of letters of assistance. NSW Police has already made some changes in relation to some of these matters. The Commission will continue to monitor NSW Police's response to the Commission's findings and recommendations.

OPERATION ICEMINT

Key Points:

Three police officers identified through Operation Icemint admitted using drugs and resigned from NSW Police. Six civilians identified through Operation Icemint are facing, or have faced, drug-related charges.

As noted previously in this section, intelligence was obtained during the course of Operation Anthill regarding the association between a police officer and a civilian suspected of being involved in the supply of drugs. On 12 May 2003 the Commission commenced an investigation codenamed Operation Icemint and physical and electronic surveillance resources were deployed to collect evidence of possible criminal activities and police misconduct.

The Commission's investigation revealed that the civilian referred to above was part of a group of drug suppliers and that the female police officer was closely associated with three other officers whom it was suspected were also involved in the use of prohibited drugs.

Following the Commission's August 2003 public announcement that it had commenced Operation Abelia, which concerned use of illegal drugs by police, it became clear from electronic surveillance that the above-mentioned officers became concerned that they would be implicated in drug-related investigations.

On 19 September 2003 Kings Cross police, acting on information provided by the Commission, executed search warrants on the residential premises of the above-mentioned civilian and her civilian associates. These searches resulted in various quantities of prohibited drugs and associated paraphernalia being located and six civilians being arrested and charged with numerous contraventions of the *Drug Misuse and Trafficking Act 1985.*

In October 2003 the three officers under investigation by the Commission came forward and voluntarily admitted their drug use to members of NSW Police Special Crimes and Internal Affairs (SCIA) - now known as the Professional Standards Command - and tendered their resignations from NSW Police. The Commission believes the public announcement of Operation Abelia in August 2003 together with the searches conducted in September 2003 acted as a catalyst for these individuals to make admissions about their drug use.

On 6 November 2003 the three officers concerned, Shelley Hill, Tracey Tyler and Melanie Wilson, attended the Commission and gave evidence at a public hearing of Operation Abelia. They confirmed their admissions of prohibited drugs use, and that they had resigned from NSW Police. The officers were examined about the nature and extent of their drug use. This information, coupled with other material, will assist the Commission in developing a better understanding of the nature of illegal drug use in NSW Police.

In terms of the civilians who came to attention during the course of Operation Icemint:

- two were charged with drug-related offences but were subsequently no-billed

[16] Included in this figure are:
- Three officers who left NSW Police after NSW Police recommended that they be nominated for section 181D dismissal.
- Two officers who were found to have engaged in police misconduct but left NSW Police before any recommendation was made about action to be taken against them.
- Six officers who were criminally prosecuted and are serving or have served custodial sentences.

[17] In the case of the three still serving officers NSW Police decided not to take any action against two of them and non-reviewable action was taken against one officer. The decisions taken by NSW Police in relation to these officers were noted in the Operation Florida Report.

- one has been convicted of a drug-related offence and has been sentenced to community service
- one has been convicted of a range of criminal offences relating to the supply and possession of prohibited drugs and possession of stolen goods. Sentencing for this person has been stood over
- two further individuals have been charged with drug supply offences and at the time of writing their matters were at various stages before the courts.

OPERATION NORANDRA

Key Points

One police officer was convicted and sentenced to 6 months periodic detention for the supply of ecstasy tablets based on a NSW Police investigation. Following their evidence to a Commission hearing, two other police officers have been given notice they are being considered for dismissal from NSW Police.

Operation Norandra commenced in November 2003 as a result of information supplied to the Commission by NSW Police. An undercover operation conducted by NSW Police in May 2003 had resulted in the detection of a NSW Police officer, Darren Wardle, selling ecstasy tablets in a Manly nightclub. Further investigation by NSW Police revealed that Wardle and his flat mate, a civilian, were involved in the use of prohibited drugs. In July 2003 another civilian associate of Wardle's was charged with possession of pseudoephedrine. Following his arrest the civilian contacted Wardle and they agreed to meet, rather than talk on the phone. In September 2003 the same civilian was charged with drug supply. Wardle was charged the same day in relation to the aforementioned supply of ecstasy in the nightclub in May 2003.

In February 2004 the Commission held public hearings at which Wardle, the civilian, and a female police officer associated with Wardle gave evidence. A private hearing was also held to take evidence from another female police officer who was involved in a close personal relationship with the civilian at the time the civilian was arrested for drug possession and drug supply. The female officer admitted releasing confidential police information to the civilian but claimed no knowledge of his involvement in the use or supply of prohibited drugs.

In the Commission's public hearing Wardle admitted his involvement in the use and supply of prohibited drugs. He subsequently pleaded guilty in the Manly Local Court to supplying the ecstasy tablets in the nightclub and was sentenced on 29 April 2004 to 6 months periodic detention. He resigned from NSW Police on 17 February 2004.

Evidence given by this officer concerning the nature and extent of his use of illegal drugs will be used in Operation Abelia and, coupled with other information derived from the Commission's research and operations, will assist in furthering the Commission's understanding of the nature of drug use in NSW Police.

Following their evidence at the Commission in February 2004, the two female officers were asked to show cause why they should not be dismissed from NSW Police for loss of Commissioner's confidence. All outcomes of this matter will be reported to Parliament in the next reporting year.

OPERATION REGAL

Key Points:

Two officers were suspended as a result of the Commission's investigation, one of whom resigned in 2003-2004. The other has pleaded guilty to the charge of accepting a bribe and remains on suspension while awaiting the conclusion of his matter in court. Advice has been sought from the ODPP as to whether there is sufficient evidence to charge two police officers and one former officer with giving false evidence to the PIC.

Last year the Commission reported that Operation Regal involved the investigation of the association between a number of current and former police and civilians suspected of being involved in the supply of prohibited drugs. Operation Regal was initiated in February 2002, information having come to light in late 2001 through electronic surveillance indicating that a number of police officers were using, and possibly supplying, illegal drugs. In 2002-2003, the Commission deployed its electronic and physical surveillance resources for the purpose of its investigation. A number of private hearings were also held.

During the course of its investigation the Commission obtained evidence indicating a young police officer had used ecstasy, cocaine, and amphetamines.

Information concerning drug use by police officers, in tandem with other research and operational material, will be used in Operation Abelia and will contribute to the Commission's understanding of the nature of drug use in NSW Police.

In its last Annual Report the Commission reported that one police officer had resigned during the course of the investigation and two had been suspended. In the 2003-2004 reporting year one of the officers on suspension resigned. In August 2004, after a charge of perverting the course of justice was dropped, the other officer, Ivan Brown, pleaded guilty to accepting a bribe under s200 of the *Police Act 1990.* This officer was prosecuted on the basis of electronic evidence obtained by the Commission that he had improperly intervened in the investigation of a motor vehicle accident. At the time of writing, this officer was suspended from duty awaiting the outcome of his court matter.

Briefs have been sent to the ODPP seeking an advice about whether or not there is sufficient evidence to charge two officers, one former officer and two civilians with knowingly giving false or misleading evidence to the Commission.

OPERATION SANDVALLEY

Key Points:

A police officer has been examined at a Commission public hearing about his financial dealings, his knowledge of the criminal activity of some of his associates and the suspicious items found during a February 2004 search of his business premises. This officer has been suspended without pay. Operation Sandvalley remains an active investigation.

In May 2003 the Commission commenced a preliminary investigation codenamed Operation Sandvalley based on information provided by the NSW Crime Commission. Preliminary inquiries led to a full investigation, which started in March 2004, concerning the activities of a serving officer, Senior Constable Daniel Ryan. Financial investigations uncovered Senior Constable Ryan's involvement in private businesses and suspicious financial activity. Telephone interceptions indicated the involvement of Senior Constable Ryan and associates, including his brother, in suspected criminal activity involving thefts from automatic teller machines (ATMs). Physical surveillance resources have also been used to collect information regarding this matter.

As a result of the information obtained by the Commission and disseminated to NSW Police, two persons were arrested on 20 February 2004 by members of NSW Police State Crime Command (Gangs Squad). These persons were charged with conspiring to enter premises with intent to commit a serious crime therein, namely, stealing with aggravating circumstances (ie conspiring to commit a home invasion). A third person was charged later with the same offence. Following those arrests and in the early hours of 21 February 2004, NSW Police conducted a search of Senior Constable Ryan's business premises, in his presence and with his consent. The police seized a number of items, including balaclavas, leather gloves, capsicum spray, cable ties, duct tape, a bullet resistant vest, 4 pairs of NSW vehicle registration plates, NSW Police clothing, 2 replica pistols, one Beretta pistol and ammunition.

In March 2004 the PIC commenced a public hearing as part of its investigation. During the hearing Senior Constable Ryan was examined about his financial dealings, his knowledge of the criminal activity of some of his associates, the items found at his business premises in February 2004 and his secondary employment. Other witnesses were examined about their involvement with Senior Constable Ryan in various activities.

Senior Constable Ryan has been suspended without pay from NSW Police.

The Commission's investigation is continuing and further information and outcomes will be provided in next year's annual report.

OPERATION TOWER

Key Points:

Operation Tower examined a complaint by a civilian concerning a police investigation into paedophilia allegations against him. Operation Tower concluded that the establishment and conduct of that police investigation was reasonable and appropriate.

In late November 2000, the Commission commenced a preliminary investigation into complaints by John Robert Marsden against former police officer Michael Woodhouse and Strike Force Cori. The Commission's investigation examined the conduct of the investigation by Strike Force Cori police, led by Mr Woodhouse, into paedophilia allegations against Mr Marsden.

During the Commission's investigation, defamation proceedings brought by Mr Marsden against Amalgamated Television Services Pty Ltd in respect of its publication of other allegations of paedophilia by Mr Marsden were yet to be determined. The Commission deferred its investigation at Mr Marsden's request until the conclusion of those proceedings in June 2001. After responding to other matters raised by Mr Marsden to the Inspector of the Police Integrity Commission in July 2001, the Commission settled the terms of its investigation in February 2002 and continued with its inquiries, which concluded in late 2003.

The Commission's investigation was largely documentary, involving the review of substantial police and other documents created in the course of the Strike Force Cori investigation and earlier police investigations, as well as material arising from the defamation proceedings.

In April 2004, the Commission furnished its report on the Operation Tower Investigation to Parliament. The Commission concluded that the investigations by Strike Force Cori into Mr Marsden were not initiated with any intention to target or harass Mr Marsden but, as a matter of public record, in clearly appropriate circumstances. It was also concluded that police conducted investigations in an appropriate, reasonably thorough and unbiased manner. Police did not exercise their discretions in an unreasonable or malicious way, nor pursue improper ulterior motives in seeking to charge Mr Marsden regardless of the evidence.

The Operation Tower investigation struck new ground for the Commission in examining matters which would ordinarily have been taken by the Commission to involve police misconduct falling outside the ambit of its usual areas of interest, in so far as it did not concern the kind of alleged criminal conduct by which Category 1 complaints are defined pursuant to the *Police Integrity Commission Act 1996*. It nonetheless provided an important opportunity for the Commission to consider the question of oversight and review of the exercise of police discretion in the course of a police investigation absent unlawfulness or apparent lack of good faith, and to express its views for future guidance.

A major outcome to be drawn from Operation Tower is that the Commission resolved serious questions raised about police impartiality and appropriate standards of investigation in the conduct of a sensitive and major investigation. It is to the satisfaction of the public interest that an independent and appropriate police investigation has been conducted in such circumstances, and able to be confirmed by an independent oversight body such as the Commission.

Another result achieved through Operation Tower is that the Commission provided its opinions and comments on a number of general issues pertaining to the conduct of police investigations, including: thoroughness in police investigations; the need for corroboration; and the need for police to guard their independence in an investigation. The Commission considers that these opinions and comments will be a valuable resource in informing NSW Police standards, procedures and other internal documents concerning the conduct of investigations.

OTHER INVESTIGATIONS

In addition to the investigations referred to above, the Commission also commenced two new investigations during the reporting year, which at the time of writing were covert: Operations Ovalbay and Cobalt. Investigative resources continued to be allocated to Operation Haybridge which commenced in 2001-2002 and which remains covert.

6. TRACKING THE COMMISSION'S RECOMMENDATIONS

Making recommendations to NSW Police is a critical aspect of the Commission's work. It is through recommendations that the Commission:

- proposes changes to - and the development of - policies, procedures and practices to reduce the opportunities for serious police misconduct, improve transparency and accountability, and otherwise deter police from engaging in serious police misconduct
- identifies those officers whom it believes should be considered for criminal prosecution
- identifies those officers the Commission believes should be subject to disciplinary action.

This section of the Annual Report provides:

- an evaluation of the response of NSW Police to the recommendations made in the Commission's report on the second Dresden audit
- a progress report in relation to recommendations made prior to the 2003-2004 reporting year.

PROJECT DRESDEN II: EVALUATION OF RESPONSE BY NSW POLICE

In June 2003, the Commission tabled the report on Project Dresden II, the second audit of the quality of NSW Police internal investigations. Project Dresden II involved both quantitative and qualitative examination of NSW Police management (including investigation) of more than 400 complaints of serious police misconduct over the period from July 1998 to June 2001. This audit followed from the first Project Dresden audit of internal investigations, the report on which was furnished to Parliament in April 2000.

On the basis of the results of the Dresden II audit, the Commission made eleven recommendations to NSW Police, aimed at assisting NSW Police to improve the overall quality of internal complaint management. These recommendations relate to measures for improving and/or evaluating the consistency and transparency of decision-making and investigation planning, the management of conflict of interest risks, the consideration of complaint histories in investigations, and timeliness.

In accordance with s99(2)(c) of the Act, the Commission's assessment of the NSW Police response to these recommendations follows. Further detail is provided on the consultation and implementation process relating to a number of the recommendations which the Commission considers are of particular significance.

Prior to the completion of the Dresden II report, the proposed recommendations were the subject of consultation between the Commission and NSW Police. As part of this process, NSW Police indicated a number of changes in NSW Police systems and processes which had taken place since the period covered by the audit, and these were taken into account in the final formulation of the recommendations. In August 2003, of the eleven (11) Dresden II recommendations, the NSW Police position was:

- 4 recommendations supported
- 6 recommendations supported with variation
- 1 recommendation supported in principle.

Following this initial position, detailed consultation between the Commission and NSW Police with reference to implementation of the recommendations continued until August 2004. The current implementation status of these recommendations is:

- 4 recommendations implemented
- 5 recommendations not implemented
- 2 recommendations awaiting advice.[18]

Of the four recommendations which have been implemented by NSW Police, three relate to the timeliness of complaint management processes. One was implemented as part of a recent review by NSW Police of the timeliness of complaint management. The review identified a number of additional strategies intended to improve timeliness. The Commission will follow with interest the progress and impact of the strategies recommended by the NSW Police review.

The other Dresden II recommendation which has been implemented, subject to reservation, is **Recommendation 1.** This recommendation refers to the need to record assessment decisions (including whether to investigate), and the reasons for those decisions, for every allegation in each complaint of serious police misconduct. Such records are necessary not only for internal review purposes but also to enable the adequate discharge of the oversight functions of the Commission and/or the NSW Ombudsman. For this reason, the Commission takes the view that some measure is necessary which will apply to every complaint of serious police misconduct, and ensure that this information is consistently complete and transparent.

NSW Police indicated that it supported this recommendation with variation. The recommendation originally proposed the design of a template to be used for each assessment. However, the Commission recognises the potential for other strategies to achieve the desired outcome, and has therefore engaged in consultation with NSW Police regarding alternate measures which may implement this recommendation.

[18] In the case of these two Dresden II recommendations, the Commission is yet to receive advice from NSW Police to confirm whether the measures have been or will be implemented by indicated measures.

NSW Police have indicated that several current and planned measures relate to the recording of assessment decisions. The measures are intended to assist officers of the Complaints Management Team (CMT) in the recording of assessment decisions and reasons, to document the necessity of their doing so, or to review such records in some cases. The Commission supports the intention of these measures, and recognises that these are in line with the principle behind Recommendation 1, which may be considered implemented on this basis. The Commission notes, however, that some reservations remain regarding the measures, given that they are not intended to mandatorily apply to every complaint of serious police misconduct. The Commission therefore intends to consider the effectiveness of these measures in a future audit.

Of the Dresden II recommendations which have not been implemented, of particular concern are Recommendations 3 and 5, which relate to issues which have been the focus of Commission attention from the time of the first Dresden audit.

Recommendation 3 refers to the potential for conflict of interest where an officer is tasked with investigating a complaint regarding a more senior officer. The Commission recommended in the first Dresden report that Category 1 complaints about an officer always be investigated by an officer of at least the same rank.[19] This recommendation was supported in principle by NSW Police. In the Dresden II report, Recommendation 3 was that this principle of rank parity be given specific reference in the NSW Police documents which guide Complaint Management Teams in assessing the suitability of potential investigating officers. In its initial response, NSW Police expressed support in principle for this recommendation.

NSW Police indicated a number of planned and existing measures for managing the risks of conflict of interest, including those arising from rank disparity. The measures include training, quality review and the delegating role of the Complaint Management Team. These measures do not, however, ensure that the investigator will in all cases be of at least the same rank as an involved officer. The Commission acknowledges that there are some circumstances where rank parity is either unnecessary or impractical (e.g. in the case of complaints regarding the Commissioner of Police or other senior executive officers, or in remote rural areas with restricted staff profiles). In consultation with NSW Police regarding implementation of this recommendation, the Commission therefore raised the possibility of alternative measures which would ensure rank parity in the bulk of cases, while allowing for such exceptional circumstances; for example, by requiring such circumstances to be documented or by allowing oversight agencies the opportunity to express any concerns regarding rank parity for any given complaint investigation. The Commission notes, however, that NSW Police have not indicated any current or planned measures which would ensure that, except in exceptional circumstances, Complaint Management Teams assign investigators of at least the same rank as involved officers.

Given the extended consultation process which has taken place and the continued focus of the Commission on the importance of rank parity in internal complaint investigations, the lack of implementation of Recommendation 3 is a matter for particular concern.

The Commission has similar concerns regarding the NSW Police response to **Recommendation 5**, which relates to complaint history. The first Dresden report recommended that the investigator of a serious complaint about a police officer consider the history of previous complaints about that officer.[20] While NSW Police indicated support for this recommendation, it took the position that the Complaint Management Team should determine whether an involved officer's complaint history is to be released to the investigator. Dresden II reconsidered this issue and recommended that the investigator's access to the involved officer's complaint history be mandatory in all but exceptional circumstances, and that investigators be required to consider complaint histories as a core responsibility. NSW Police indicated that this recommendation was supported with variation.

The variation initially proposed by NSW Police was acceptable to the Commission; that is, that Complaint Management Teams be expected to release the complaint history to the investigator in all but exceptional circumstances, and that CMTs be required to record the reasons in the cases where the complaint history was not released to the investigator. However, following the process of consultation regarding implementation of this recommendation, the Commission notes that NSW Police does not indicate any current or planned measures to implement this variation. The current position taken by NSW Police is that it is the CMT which should be considered the 'investigator' of a complaint, and since complaint histories should always be considered by the CMT they need only be released to the investigating officer at the CMT's discretion. The Commission considers that the involved officer's complaint history is of central relevance to the process of planning and carrying out an investigation into a complaint, and should therefore be considered by the officer tasked with the practical investigation.

In light of the stated support by NSW Police for this recommendation in both Dresden reports, the continued attention by the Commission to this issue and the extended consultation process which has taken place, the lack of implementation is disappointing.

[19] PIC, Project Dresden - An Audit of the Quality of NSW Police Service Internal Investigations, April 2000, p. 51.

[20] PIC, Project Dresden - An Audit of the Quality of NSW Police Service Internal Investigations, April 2000, p. 51.

Of the two Dresden II recommendations on which the Commission is yet awaiting advice regarding current or future implementation, **Recommendation 2** merits special mention. This recommendation relates to the management of risks of actual or perceived conflict of interest, including those which may arise if a complaint of serious misconduct by a police officer is investigated by an officer from the same command. The first Dresden report recommended that all Category 1 complaints be investigated by an officer from a different Local Area Command. While this recommendation was supported and implemented, NSW Police has raised the issue of the cost of its implementation, particularly in remote rural areas. NSW Police has also indicated that it is a central function of the Complaint Management Team to assess the risks associated with prospective investigators and to seek notification of any conflict of interest identified by the allocated investigator. Dresden II Recommendation 2 is that NSW Police evaluate the processes in place for managing these risks to determine their effectiveness.

NSW Police has recently conducted a trial of a revised process for the management of conflict of interest risk, the Complaint Allocation Risk Appraisal. In consultation with the Commission, this trial has involved relaxing the requirement for Category 1 complaints to be investigated by an officer from a different Local Area Command. In earlier consultation between the Commission and NSW Police, the Commission raised the possibility of this trial including an evaluation of the effectiveness of processes for managing the risk of conflict of interest. The Commission understands that this trial was completed in the first half of 2004, and awaits advice from NSW Police to indicate whether an evaluation has taken place to implement Recommendation 2. The Commission considers that the transparent management of the risks of conflict of interest is fundamental to the quality and efficacy of internal complaint investigation, and requires close attention by both NSW Police and oversight agencies. The Commission therefore awaits with interest the report on the outcomes of the trial.

PROGRESS IN IMPLEMENTING COMMISSION RECOMMENDATIONS MADE PRIOR TO 2003-2004

In August 2004, NSW Police reported on progress in relation to recommendations from the Commission reports concerning Operations Bangkok and Malta and Project Dresden II.

A total of 22 recommendations were made in these reports. Based on the August 2004 NSW Police progress report, and information previously furnished by that agency, 17 of the 22 recommendations (77.3%) have been supported, supported with a satisfactory variation or were the subject of a reasonable alternative. All were related to policy changes in NSW Police.

NSW Police has reported that of those recommendations supported or supported with a satisfactory variation, seven (41.2%) have been implemented.

Some further explanation is required for this low level of implementation. Seven recommendations made in the Operation Bangkok report, all of which were supported or supported with a satisfactory variation, are awaiting one action before they can be finalised: the publication of the amendments to the NSW Police Handbook. The Commission has been informed that the amendments have been drafted and are awaiting review by NSW Police Legal Services. The Commission notes that there has been no change in the status of these recommendations since July 2003. The Commission has sought advice from NSW Police as to the specific timeframe for the publication of the Handbook. However, NSW Police has been unable to indicate when this will occur. In view of the fact that the report on Operation Bangkok was issued to NSW Police in December 2000, the Commission is concerned about the time taken to implement these recommendations and considers the lack of information concerning the timeframe for the finalisation of these matters unsatisfactory.

Operation Malta

Last year the Commission reported that it had made three recommendations in connection with Operation Malta. It noted that NSW Police had supported and planned suitable implementation strategies in connection with recommendations one and two and had presented a reasonable alternative to recommendation three.

In its August 2004 progress report, NSW Police provided further advice regarding its implementation of recommendations one and two. In connection with recommendation one, which concerned the process relating to international secondments, NSW Police has reported that on 15 July 2004 the Commissioner of Police approved the establishment of a secondment unit. The Commission has been informed that over a three month period, commencing in mid August 2004, NSW Police expects to complete a review of secondment policies and procedures and has reported that recommendation one will be addressed as part of this process.

With regard to recommendation two, which concerned the interviewing of non-sworn officers for the purpose of internal investigations, the Commission was at the time of writing still assessing the implementation report provided by NSW Police in its August 2004 update. The Commission will provide its comments and views in due course following consultation with NSW Police.

Operation Saigon

In its report concerning Operation Saigon, which was tabled in June 2001, the Commission recommended that officers involved in critical incidents be blood tested for the purpose of drug and alcohol testing. In last year's Annual Report the Commission noted that NSW Police had supported this recommendation and that a submission had been sent to the Ministry for Police recommending legislative amendments to both the *Police Act 1990* and the Police Regulation 2000.

It is noted that, by agreement with the Ministry, the issue of blood testing following a critical incident has been referred back to the Commission for consideration as part of Operation Abelia. The Commission's report on this investigation will provide findings and recommendations as to the most appropriate form of drug testing to occur following critical incidents.

Operation Pelican

In its report on Operation Pelican, tabled in August 2001, the Commission recommended that reviewable management action be considered in connection with three officers: Senior Constable Garry James, Sergeant Stephen McLennan and Sergeant Michael Lenon.

In last year's Annual Report the Commission noted that, by agreement between the Commission and NSW Police, a response in relation to these recommendations had been deferred. That Report also noted that as at August 2003, SCIA - now the Professional Standards Command - were examining the remaining two recommendations.

In August 2004 NSW Police reported that consideration had been given to the taking of reviewable action against Senior Constable Garry James, by an internal review panel, the then Commander of the Employee Management Branch and the State Crime Command. NSW Police determined as a result of this process that neither reviewable nor non-reviewable action ought to be taken in connection with James.

Under s99(2)(c) of the Act, the Commission is required to include in each Annual Report an evaluation of the Commissioner of Police's response to the Commission's findings and recommendations.

The Commission considers this recommendation has been satisfactorily implemented insofar as NSW Police gave consideration to the taking of reviewable action in connection with James. It is noted the Commission was not consulted prior to the final decision being taken in connection with this matter. As a result of negotiations and discussions with NSW Police, however, the Commission will in future be consulted in relation to matters where it has made a recommendation for management action.

In connection with the other two Commission recommendations:

- Lenon has left NSW Police and the recommendation that he be considered for management action is therefore no longer applicable

- The recommendation concerning McLennan has been referred to the relevant command for consideration.

While the Commission acknowledges that there may be special circumstances which impact upon the implementation of the recommendation concerning McLennan, it urges NSW Police, in the interests of the officer and NSW Police, to progress this matter as soon as possible.

7. ASSESSMENT OF STATUTORY ANNUAL AUDITS AND THE SPECIAL REVIEW OF THE PROTECTIVE SECURITY GROUP

BACKGROUND

In July 1998, the Protective Security Group (PSG) replaced the former Special Branch of NSW Police. Associated with the establishment of the PSG was the amendment of the *Police Act 1990* to provide for the ongoing auditing and review of the operations, policies and procedures of the PSG, from the viewpoint that "any unit with these unusual functions should be subject to high standards, and an even higher level of scrutiny than most."[21] The Commission's Act was also amended to make provision for monitoring and reporting by the Commission on this audit process.[22]

ANNUAL AUDITS OF THE PSG: ROLES OF NSW POLICE AND THE COMMISSION

Section 16 of the *Police Act 1990* requires the Commissioner of Police to carry out an annual audit of the operations, policies and procedures of the PSG, and to furnish a copy of the audit report to the Commission. Section 16(2) requires that the audit include an examination of:

- whether the Group as a whole is adhering to its charter
- whether the members of the Group are adhering to its charter
- whether proper procedures exist and are being adhered to by the Group in connection with the use and payment of informants
- whether proper procedures exist and are being adhered to by the Group for the recording and use of intelligence gathered by the Group.

Section 14(e) of the Act provides that one of the functions of the Commission is:

> *to monitor and report on the conduct and effectiveness of the annual audits of the Protective Security Group of NSW Police under Part 3 of the Police Act 1990.*

THE SPECIAL REVIEW OF THE PSG: ROLE OF NSW POLICE AND THE COMMISSION

Section 17 of the *Police Act 1990* requires the Commissioner of Police to cause a Deputy Commissioner to carry out a special review of the operations, policies and procedures of the PSG as soon as practicable after the Olympic Games ("the Special Review"). Section 17(2) requires the Special Review to include examination of:

- whether the PSG has adhered to its charter, particularly in relation to matters associated with the Sydney Olympic Games
- whether the Group will have an effective role to perform in the future.

Section 14(f) of the *Police Integrity Commission Act 1996* provides that one of the Commission functions is:

> *to assess and report on the recommendations as to the future of the Protective Security Group of NSW Police contained in the report of the special review of the Group under Part 3 of the Police Act 1990, and to monitor and report on the conduct and effectiveness of that review.*

2001 ANNUAL AUDIT OF THE PSG

The annual audit of the PSG for the 2001 calendar year was conducted by the NSW Police Audit Group. In the planning stages, NSW Police submitted an audit plan to the Commission, which was the subject of further discussion, leading to the provision of a supplementary audit plan. In April 2002, a Commission representative attended the Protective Security Group premises to observe part of the audit in progress. Following the receipt of the audit report in July 2002, consultation took place between Commission and NSW Police representatives to clarify a number of issues relating to specific audit actions represented in the audit report. Further consultation regarding more general issues has also taken place, in the interests of providing feedback to NSW Police for the purposes of future development and quality assurance.

The 2001 PSG audit report states that the audit team was satisfied that the PSG was not performing any function outside its charter, the records of the PSG were being appropriately maintained, and information and intelligence was being released in accordance with the PSG charter. On the basis of the report submitted to the Commission and the supplementary discussion which took place after its receipt, the Commission is satisfied with the conduct and effectiveness of the audit.

THE SPECIAL REVIEW OF THE PSG

The Special Review of the PSG was conducted by the NSW Police Audit Group on behalf of the Deputy Commissioner, Support. Some initial consultation between the Commission and NSW Police took place in 2001 prior to the preparation of the plan for the Special Review, and the plan was received by

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[21] Hansard, Legislative Assembly, 2nd Reading Speech, *Police Legislation Amendment (Protective Security Group) Act 1998,* 23 June 1998.

[22] In March 2003 the Counter Terrorist Coordination Command (CTCC) was established, absorbing the activities and functions of the former Protective Security Group. The annual audit for 2002 is therefore the last statutory audit provided for by those provisions of the *Police Act 1990* and the *Police Integrity Commission Act 1996* which refer to the Protective Security Group.

the Commission in May 2002. Following discussion of this plan between Audit Group and Commission representatives, the Audit Group submitted some notes as a supplement to the Special Review plan. The Special Review report was received in December 2002. As noted above, the Commission's role with respect to this report is to monitor the conduct and effectiveness of the review, as well as to assess the recommendations of the Special Review regarding the future of the PSG.

The findings of the Special Review were that, since it was established in 1998, the PSG conducted itself within the terms of its charter, both generally and in matters associated with the Sydney Olympic Games; that it had appropriate policies and procedures in place; and that it had an effective role to perform after the Sydney Olympic Games. The report recommended that the PSG should continue to play this role in the future in its (then) current structure. The report questioned the need to audit the PSG on a yearly basis and recommended that the statutory requirement to do so be reconsidered. Recommendations were also made regarding changes to the elements of the PSG charter which relate to the provision of a financial statement by PSG members and the prior approval of the PSG Management Committee of collection and storage of information concerning sensitive targets.

The Commission does not consider that sufficient information is provided by the Special Review for a complete assessment of the recommendation that the PSG continue with unchanged functions and structure. With respect to the recommendations regarding the two elements of the PSG charter, the Commission considers that the Special Review did not adequately address the purposes behind these elements or demonstrate that these purposes were, or could be, achieved by other means. In reference to the recommendation that annual audits be reconsidered, the Commission considers that the audits are a preventative, rather than curative, measure. The Special Review falls short of showing adequate grounds to conclude a reduction or cessation of the risks identified by the Police Minister at the time of introducing the statutory requirement for annual audits of the PSG.

The Commission has assessed the conduct and effectiveness of the Special Review to be less than satisfactory. The intended central purpose of the review was to reach findings regarding the activities of the PSG in order to make recommendations regarding its future functions. The Special Review extends this purpose, to make recommendations regarding the risks associated with these functions and the measures for their management, in the form of charter elements and audits. The Commission considers that the review falls short of providing the level and quality of information and analysis which might reasonably have been expected, (given the purposes of the review and the accumulated experience of the annual audits), and which, more importantly, would be appropriate to support the findings and recommendations made in the review.

While the above assessment discharges one of the functions of the Commission, as provided for by s14(f) of the Act, given the absorption of the functions and structures of the former PSG into the Counter Terrorist Coordination Command (CTCC) in early 2003 under a new charter, both the Special Review and the Commission's assessment are currently of limited relevance. In this light, the Commission considers that revision of, or supplement to, the Special Review would not be useful at this time. Consultation has taken place between the Commission and NSW Police regarding the assessment, and a number of lessons and opportunities have been identified for the development of any similar audit/review and monitoring arrangement in the future.

DELAY IN THE ASSESSMENT OF THE 2001 ANNUAL AUDIT AND THE SPECIAL REVIEW

The Commission acknowledges and regrets the delay in completing the assessments of the 2001 annual audit and the Special Review of the PSG. The advice to NSW Police of such assessments may be relevant to supplementary work to improve individual audits or to the development of NSW Police audit processes. The Commission has reviewed the systems for managing this process, and consultation with the NSW Police Audit Group has provided useful contributions in this respect.

2002 ANNUAL AUDIT OF THE PSG

The annual audit of the PSG for 2002 was conducted by the NSW Police Audit Group. An audit plan was submitted by NSW Police in April 2003, which was the subject of some discussion between Audit Group and Commission representatives. The audit report was received by the Commission in December 2003. A number of concerns identified by the Commission were the subject of consultation with representatives of the NSW Police Audit Group, including detailed discussion of the criteria to be applied in assessing the audit. Subsequent to the consultation process, the Audit Group submitted a supplementary audit report.

The 2002 audit report states that the audit team was satisfied that the PSG did not perform any function outside its charter, the records of the PSG were being appropriately maintained, and information and intelligence was being released in accordance with the PSG charter.

On the basis of the original and supplementary reports, the Commission has assessed the conduct and effectiveness of the 2002 annual audit to be less than satisfactory. First, the Commission has concerns regarding the degree to which the audit actions were shown to be valid and representative, with reference to the criteria applied, the samples taken and the methods used. Secondly, the Commission considers that it was not demonstrated that the audit actions were adequate to support the overall findings of the Audit Group, with reference to the extent to which the audit actions addressed adherence to the PSG charter and other statutory inclusions

of the audit. While the supplementary report in a number of respects represents an improvement on the original audit report, it falls short of satisfactorily addressing the Commission's concerns and of meeting the criteria provided to NSW Police.

FUTURE MONITORING OF THE FUNCTIONS OF THE PSG

In March 2003, the functions of the PSG were absorbed by the Counter Terrorist Coordination Command (CTCC), operating with a revised structure and a new charter. In light of the disbandment of the PSG, the provisions of the *Police Act 1990* and the Commission's Act which refer to the Protective Security Group no longer apply. The 2002 annual audit is therefore the last statutory audit of the PSG to be assessed by the Commission under the Acts.

In February 2004, a parliamentary inquiry was announced by the Parliamentary Joint Committee on the Office of the Ombudsman and the Police Integrity Commission, to include examination of the Commission's jurisdiction for oversight of the CTCC. In relation to this inquiry, the Commission has submitted to the Committee that an assessment be undertaken to determine the level, type and source of risk associated with the activities and/or structure of the CTCC and to recommend what, if any, audit, oversight and/or other process will be appropriate in the future to manage the risks identified.

8. COMPLAINTS ACTIVITY

The Commission receives complaints from NSW Police and the Ombudsman (known as referred complaints) and from a range of other sources (non-referred complaints) as set out in the table on page 32.

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 (a copy of this agreement is at Appendix 7). 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 NSW Police 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.

During the reporting year, the Commission assessed a total of 833 complaints. Of these, 501 were determined to be Category 1 complaints[23] and 291 were determined to be Category 2 complaints. The remaining 41 complaints did not appear to relate to the functions of the Commission.[24] The types of allegations raised in the 501 Category 1 complaints are shown in Figure 1.[25] Figure 2 indicates the decisions made regarding these Category 1 complaints. Both figures also contain, for comparison, the corresponding numbers for the previous reporting year.

During the reporting year the Commission continued to access complaints registered by NSW Police on its Customer Assistance Tracking System (c@ts.i). The proportion of the types of allegations raised in Category 1 complaints are similar to those of the previous reporting year. Ten (10) of the complaints assessed were under investigation during the reporting period, some of which were continuing as at 30 June 2004. A further nine (9) were oversighted. Consistent with previous years, the majority of Category 1 complaints were referred to the Ombudsman to be dealt with in accordance with Part 8A of the *Police Act 1990*.

[23] Category 2 allegations were also raised in 185 of these complaints.

[24] That is, these complaints did not contain any allegations of misconduct by NSW police officers.

[25] The total number of allegations is much higher than the total number of Category 1 complaints because one complaint may contain more than one allegation.

Source of Complaints Assessed

SOURCE	July 2003 - June 2004	July 2002 - June 2003
Referred	525	591
NSW Police	478	514
Ombudsman	43	76
Both NSW Police & Ombudsman	4	1
Non Referred	303	329
Anonymous	54	34
AUSTRAC	0	1
Australian Federal Police	1	0
Crime & Misconduct Commission (Qld)	1	0
Independent Commission Against Corruption	4	2
Legal Aid NSW	1	1
Legal Practitioner	8	17
Member of Clergy	1	1
Member of the Judiciary	2	1
Member of NSW Parliament	3	14
Member of Parliament & Anonymous	1	1
Member of Parliament & Police Officer	0	1
Member of Public	209	221
Ministry for Police	3	3
NSW Crime Commission	1	2
NSW Lotteries	1	0
Office of the Director of Public Prosecutions NSW	2	5
Police Integrity Commission	0	3
Police Officers / NSW Police Employees	10	20
Premier's Department	1	0
Queensland Police	0	1
Roads & Traffic Authority NSW	0	1
Referred & Non-Referred	5	14
NSW Police & Anonymous	0	2
NSW Police & Insurance Company	0	1
NSW Police & Judiciary	1	1
NSW Police & Ministry	0	1
NSW Police & Public	0	2
Ombudsman & Anonymous	0	1
Ombudsman & ICAC	0	1
Ombudsman & Legal Practitioner	0	1
Ombudsman & Police Officer	1	0
Ombudsman & Public	3	4
Total	**833**	**934**

Figure 1: Types of Allegations Raised in Category 1 Complaints - 2003-2004 and 2002-2003

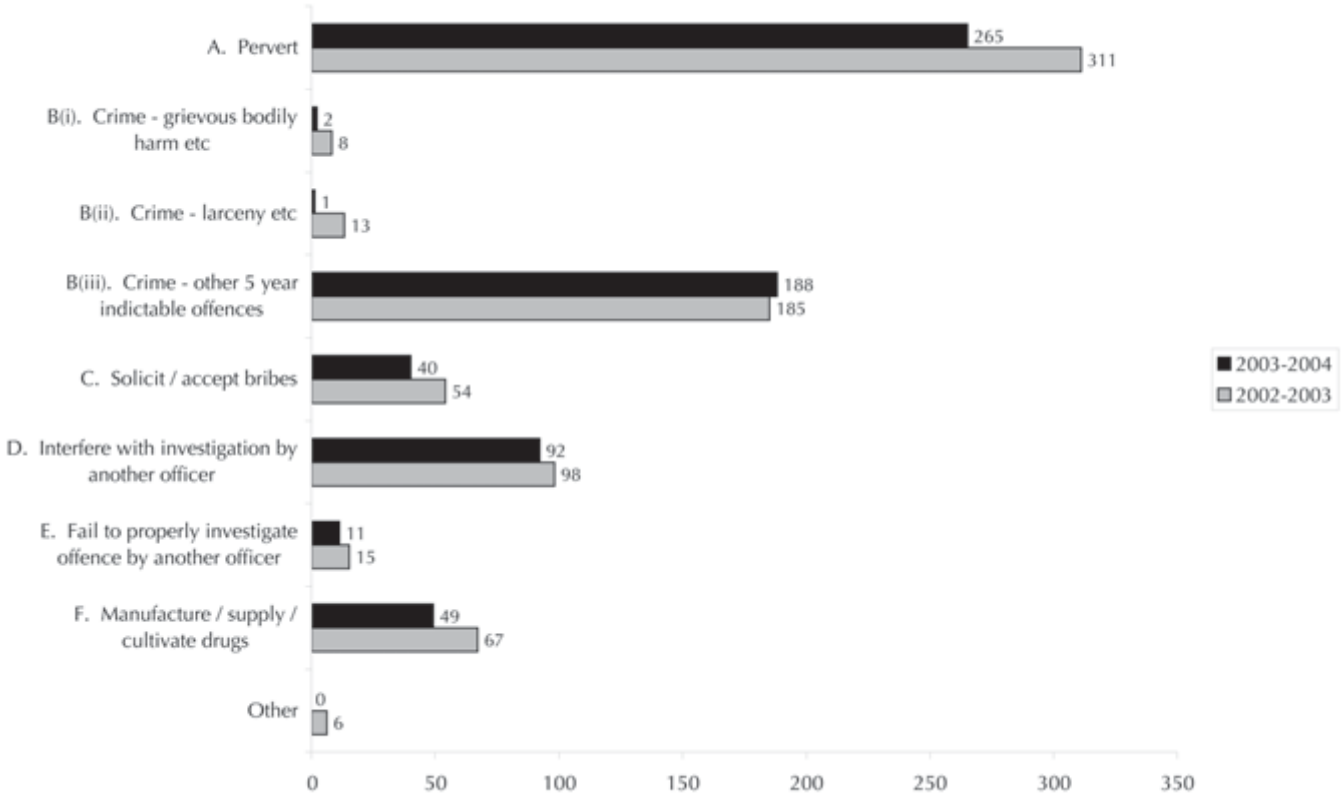
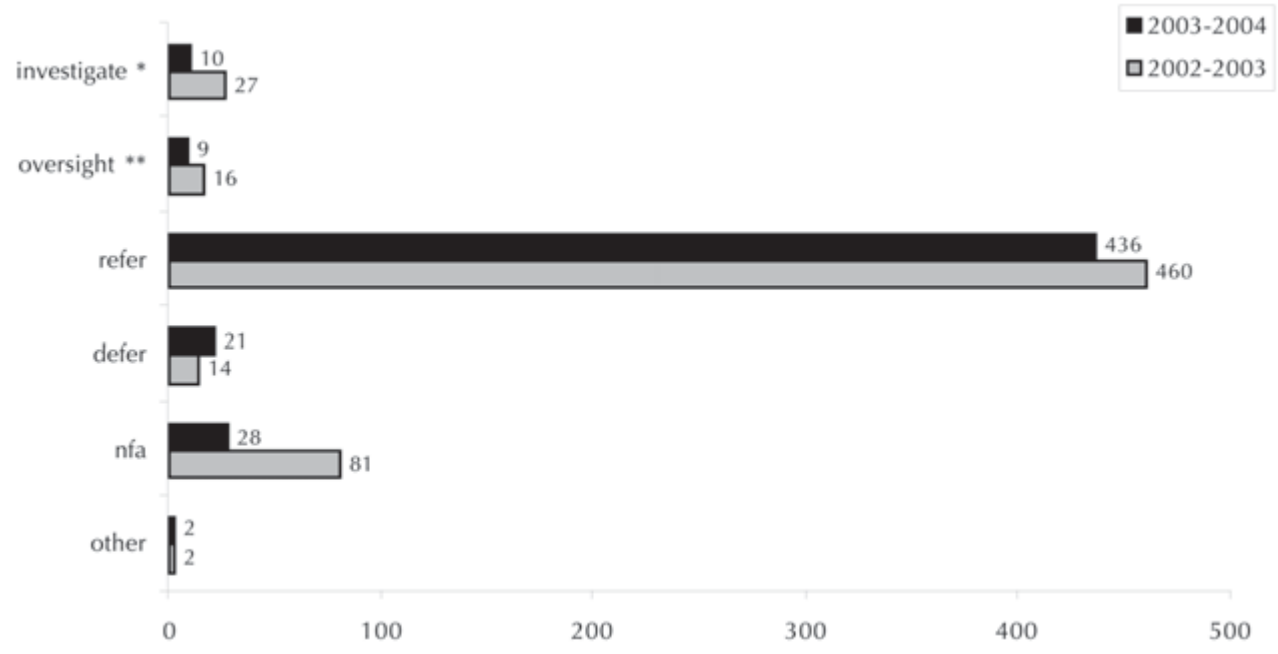


Figure 2: Decisions Made Regarding Category 1 Complaints 2003-2004 and 2002-2003



* The 10 matters investigated included two complaints that were determined to be category 2.

** The 9 matters oversighted included three complaints that were determined to be category 2.

9. INITIATIVES / OTHER ACTIVITIES

DISCHARGE OF POLICE FIREARMS

The Commission receives notification of each occasion where a police officer discharges his or her firearm, irrespective of whether any person is injured or dies as a consequence of the discharge.[26] The arrangements set in place for notification do not extend to firearms training or the destruction of animals where there is no injury or death occasioned to any person. The Commission received three discharge of firearm reports from NSW Police during the reporting period which were considered and finalised. No further action was required by the Commission.

DEATHS IN CUSTODY

The Commission did not receive any reports from NSW Police concerning deaths in custody during the reporting year.

POLICE CORRUPTION EDUCATION AND PREVENTION PROGRAMS

One of the Commission's functions under s14(c) of the Act is:

> *...to make recommendations concerning police corruption education programs, police corruption prevention programs, and similar programs, conducted within NSW Police or by the Ombudsman or the Independent Commission Against Corruption for NSW Police.*[27]

From time to time the Commission makes recommendations concerning police corruption education and prevention programs in its reports to Parliament. A number of recommendations focusing on reducing opportunities for police misconduct were made in the Operation Florida report which was tabled in June 2004. See Section 5 of this report.

Additionally, the Commission measures 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 38 such sessions, including:

- visits to far west Local Area Commands by the Commissioner and staff to increase awareness of the functions of the Commission
- presentations within professional standards and detective training courses held at the Police College (at Westmead), at Goulburn Academy, and a number of NSW country centres
- special consultations with NSW Police to resolve issues related to corruption prevention
- ongoing representation on working parties with corruption education and prevention objectives.

Senior Commission staff attended two conferences during the year to extend the Commission's educative role. The former Assistant Commissioner presented a paper entitled "How do agencies like the PIC make a difference?" at a conference on "Policing the Police" held by the Northern Ireland Police Ombudsman in Belfast on 5-7 November 2003.

The Commission also presented to the May 2004 Annual General Meeting of the NSW Police Association on issues emerging from Operation Abelia regarding the use of prohibited drugs by police. The address included facilitation of a session in which small groups of Association members developed ideas for ways in which they could assist in reducing drug use by police.

LEGISLATIVE MATTERS AND LAW REFORM

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

REPORT ON THE PRACTICES AND PROCEDURES OF THE POLICE INTEGRITY COMMISSION

As noted in the Commission's Annual Report for 2002-2003, in June 2003 the Hon M D Ireland QC, Inspector of the Police Integrity Commission, handed down his *Report on the Practices and Procedures of the Police Integrity Commission*.

Pursuant to the recommendations of the Inspector's Report, during the reporting period the Commission implemented Practice Guidelines and related Practice Notes to better acquaint legal practitioners and members of the public involved or interested in its investigations with the nature of its functions, powers and practices.

With the recent completion of Part 4 of the Practice Guidelines, which deals with the disclosure of information by the Commission, all of the recommendations of the Inspector's Report have been implemented. Other topics covered by the Guidelines and Notes include:

- the nature and functions of the Commission
- the conduct of hearings and appearances and legal representation

[26] As recommended in the Royal Commission into the NSW Police Service's *Final Report Volume II: Reform,* May 1997, para. 9.29, p 529. and recommendation 169, p 559

[27] *Police Integrity Commission Act 1996.*

- the concepts of evidence, relevance and admissibility in relation to a hearing before the Commission
- the exercise of discretionary and coercive powers, including the discretion to hold public or private hearings and the abrogation of privileges.

The Practice Guidelines and Practice Notes are accessible through the Commission's website at www.pic.nsw.gov.au and have received publication in the legal service *Criminal Practice and Procedure NSW* (RN Howie QC and PA Johnson SC, Butterworths 1998), thus ensuring prominent notice to members of the legal profession. At the time of writing, it was also anticipated that the Guidelines and Notes would be published as an Appendix to an upcoming legal text on commissions of inquiry.

INTEGRITY REPORTS

Prior to appointing a person to a NSW Police 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 also enquire of the Commission in regard to the integrity of a person proposed for appointment to a NSW Police 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.

The Commission provided reports in response to 829 inquiries received during the reporting year from NSW Police regarding the integrity of those officers nominated for appointment, compared with 934 the previous year. The Commission provided a report for 1 person appointed to a non-executive administrative position within NSW Police.

The Commission also provided reports in response to 27 requests from NSW Police regarding the integrity of officers for reasons other than that of consideration for promotion, and provided 77 responses to requests from other agencies considering current or former NSW Police officers for employment.

CRIMINAL ASSETS RECOVERY ACT 1990

Under the *Criminal Assets Recovery Act 1990* ("CARA"), the Supreme Court may order the recovery of proceeds derived from illegal activities or the forfeiture of property acquired by serious crime related activities. During the reporting year, the Commission successfully concluded confiscation proceedings arising from its Operation Dakota investigation, discussed in Section 5 of this report. Details of the outcome of prosecutions arising from Commission investigations can be found in Appendix 5.

PROCEEDINGS UNDER CRIMINAL ASSETS RECOVERY ACT 1990

Name	Assets Forfeited	Proceeds Ordered
Kyriakos REMOUNDOS	-	$55,820

WITNESS ASSISTANCE

Persons assisting the Commission (and the earlier Royal Commission) are an important resource in the detection and investigation of serious police misconduct. The Commission may make arrangements to ensure the safety of these persons, and to protect them from intimidation and harassment. Where necessary, the Commission also engages in consultation with specialist witness protection agencies to better ensure the safety and well-being of witnesses and other persons who have been of assistance to its inquiries.

RESPONSE TO SUBPOENAS

Subpoenas are frequently directed to the Commission purporting to require the production of documents or divulging of information acquired in the exercise of its functions.

Section 56(2) of the Act enjoins an officer of the Commission (or other person to whom the section applies) from divulging or communicating to any person any information acquired by the officer by reason of, or in the course of, the exercise of their functions. Officers of the Commission (or other person to whom the section applies) cannot be required to produce documents in or give evidence to any court unless:

> *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 exceptions, the issuing party is informed of the provisions of s56(3), and invited to make application for the disclosure of any relevant information pursuant to the dissemination provisions of s56(4)(c).

SECTION 56(4) DISSEMINATIONS

The Act imposes stringent secrecy requirements upon officers of the Commission with regard to information acquired in the exercise of the Commission's functions. The disclosure of information for purposes other than the exercise of the Commission's functions, or otherwise than in accordance with a provision of the Act, is governed by s56(4)(c) of the Act. This provision commonly provides the basis for an officer of the Commission to disclose information to members of the general public and bodies in respect of which it has no direct power of disclosure under the Act, provided the Commissioner certifies that it is "necessary to do so in the public interest".

To assist in the process of applying for the release of information under s56(4)(c), the Commission has published comprehensive guidelines as part of its Practice Guidelines. The Practice Guidelines and an application form may be downloaded from the Commission's website at www.pic.nsw.gov.au.

STAKEHOLDER AND EXTERNAL RELATIONS

General nature and extent of information provided under the Act

During the reporting period, regular liaison occurred with the Ombudsman, the ICAC, the NSW Crime Commission, NSW Police and other police agencies (in particular the Victoria Police Force - see Operation Alpine in Section 5) in regard to the exchange of relevant information, coordination of activities in respect of common responsibilities and/or in undertaking joint investigations. 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 surrounding which police misconduct had been alleged.

Relations with other agencies

In addition to providing relevant information, as described above, the Commission also provided assistance to the Victorian Police Force and detailed operational assistance to the ICAC during the reporting period.

The Commission continued to maintain relations with a range of local and international police and other agencies, particularly in regard to the Commission's Operation Abelia.

Presentations were provided to, or discussion held with representatives from local and international agencies and from government including:

- Hong Kong Police
- WA Legislative Council Standing Committee on Legislation
- WA Police
- UK National Crime Squad
- Human Rights Training Course.

SIGNIFICANT COMMITTEES

Operations Advisory Group

The Commissioner[28], Assistant Commissioner, Director Operations, Director Intelligence & Executive Services and the Executive Officer (Mr James Slater) met fortnightly and as required to consider the status, direction and priorities for investigations and projects.

Commission/Professional Standards Command Weekly Liaison Meeting

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

Police Complaints Case Management (PCCM) Inter-Agency Executive Forum

The Director Intelligence & Executive Services represents the Commission on this Committee, which is chaired by NSW Police. The Forum is to meet on an ad hoc basis in order to resolve high level policy issues relating to, and to oversight the progress of, sub-projects included in the PCCM. The group first met on 7 April 2003 and the Forum is expected to meet again later in 2004.

Protected Disclosures Steering Committee

The Protected Disclosures 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, NSW Police, the Premier's Department and the Commission. The Commission is represented by the Manager of Assessments & Reports (Mr Peter Barnett). The Steering Committee met once during the year.

Smaller Agency CEOs Executive Committee

This Committee meets to exchange ideas and to discuss issues faced by small agencies. The Committee is attended by representatives from the Premier's Department, the Police Ministry and other organisations. The Commissioner is the Commission's representative on this Committee.

[28] The names of the Commissioner and executive level officers are included in Section 4. Names of officers are reported only where their positions first appear in this section.

Inter-agency Research Committee

The Inter-agency Research Committee consists of representatives of the Ombudsman, NSW Police and the Commission. The Committee provides a forum for input to the development of the NSW Police Early Warning System project and arose from a recommendation by the Parliamentary Joint Committee in its report, *Research Report on Trends in Police Corruption*. The Joint Research Committee has met on five occasions during the reporting year. The Commission is represented by the Manager Assessments & Reports Team.

Internal Audit Committee

The Internal Audit Committee considers and reports on matters affecting the proper management of the Commission, including:

- internal controls and financial reporting
- external audits and reports
- implementation of approved recommendations
- fraud control
- risk management
- compliance with legislation.

The Committee meets up to bi-monthly and is comprised of the Executive Officer, Manager of Assessments & Reports, Manager of Security (Mr Ian Hamilton), Information Manager (Ms Julie Wynn) and Manager of Finance & Administration (ex-officio - Mr Ian McDonald).

Security Committee

This Committee is responsible for ensuring the Commission's compliance with Australian Standard AS7799 concerning information security and developing an Information Security Plan and Risk Management program. The Committee meets bi-monthly and is comprised of the Executive Officer, the Manager of Security, the Network Security Administrator (Mr Dean Wallace) and Information Manager.

Information Systems Steering Committee

The Information Systems Steering Committee (ISSC) considers issues relating to the management of Commission information and the systems that support it. The ISSC replaced the former Systems User Group. The ISSC generally meets fortnightly and its membership includes the Information Manager, Business Manager (Mr Digby Morrison) and Information Technology Manager (Mr Elliot Davis). Major stakeholders in projects carried out by the ISSC, such as the Security Manager or Manager Telephone Interception, may also attend meetings when required.

10. APPENDICES

APPENDIX 1 - PRESCRIBED ANNUAL REPORTING REQUIREMENTS (STATUTORY AND DEPARTMENTAL)

Industrial Relations

The Commission's Industrial Relations environment continued to be free of any disputes throughout the year.

The drafting, adoption and implementation of a new, comprehensive standard Employment Agreement was achieved without any negative industrial repercussions. The new standard Employment Agreement clearly documents the Commission's conditions of employment and makes reference to the Commission policies that govern the industrial environment.

A range of policies including those dealing with Grievance Procedures, Disciplinary Action, Managing Organisational Restructure, Leave and Working Hours are currently being drafted and will be offered for adoption and implementation in the 2004-2005 year. During the reporting year practices in each of these areas were consistent with NSW public sector standards.

Training and Development

Training and development opportunities were promoted across the organisation in accordance with the Commission's ongoing training and development commitment. Sixteen (16) staff were provided with the opportunity to develop their existing skills and to acquire new knowledge by acting in higher duties positions during the year. Three (3) of these staff were successful in securing higher ranked positions following recruitment action during the year.

Staff were also given the opportunity to attend relevant external training courses throughout the year, in order to add to their skills and knowledge. Courses attended included database interrogation training, first aid, firearms training, developing policy processes, information technology, finance administration, computer enhancement skills and complaint handling.

The Commission also continued to encourage staff development by providing staff with access to a generous study leave policy.

Performance Management

The Commission's Performance Management System provides the opportunity for staff and management to set mutually acceptable appropriate and measurable performance plans by which an individual's performance may be measured throughout the year. The Performance Management System allows for the assessment and monitoring of performance and the early identification of issues of concern. The System promotes communication and feedback between management and staff, along with identification of future staff development opportunities.

Contract Employment

Commission staff are employed on a contractual basis in accordance with s10(2) of the Act. During the year, a major review of the contents of the Commission's Employment Agreement contracts was undertaken to ensure that the Agreements remained fair, just, reasonable and relevant. A new standard Commission Employment Agreement was developed. The new Agreement clarifies a number of aspects of the relationship between the Commission and its employees which had previously been assumed.

Transfer of all staff to the new Agreements was achieved during the final quarter of the year.

Occupational Health and Safety (OH&S)

Drafting appropriate policies remained a priority for the OH&S Committee during the course of the year, however, progress was slow due to high staff turnover in the Committee. A number of policies have been drafted and await ratification by the Committee. These include "Managing the Misuse and Abuse of Alcohol and Other Drugs in the Workplace", "Excess Hours and Shiftwork Policy" and "Personal Protective Equipment Policy".

A number of Commission staff were given the opportunity during the year to attend a workstation assessment training program in which support for the theoretical aspects of computer workstation set-up standards was provided through individual workstation inspections. The Commission also purchased a number of ergonomically designed chairs to replace old and inappropriate chairs throughout the workplace.

During the year, five (5) workplace accidents/incidents were reported, resulting in one time loss workers' compensation claim being lodged and a total of eighteen (18) work hours being lost over the review period. Injuries included minor sprains and/or bruising to limbs, and, superficial injuries resulting from a minor car accident.

Code of Conduct

The Commission's Code of Conduct remained relevant and unchanged throughout the year. New staff members are provided with a copy of the Code of Conduct during their initial induction into the Commission.

Staff Movement

During the reporting year, nineteen (19) new employees commenced, and nineteen (19) employees ceased, employment with the Commission.

Executive Remuneration - Level 5 and above

The Commissioner, Terence P Griffin, is appointed by the Governor pursuant to s7 of the Act, and, pursuant to clause 9 of Schedule 1 to the Act, is not subject to the *Public Sector and Employment Management Act 2002.*

The Commissioner's remuneration is set by the Statutory and Other Officers Remuneration Tribunal, which, for the reporting period, was $325,415 pa. 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 and Employment Management Act 2002.*

With the exception of the Commissioner, all members of the Commission's Executive, whose names are shown in Section 4 of this Report, were employed under a private contract, the terms of which provided for regular performance assessment.

Consumer Response

The key services provided by the Commission are:

1. Investigations:
   - Investigate serious police misconduct
   - Prepare evidence for prosecutions and/or disciplinary action
   - Conduct hearings in public, where there is a public interest in doing so

2. Research Program:
   - Conduct research and publish reports concerning issues associated with serious police misconduct

3. Complaints Management:
   - Commission involvement in complaint investigations
   - Manage relevant complaint processes

While some informal suggestions, recommendations or requests are routinely made by other agencies or individuals concerning the Commission's investigation strategies (in the context of joint investigations), or more formally in regard to the content of briefs of evidence (from ODPP), these relate to the specific circumstances of the investigation in question. Such suggestions rarely lead to across the board changes in procedures or other improvements. There were no such changes or improvements during the reporting period.

Complaints of abuse of power, impropriety and other forms of misconduct concerning the Commission and Commission staff are dealt with by the Inspector of the Police Integrity Commission under s89(1)(b) of the Act. All complaints made to the Commission are referred to the Inspector.

As outlined in the 2003-2004 Annual Report of the Inspector of the Police Integrity Commission, the Inspector dealt with 18 complaints related to the activities of the Commission.[29]

Complaints received by the Inspector concerned, amongst other things: refusal by the Commission to release information; separate private matters concerning two officers; decisions by the Commission not to investigate matters; criticism made by the Commission in Reports; and, a complaint arising from a major Commission investigation. Following a preliminary investigation into this last complaint the Commission developed and implemented the guidelines discussed in Section 6.

Major Works

There was only one project underway in the Commission during the year which met the criteria for a major work, the development of the Police Oversight Data Store.

Major works projects	Cost 2003-2004 ($'000)	Completion Date	Delays	Overrun ($)
Police Oversight Data Store (Phase 6)[30]	300	May 2004	Minor delays in obtaining critical data	Nil

Delivery of Electronic Services

All relevant Commission services continue to be maintained on our website. During the reporting period, the Commission's website attracted 26,786 visitors, at an average of 73 per day. This figure represents an increase of 56% over the previous reporting period. The Commission ensures that its Web presence conforms with all relevant objectives outlined in the Premier's "connect.nsw: An Internet Strategy for NSW" initiative.

Information Management and Technology

The following information management and technology initiatives were completed or progressed during the reporting period:

- Further development of the Police Oversight Data Store (PODS) - a system warehousing data from a number of police databases for use by the Commission, Ombudsman and NSW Police. Since May 2004, the Commission has had access via PODS to NSW Police firearms licence data and elements of the police investigations case management system (e@gle.i)
- AS7799 Certification - Significant progress has been made to meet the Commission's obligation to create an Information Security Management System (ISMS) framework by December 2004, including development of the system plan and a Disaster Recovery Plan (DRP)

[29] Inspector of the Police Integrity Commission, Annual Report for the year ended 30 June 2004, p14.

[30] Details of Phase 6 are given in section below: 'Information Management and Technology'.

- Development of an intranet system to communicate security, HR and other Commission policies to staff
- Formation of Business Information Systems Steering Committee (BISSC) to maintain strategic focus of IT development

During the next reporting period, the Commission will focus on progressing and/or completing the following:

- A major review of the IT&T Strategic Plan in line with Department of Commerce guidelines
- Further development of the Commission's intranet system
- Achievement of AS7799 pre-accreditation now requiring additional measures to meet new standard AS7799:2
- Replacing Leased Information and Communication Technology assets once current master lease expires.

Disability Action Plan

The Commission's Disability Action Plan, which was implemented in 2000, continues to assist the Commission to ensure that it is operating in accordance with the requirements of the government's Disability Policy Framework. Copies of the Disability Action Plan are available to the public.

Commitment to the government's Disability Policy Framework will be further strengthened by a comprehensive review of the Commission's Disability Action Plan in the 2004-2005 year.

Action Plan for Women

The NSW Government's existing Action Plan For Women relies on the principles of equity, access, rights and participation opportunities, in providing the framework for the development of appropriate programs particularly focused towards women with the least access to social and economic resources. The key issues of the Action Plan address areas such as paid and unpaid work, health and housing, violence and safety, justice and civil legal equality, childcare, education and training, decision making, leadership and access to information.

The Commission is committed to this government initiative and aims to ensure that the policies, procedures and practices within the Commission's workplace are consistent with the intention and the spirit of this Action Plan. Plans for next year include reviewing the Commission's Flexible Working Hours policy.

Ethnic Affairs Priority Statement (EAPS) / Non-English Speaking Background Communities Project

The Commission recognises and upholds the principles of a culturally diverse society and is committed to the ongoing support of these principles, both within the workplace and in order that the full range of services provided by the Commission be understood and embraced by all ethnic groups.

Information Packages attached to vacant positions with the Commission contain details about the Commission's responsibilities in relation to Ethnic Affairs Priority Statements (EAPS). All members of the public interested in working with the Commission are exposed to the principles of EAPS and the Commission's commitment to those principles.

Throughout the year the Commission continued to arrange for the use of interpreters when dealing with people from Non English Speaking Backgrounds (NESB) concerning operational matters, the making of complaints and in response to general enquiries.

With the assistance of the Community Relations Commission, the Commission commenced a program during the year designed to inform members of NESB communities about the role and purpose of the Police Integrity Commission. The Commissioner attended face to face meetings with a number of community leaders to discuss communication of information about the Commission. Information brochures detailing the role of the Commission, and how and when its services should be sought, have been printed in Turkish, Arabic and Vietnamese. Work continues on the development of brochures in a number of other languages.

The Commission's EAPS is outlined in the table as follows:

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 and other material produced 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 the Commission provides
	2. Provide interpreter services as required for witnesses and complainants from NESB	2. Ongoing	2. To provide support to people accessing our services or appearing before the Commission

Employee Statistics

Number of Officers and Employees by Category & Comparison to Prior Three Years

	JUNE 2001	JUNE 2002	JUNE 2003	JUNE 2004
Statutory appointments	1	1	1	1
Executive appointments	3	4	4	3
Operational staff	77	67.7	74.8	71.8
Support staff	21.85	22	22	24
Total	***102.85***	***94.7***	***101.8***	***99.8***

Equal Employment Opportunity (EEO)

The Commission continued its commitment to achieving and preserving the key principles of Equal Employment Opportunity in the NSW Public Sector. This includes encouraging work practices that provide support for:

- Diversity - promoting a skilled workforce reflecting the diversity of the NSW community
- Equity - promoting a workplace culture displaying fair practices and behaviours where employee views are heard, considered and acted upon
- Opportunity - ensuring that work practices promote access and participation for EEO group members and improve their accessibility to the Commission as both customers and employees
- The Commission will continue to be committed to maintaining the key principles of Equal Employment Opportunity. As far as is practicable, the Commission will, throughout the next year, endeavour to satisfy EEO targets in its workforce numbers.

The Commission's policies and practices have been updated to ensure that consideration is given to providing a full range of flexible work options to staff in appropriate circumstances. Progress has been made in achieving population benchmarks and government targets in representation, salary distribution and recruitment of women across the organisation. Relevant data on other targeted EEO groups is restricted by the Commission's small size and low staff turnover rate.

In the next year, the Commission will seek to implement a new and comprehensive Grievance Procedure policy and Flexible Working Hours policy. The EEO management plan will be reviewed and updated with a view to maintaining progress in the achievement of benchmarks and government targets.

Trends in the Representation of EEO Groups

% of Total Staff [31]

EEO Group	Benchmark or Target	2001	2002	2003	2004
Women	50%	42%	46%	44%	42%
Aboriginal People & Torres Strait Islanders	2%	3.10%	2.30%	1.10%	1%
People whose first language was not English	19%	5%	6%	7%	8%
People with a Disability	12%	6%	7%	6%	4%
People with a Disability requiring work-related adjustment	7%	1.10%	1.20%	1.1%	1.1%

Trends in the Distribution of EEO Groups

Distribution Index[32]

EEO Group	Benchmark or Target	2001	2002	2003	2004
Women	100	85	87	81	89
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

Plans for Human Resource Policy Development 2004-2005

A comprehensive review is planned for the Commission's Disability Action Plan for 2004-2005. The Commission intends also developing policy addressing Access and Equity, and, Discrimination and Harassment.

[31] Staff numbers are at 30 June. Excludes casual staff.

[32] 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 the 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.

Financial Services

Audits

The Audit Office of NSW was engaged to carry out the audit of the Commission's 2003-2004 financial statements. A copy of the Independent Audit Report appears with the Financial Statements at Appendix 8.

Accounts Payable Policy

The Commission has set a benchmark for paying 85 per cent of all accounts received within creditors' trading terms. This benchmark was achieved for all quarters. The Commission did not pay any penalty interest on outstanding accounts during the reporting year.

Aged analysis at the end of each quarter 2003-2004

Quarter	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 $
September	530,473	7,031	8,087	883	0
December	145,240	130,713	14,294	3,869	156
March	44,010	32,675	2,341	8,990	1,703
June	89,604	12,821	1,149	0	0

The majority of overdue amounts are due to either late invoicing from Commission creditors, or where there is a dispute regarding non-delivery or incorrect provision of goods, payment is withheld until satisfaction of the contract. The Commission requires certification of delivery by the area requesting the goods and services, and staff have been reminded of the requirement that invoices are to be paid within our creditors trading terms.

Accounts paid on time within each quarter 2003-2004

Quarter	Total Accounts Target %	Paid On Time Actual %	Total Amount $	Paid[33] $
September	85	94	2,818,305	2,985,902
December	85	96	3,571,493	3,719,911
March	85	93	3,156,930	3,389,571
June	85	93	3,278,420	3,529,142

Statutory Reporting

The Commission's Financial Statements for 2003-2004 were prepared and submitted to the Audit Office 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 eight consultants, in the following areas:

Consultants	
Area of consultancy	**Amount ($)**
Information Technology	1,000
Organisational Review	2,395
Research Services	31,835
TOTAL	35,230

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, a self-insurance scheme for government, with cover for Workers Compensation, Motor Vehicle (Comprehensive), Property, Public Liability and Miscellaneous. Workers compensation risks are managed through early intervention and regular work place inspections.

Disclosure of Controlled Entities

The Commission does not have any controlled entities.

Credit Card Certification

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

Major Assets

The Commission has no major assets. The Commission's minor assets include leasehold improvements, computer equipment and technical plant and equipment.

Risk Management and Internal Control

The newly established Internal Audit Committee conducted a number of audits throughout the year. For the most part, the audits indicated that internal controls were adequate. While no discrepancies were detected, recommendations are being made regarding the review of some policies and procedures where the potential for risk occurs.

[33] These figures include employee-related expenses.

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.

Waste Reduction Management

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

The Commission has recently conducted a review on the type of A4 office paper it uses. A4 paper represents over 95% of paper used in the Commission. After conducting much research it was decided to switch to 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 Master Lease Facility for IT and other equipment, including double-sided photocopiers[34]
- reducing paper consumption
- using recycled material
- using re-manufactured toner cartridges
- printing corporate stationery on recycled paper.

Overseas Visits

The following Commission staff undertook overseas travel on official business during 2003-2004:

Officer	Destination	Purpose	Cost
Assistant Commissioner	Northern Ireland	Police Ombudsman's Conference: *Policing the Police*	$0
Officer, Technical Support Unit	USA	Conference/training on technical collection systems.	$9,573.00
Manager, Physical Surveillance Unit	Canada	Conference/training on physical surveillance methodologies.	$4,899.36

[34] This option will not be available next year as the Master Lease is to be phased out.

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 details in its Annual Report relating to assumed identity approvals granted, varied or revoked during 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 results of the annual audit for 2003-2004 were:

The audit of assumed identities records for the reporting period did not disclose any fraudulent or other criminal behaviour.

Assumed Identities:	Granted	Revoked	Varied	Duty Type (Granted)		
				Physical Surveillance	Investigations	Administration
Number:	20	4	2	6	1	13

Privacy Management

The information protection principles of the *Privacy and Personal Information Protection Act 1998* ("the PPIP Act") apply to administrative and educative functions of the Commission only. The investigative and complaint handling functions of the Commission are exempt from the operation of the PPIP Act. During the reporting period, there were no requests made to the Commission for a review under Part 5 of the PPIP Act 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 2003-2004, compared with the two previous reporting years.

FUNCTIONS	YEAR ENDING 30 JUNE 2004	YEAR ENDING 30 JUNE 2003	YEAR ENDING 30 JUNE 2002
Under *Police Integrity Commission Act 1996*			
s16 - Establishment of task forces within the state	1	1	NIL
s25 - Requiring public authority or public official to produce a statement of information	5	1	33
s26 - Requiring a person to attend before an officer of the Commission and produce a specified document or other thing	279	162	115
s29 - Commission may authorise an officer of the Commission to enter and inspect premises etc	NIL	NIL	NIL
s32 and s33 - Hearing days:			
• public	17	28	105
• private	35	55	35
s38 - Commissioner may summon a person to appear before the Commission and give evidence or produce documents or other things	70	99	181
s45(1) - Authorised justice may issue search warrant	NIL	4	6 (3 not executed)
s45(2) - Commissioner may issue a search warrant	NIL	NIL	NIL
s50 - Number of warrants obtained under *Listening Devices Act 1984*	63	33	37
Under *Law Enforcement (Controlled Operations) Act 1997*			
Applications granted by Commissioner for authority to conduct controlled operations	9	3	3
Applications granted by Commissioner for variation of authority to conduct controlled operations	3	NIL	NIL
Under *Law Enforcement (Assumed Identities) Act 1998*			
Applications of assumed identity approvals granted	20	10	5
Applications of assumed identity approvals revoked	4	2	8
Under *Telecommunications (Interception) Act 1979*			
Warrants issued for the Interception of Communications	66	81	36
Under *Protected Disclosures Act 1994*			
Complaints received by the Commission that constitute Protected Disclosures	11	21	17

APPENDIX 3 - LEGISLATIVE AND LAW REFORM

Surveillance Devices Bill 2004

As part of moves to consolidate and modernise the law concerning the use of surveillance devices, the Commonwealth Government recently introduced the *Surveillance Devices Bill 2004.* The proposed legislation will cover all manner of surveillance devices, and aims to establish a comprehensive regulatory regime for the use of surveillance devices used in the investigation of federal offences and State offences with a federal aspect. During the reporting year, the Commission contributed comments on the operation of the proposed Act.

Review of the Law Enforcement (Controlled Operations) Act 1997

The *Law Enforcement (Controlled Operations) Act 1997* deals with the authorisation, conduct and monitoring of certain operations conducted by law enforcement agencies. This Act establishes a system whereby law enforcement officers and others assisting them might be authorised to engage in activities that would otherwise be unlawful to effectively investigate criminal activity and/or corrupt conduct. The necessity of possible unlawful conduct by police most commonly arises in relation to investigating the supply of illegal drugs and the conduct of "sting" operations.

The second review of the policy objectives and terms of the *Law Enforcement (Controlled Operation) Act 1997* was tabled in Parliament in June 2004, and identified certain difficulties in its operation. The Commission is involved in discussions aimed at improving the effectiveness of this Act as a tool for law enforcement agencies while ensuring processes to maintain proper accountability are in place.

Review of the Privacy And Personal Information Protection Act 1998

The PPIP Act is the cornerstone of the privacy regime in NSW, providing for the protection of privacy of individuals generally and regulating the collection and use of personal information held by government bodies. In the Commission's experience, the PPIP Act potentially impedes the ability of investigative and oversight agencies to effectively carry out their functions in certain respects. During the reporting year, the Commission contributed submissions to the Attorney General's review of the PPIP Act on these issues.

Telecommunications (Interception) Act 1979

The Telecommunications (Interception) Act 1979 (Cth) ("the TI Act") regulates the interception and use of information gathered from telecommunications services. The Commonwealth Attorney General has initiated a review of this Act to ensure it keeps pace with the needs of law enforcement and the development of modern technologies. The Commission has contributed submissions to the Attorney General as well as being involved in discussions concerning other aspects of the TI Act of significance to its functions.

APPENDIX 4 - COMMISSION INVESTIGATIONS AS AT 30 JUNE 2004

Primary allegation prompting investigation	Ongoing during 2003-2004	Closed [35] during 2003-2004
Pervert the course of justice	3	7
Soliciting or accepting bribes	0	2
Being involved in the manufacture, cultivation or supply of prohibited drugs	6	6
Assault causing serious injury	0	0
Complaint made against an officer who is of, or above, the rank of Superintendent	0	0
Improperly accessing/disclosing information	2	5
Improper associations	7	0
Improperly investigating or interfering with an investigation by another officer	1	1
Financial misconduct	3	1
Managerial/procedural issues	2	2
Reckless discharge of firearms	0	0
Offence punishable, on conviction, by 5 years or more imprisonment	3	5
Total [36]	**27**	**29**

[35] 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 NSW Police (if appropiate), 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.

[36] The table includes investigations that were not always active throughout the reporting year.

APPENDIX 5 - PROSECUTIONS IN 2003-2004 ARISING FROM COMMISSION AND JOINT INVESTIGATIONS

PROSECUTIONS BY PIC		
Name	**Offence**	**Status/Result**
MELOCCO, Anne Louise	Give false or misleading evidence (3 counts)	Pleaded guilty to one charge - listed for sentence 2/7/04
REMOUNDOS, Gary	Supply prohibited drugs on ongoing basis (5 counts) Supply prohibited drugs (7 counts) Give false or misleading evidence (6 counts)	Sentenced to 6 years and 6 months imprisonment with non-parole period of 3 years and 6 months Sentenced to 3 years imprisonment to be served concurrently Sentenced to 6 months imprisonment
REMOUNDOS, Rebecca	Give false or misleading evidence (2 counts)	Charge dismissed in Local Court
ROGERSON, Roger Caleb	Give false or misleading evidence (6 counts)	Pleaded guilty to one charge and a second charge taken into account - listed for sentence 30/7/04
SEWELL, Paulette	Attempt to obtain financial benefit by deception Suspected stolen goods in custody Give false or misleading evidence	Pleaded guilty and sentenced to 3 months imprisonment Sentenced to 2 months imprisonment Sentenced to 6 months imprisonment Sentence varied following appeal against severity to: 3 year good behaviour bond for each of the first two charges and 500 hours community service on third charge

PROSECUTIONS BY NSW POLICE (Joint Operations with PIC)		
Name	**Offence**	**Status/Result**
BROWN, Ivan	Pervert the course of justice (1 count)	Listed for trial 26/7/04
COPLAND, Genevieve	Knowingly concerned with supply of indictable qty of cocaine (1 count)	Pleaded guilty and sentenced to 150 hours community service
DODD, Jennifer	Conspiracy - aggravated break and enter; commit serious indictable offence in company (1 count)	Listed at Liverpool Local Court on 11/8/04
DODD, Wayne Philip	Conspiracy - aggravated break and enter; commit serious indictable offence in company (1 count)	Listed at Liverpool Local Court on 11/8/04
KING, Jane	Supply prohibited drug (2 counts) Supply cannabis (1 count) Possess prohibited drug (3 counts) Suspected stolen goods (1 count)	Pleaded guilty to drug supply charges - listed for sentence 8/9/04
OUDENHOVEN, Frank	Pervert the course of justice (1 count)	Listed for court 26/7/04
PROVOST, Robin	Supply prohibited drug (2 counts) Supply prohibited drug (commercial quantity) (1 count)	Sentenced to 6 years with non-parole period of 4 years and 6 months - eligible for parole on 29/4/06

PROSECUTIONS BY NSW POLICE (Joint Operations with PIC)		
Name	**Offence**	**Status/Result**
RYAN, Darren John	Conspiracy - aggravated break and enter; commit serious indictable offence in company Possess unregistered firearm	Listed at Liverpool Local Court on 11/8/04
SOMMERVILLE, Jacqueline	Supply prohibited drug: indictable quantity (not cannabis) (1 count)	Pleaded not guilty and listed for committal on 15/6/04 - re-listed for committal on 2/8/04
STOREY, William	Pervert the course of justice (1 count)	Listed for court 26/7/04
VARNEY, Richelle	Supply prohibited drug: indictable quantity (not cannabis) (2 counts) Possess prohibited drug (5 counts) Goods in custody Carry cutting weapon (1 count)	Listed for mention 8/7/04
VINCENT-ASPIN, Sylvaine	Supply prohibited drug (1 count) Possess prohibited drug (2 counts)	Pleaded not guilty and listed for committal on 9/6/04 - re-listed for committal on 11/8/04
WILLIAMS, Gavin James	Supply prohibited drug: indictable quantity (not cannabis) (1 count) Goods in custody suspected stolen (1 count)	Pleaded not guilty and listed for committal on 15/6/04 - re-listed for committal on 2/8/04

APPENDIX 6 - FREEDOM OF INFORMATION STATEMENT OF AFFAIRS

Structure and Functions of the Commission

The Commission is a statutory corporation established under the Act, 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 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* (the "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 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 Registry Manager. All other enquiries may be directed to the FOI Coordinator. The contact details for the Commission are contained in Appendix 10. 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 2004

The Commission did not receive any FOI requests during the reporting year. The impact on the Commission of fulfilling its requirements under the FOI Act 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 - CATEGORY 1 AGREEMENT

AGREEMENT made this fifteenth day of January 1998

BETWEEN **THE COMMISSIONER FOR THE POLICE INTEGRITY COMMISSION** ("the PIC Commissioner") AND **THE OMBUDSMAN** ("the Ombudsman")

WHEREAS:

A. the PIC Commissioner and the Ombudsman made an Agreement on the twentieth day of December 1996 pursuant to section 67 (a) of the Police Integrity Commission Act 1996;

B. it is now appropriate to amend the Schedule to that Agreement;

IT IS HEREBY AGREED that the Schedule attached to this Agreement shall replace the Schedule to the Agreement made on the twentieth day of December 1996; and that the Schedule attached to this Agreement shall come into effect on 1 February 1998.

PIC Commissioner

Ombudsman

SCHEDULE TO THE AGREEMENT MADE ON 15 JANUARY 1998 PURSUANT TO S 67(a) OF THE POLICE INTEGRITY COMMISSION ACT 1996 BETWEEN THE COMMISSIONER FOR THE POLICE INTEGRITY COMMISSION AND THE OMBUDSMAN

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 therefor as specified in the *Drug Misuse and Trafficking Act 1985*

APPENDIX 8 - FINANCIAL STATEMENTS

ABN 22 870 745 340

Financial Statements 2003-2004

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GPO BOX 12
SYDNEY NSW 2001

INDEPENDENT AUDIT REPORT

POLICE INTEGRITY COMMISSION

To Members of the New South Wales Parliament

Audit Opinion

In my opinion, the financial report of the Police Integrity Commission:

(a) presents fairly the Police Integrity Commission's financial position as at 30 June 2004 and its financial performance and cash flows for the year ended on that date, in accordance with applicable Accounting Standards and other mandatory professional reporting requirements in Australia, and

(b) complies with section 45E of the *Public Finance and Audit Act 1983* (the Act).

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

The Commissioner's Role

The financial report is the responsibility of the Commissioner of the Police Integrity Commission. It consists of the statement of financial position, the statement of financial performance, the statement of cash flows, the summary of compliance with financial directives and the accompanying notes.

The Auditor's Role and the Audit Scope

As required by the Act, I carried out an independent audit to enable me to express an opinion on the financial report. My audit provides *reasonable assurance* to members of the New South Wales Parliament that the financial report is free of *material* misstatement.

My audit accorded with Australian Auditing and Assurance Standards and statutory requirements, and I:

- evaluated the accounting policies and significant accounting estimates used by the Commissioner in preparing the financial report, and
- examined a sample of the evidence that supports the amounts and other disclosures in the financial report.

An audit does *not* guarantee that every amount and disclosure in the financial report is error free. The terms 'reasonable assurance' and 'material' recognise that an audit does not examine all evidence and transactions. However, the audit procedures used should identify errors or omissions significant enough to adversely affect decisions made by users of the financial report or indicate that the Commissioner had not fulfilled his reporting obligations.

My opinion does *not* provide assurance:

- about the future viability of the Police Integrity Commission,
- that the Police Integrity Commission 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.

Audit Independence

The Audit Office complies with all applicable independence requirements of Australian professional ethical pronouncements. The 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.



S R Stanton, CPA
Assistant Director of Audit

SYDNEY
20 September 2004

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 2004 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 financial statements to be misleading or inaccurate.

T P Griffin
Commissioner
17 September 2004

Police Integrity Commission

Statement of Financial Performance for the Year Ended 30 June 2004

	Notes	Actual 2004 $'000	Budget 2004 $'000	Actual 2003 $'000
Expenses				
Operating Expenses				
Employee related	2(a)	10,120	11,291	9,933
Other operating expenses	2(b)	5,154	4,572	4,603
Maintenance		224	215	193
Depreciation and amortisation	2(c)	2,139	1,685	2,495
Total expenses		17,637	17,763	17,224
Less:				
Retained Revenue				
Sale of goods and services	3(a)	9	--	1
Investment income	3(b)	63	14	83
Grants and contributions	3(c)	--	--	478
Other revenue	3(d)	8	--	5
Total Retained Revenue		80	14	567
Gain/(loss) on disposal of non-current asset	4	(8)	--	--
Net Cost of Services	29	17,565	17,749	16,657
Government Contributions				
Recurrent appropriation	6	14,735	14,774	13,253
Capital appropriation	6	1,050	1,050	560
Acceptance by the Crown Entity of employee benefits and other liabilities	10	1,049	1,196	1,145
Total Government Contributions		16,834	17,020	14,958
SURPLUS/(DEFICIT) FOR THE YEAR		(731)	(729)	(1,699)
TOTAL REVENUES, EXPENSES AND VALUATION ADJUSTMENTS RECOGNISED DIRECTLY IN EQUITY		--	--	--
TOTAL CHANGES IN EQUITY OTHER THAN THOSE RESULTING FROM TRANSACTIONS WITH OWNERS AS OWNERS	24	(731)	(729)	(1,699)

The accompanying notes form part of these Statements

Police Integrity Commission

Statement of Financial Position as at 30 June 2004

	Notes	Actual 2004 $'000	Budget 2004 $'000	Actual 2003 $'000
ASSETS				
Current Assets				
Cash	13	761	1,785	1,848
Receivables	14	145	142	142
Other	18	401	221	221
Total Current Assets		**1,307**	**2,148**	**2,211**
Non-Current Assets				
Plant and equipment	17	3,453	3,756	4,391
Total Non-Current Assets		**3,453**	**3,756**	**4,391**
Total Assets		**4,760**	**5,904**	**6,602**
LIABILITIES				
Current liabilities				
Payables	20	257	408	377
Provisions	22	741	889	889
Other	23	--	849	849
Total Current Liabilities		**998**	**2,146**	**2,115**
Non-Current Liabilities				
Provisions	22	119	113	113
Total Non-Current Liabilities		**119**	**113**	**113**
Total Liabilities		**1,117**	**2,259**	**2,228**
Net Assets		**3,643**	**3,645**	**4,374**
EQUITY				
Accumulated funds	24	3,643	3,645	4,374
Total Equity		**3,643**	**3,645**	**4,374**

The accompanying notes form part of these Statements

Police Integrity Commission

Statement of Cash Flows for the Year Ended 30 June 2004

	Notes	Actual 2004 $'000	Budget 2004 $'000	Actual 2003 $'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Payments				
Employee related		(10,058)	(10,853)	(8,973)
Other		(6,103)	(5,457)	(5,402)
Total Payments		**(16,161)**	**(16,310)**	**(14,375)**
Receipts				
Sale of goods and services		--	--	1
Interest received		81	14	51
Grants received		--	--	526
Other		648	670	492
Total Receipts		**729**	**684**	**1,070**
Cash flows from Government				
Recurrent appropriation		14,735	14,774	14,102
Capital appropriation		1,050	1,050	560
Cash reimbursements from the Crown Entity		618	789	586
Cash transfers to the Consolidated Fund		(849)	--	(126)
Net Cash Flows from Government		**15,554**	**16,613**	**15,122**
NET CASH FLOWS FROM OPERATING ACTIVITIES	29	**122**	**987**	**1,817**
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchases of plant and equipment		(1,209)	(1,050)	(1,507)
NET CASH FLOWS FROM INVESTING ACTIVITIES		**(1,209)**	**(1,050)**	**(1,507)**
NET INCREASE/(DECREASE) IN CASH		(1,087)	(63)	310
Opening cash and cash equivalents		1,848	1,848	1,538
CLOSING CASH AND CASH EQUIVALENTS	13	**761**	**1,785**	**1,848**

The accompanying notes form part of these Statements

Police Integrity Commission

Summary of Compliance with Financial Directives

for the Year Ended 30 June 2004

	2004				2003			
	Recurrent Appropriation $'000	Expenditure/ Net claim on Consolidated Fund $'000	Capital Appropriation $'000	Expenditure/ Net claim on Consolidated Fund $'000	Recurrent Appropriation $'000	Expenditure/ Net claim on Consolidated Fund $'000	Capital Appropriation $'000	Expenditure/ Net claim on Consolidated Fund $'000
ORIGINAL BUDGET APPROPRIATION/ EXPENDITURE								
• Appropriation Act	14,774	14,735	1,050	1,050	14,398	13,253	560	560
	14,774	14,735	1,050	1,050	14,398	13,253	560	560
OTHER APPROPRIATIONS/ EXPENDITURE								
• Treasurer's Advance	--	--	--	--	--	--	--	--
• Section 22 - expenditure for certain works & services	--	--	--	--	--	--	--	--
• Transfers from another agency sec 25 of the Appropriation Act)	--	--	--	--	--	--	--	--
	--	--	--	--	--	--	--	--
Total Appropriations/ Expenditure/Net claim on Consolidated Fund	14,774	14,735	1,050	1,050	14,398	13,253	560	560
Amount drawn down against Appropriation		14,735		1,050		14,102		560
Liability to Consolidated Fund		--		--		849		--

The accompanying notes form part of these Statements

The Summary of Compliance is based on the assumption that Consolidated Fund moneys are spent first (except where otherwise identified or prescribed). The liability to the Consolidated Fund represents the difference between the amount drawn down against Appropriation and the total expenditure/net claim on consolidated fund.

Police Integrity Commission

Summary of Compliance with Financial Directives for the Year Ended 30 June 2004 (cont)

Recurrent Appropriations

The Commission's recurrent appropriation was not fully drawn down as funds allocated to the Protected Item were not expended during the year.

Capital Appropriation

The Commission's capital appropriation of $1.05m was fully expended during the year.

The accompanying notes form part of these Statements

Police Integrity Commission

Notes to and forming part of the Financial Statements for the year ended 30 June 2004

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) *Reporting entity*

The Police Integrity Commission is constituted by the *Police Integrity Commission Act 1996*, and comprises a single entity. The Commission is a separate reporting entity and there are no reporting entities under its control. This financial report covers the Commission's activities for the 2003–04 period. The Commission is consolidated as part of the NSW Total State Sector Accounts.

(b) *Basis of accounting*

The Commission's financial statements are a general purpose financial report that has been prepared on an accruals basis and in accordance with:

- applicable Australian Accounting Standards
- other authoritative pronouncements of the Australian Accounting Standards Board (AASB)
- Urgent Issues Group (UIG) Consensus Views
- the requirements of the Public Finance and Audit Act 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 under section 9(2)(n) of the Act.

Where there are inconsistencies between the above requirements, the legislative provisions have prevailed.

In the absence of a specific Accounting Standard, other authoritative pronouncements of the AASB or UIG Consensus View, the hierarchy of other pronouncements as outlined in AAS 6 "Accounting Policies" is considered.

The financial statements are prepared in accordance with the historical cost convention. All amounts are rounded to the nearest one thousand dollars and are expressed in Australian currency.

The Commission has applied accounting policies consistent with those of the previous year, unless otherwise stated.

(c) *Administered activities*

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

(d) *Revenue recognition*

Revenue is recognised when the Commission has control of the good or right to receive, it is probable that the economic benefits will flow to the Commission and the amount of revenue can be measured reliably. Additional comments regarding the accounting policies for the recognition of revenue are discussed below.

Parliamentary Appropriations and Contributions from Other Bodies

Parliamentary appropriations and contributions from other bodies (including grants and donations) are generally recognised as revenues 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.

Police Integrity Commission

Notes to and forming part of the Financial Statements for the year ended 30 June 2004

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.

Any liability is disclosed in Note 23 as part of 'Current / Non-Current Liabilities– Other'. The amount will be repaid and the liability will be extinguished next financial year.

Sale of Goods and Services

Revenue from the sale of goods and services comprises revenue from the provision of products or services ie user charges. User charges are recognised as revenue when the Commission obtains control of the assets that result from them.

Investment Income

Interest revenue is recognised as it accrues.

(e) *Employee benefits and other provisions*

(i) Wages and Salaries, Annual Leave, Sick Leave and On-costs

Liabilities for wages and salaries (including non-monetary benefits) and annual leave are recognised and measured in respect of employees' services up to the reporting date at nominal 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, that are considered 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 superannuation are assumed by the Crown Entity. The agency accounts for the liability as having been extinguished resulting in the amount assumed being shown as part of the non-monetary revenue item described as "Acceptance by the Crown Entity of Employee Benefits and Other Liabilities".

Long service leave is measured on a present value basis. The present value method is based on the remuneration rates expected to be paid when the liability is settled.

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.

Police Integrity Commission

Notes to and forming part of the Financial Statements for the year ended 30 June 2004

(iii) Other Provisions

Other provisions exist when the entity has a present legal, equitable or constructive obligation to make a future sacrifice of economic benefits to other entities as a result of past transactions or other past events. These provisions are recognised when it is probable that a future sacrifice of economic benefits will be required and the amount can be measured reliably.

Any provisions for restructuring are recognised either when a detailed formal plan has been developed or will be developed within prescribed time limits and where the entity has raised a valid expectation in those affected by the restructuring that it will carry out the restructuring.

(f) *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 experience.

(g) *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.

(h) *Acquisition of Assets*

The cost method of accounting is used for the initial recording of all acquisition of assets controlled by the agency. Cost is determined as the fair value of assets given as consideration plus the costs incidental to the acquisition. Assets acquired at no cost, or for nominal consideration, are initially recognised as assets and revenues at their fair value at the date of acquisition. Fair value means the amount for which an asset could be exchanged between a knowledgeable, willing buyer and a knowledgeable, willing seller in an arm's length transaction.

(i) *Plant and equipment*

Plant and equipment costing $5,000 and above are individually capitalised, as is plant and equipment costing less than $5,000 that forms part of an overall asset.

(j) *Re-valuation of Physical Non-Current Assets*

There has been no re-valuation of any of the Commission's physical non-current assets during the reporting period.

(k) *Assets not able to be Reliably Measured*

The Commission does not hold any assets that have not been recognised in the financial statements.

Police Integrity Commission

Notes to and forming part of the Financial Statements for the year ended 30 June 2004

(l) *Depreciation of Non-Current Physical Assets*
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
Office machines	7 years
Other plant and equipment	7 years
Leasehold improvements	The initial period of the lease

(m) *Maintenance and repairs*
The costs of maintenance are charged as expenses as incurred , except where they relate to the replacement of a component of an asset, in which case the costs are capitalised.

(n) *Leased Assets*
The Commission's motor vehicle fleet and rental property are the only assets subject to an operating lease. Operating lease payments are charged to the *Statement of Financial Performance* in the periods in which they are incurred.

(o) *Receivables*
Receivables are recognised and carried at cost, based on the original invoice amount less a provision for any collectable debts.

(p) *Inventories*
The Commission holds no inventories.

(q) *Trust funds*
The Commission does not hold any trust funds.

(r) *Other Assets*
Other assets including prepayments are recognised on a cost basis.

(s) *Equity transfers*
The were no equity transfers between the Commission and any other agency.

(t) *Payables*
These amounts represent liabilities for goods and services provided to the Commission and other amounts, including interest. Interest is accrued over the period it becomes due.

(u) *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, s 24 and /or s 26 of the *Public Finance and Audit Act 1983.*

The budgeted amounts in the *Statement of Financial Performance* and the *Statement of Cash Flows* are generally based on the amounts disclosed in the NSW Budget papers (as adjusted above). However, in the *Statement of Financial Position*, the amounts vary from the Budget Papers, as the opening balances of the budgeted amounts are based on carried forward actual amounts ie per the audited financial statements (rather than the carried forward estimates).

Police Integrity Commission

Notes to and forming part of the Financial Statements for the year ended 30 June 2004

(v) *Adopting AASB 1047 Disclosure*

The Commission will apply the Australian Equivalents to International Financial Reporting Standards (AIRFS) from the reporting period beginning 1 July 2005.

The agency is managing the transition to the new standards by allocating internal resources to analyse the pending standards and Urgent Issues Group Abstracts to identify key areas regarding policies, procedures, system and financial impacts affected by the transition.

As a result of this exercise, the Commission has taken the following steps to manage the transition to the new standards:

- assess the impact within the Commission for adopting AIFRS,
- review of accounting systems, policies and procedures,
- training and briefing sessions for staff.

The NSW Treasury is assisting agencies to manage the transition by developing policies, including mandates of options; presenting training seminars to all agencies; providing a website with up-to-date information to keep agencies informed of any new developments; and establishing an IAS Reference Panel to facilitate a collaborative approach to manage the change.

Based on current information, the following key differences in accounting policies are expected to arise from adopting AIFRS:

• AASB 1 *First-time Adoption of Australian Equivalents to International Financial Reporting Standards* requires retrospective application of the new AIFRS from 1 July 2004, with limited exemptions. Similarly, AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors* requires voluntary changes in accounting policy and correction of errors to be accounted for retrospectively by restating comparatives and adjusting the opening balance of accumulated funds. This differs from current Australian requirements, because such changes must be recognised in the current period through profit or loss, unless a new standard mandates otherwise.

• AASB 117 *Leases* requires operating lease contingent rentals to be recognised as an expense on a straight-line basis over the lease term rather than expensing in the financial year incurred.

• AASB 1004 *Contributions applies to not-for-profit entities* only. Entities will either continue to apply the current requirements in AASB 1004 where grants are normally recognised on receipt, or alternatively apply the proposals on grants included in ED 125 *Financial Reporting by Local Governments*. If the ED 125 approach is applied, revenue and/or expense recognition will be delayed until the agency supplies the related goods and services (where grants are in-substance agreements for the provision of goods and services) or until conditions are satisfied.

• AASB 136 *Impairment of Assets* requires an entity to assess at each reporting date whether there is any indication that an asset (or cash generating unit) is impaired and if such indication exists, the entity must estimate the recoverable amount. However, the effect of this Standard should be minimal because all the substantive principles in AASB 136 are already incorporated in Treasury's policy *Valuation of Physical Non-Current Assets at Fair Value*.

Police Integrity Commission

Notes to and forming part of the Financial Statements for the year ended 30 June 2004

2. EXPENSES

		2004 $'000	2003 $'000
(a)	Employee related expenses comprise the following specific items:		
	Salaries and wages (including recreation leave)	8,319	8,036
	Superannuation	699	656
	Long Service Leave	313	456
	Workers' compensation insurance	132	137
	Payroll tax and fringe benefits tax	594	611
	Other	63	37
		10,120	**9,933**
(b)	Other operating expenses		
	Administration charges	436	163
	Books and periodicals	49	48
	Auditor's remuneration	23	22
	Board, tribunals & meetings	1	--
	Consultancies	35	75
	Contractors	786	685
	EDP expenses (including equipment leasing charges)	808	744
	Insurance	41	35
	Rent and outgoings	1,642	1,560
	Minor equipment	353	453
	Motor vehicle costs (including leasing charges)	225	152
	Advertising	77	43
	Printing and stationery	62	47
	Staff development	26	51
	Travelling expenses	71	80
	Telephones	244	194
	Other	275	251
		5,154	**4,603**
(c)	Depreciation and amortisation expense		
	Depreciation		
	Computer Equipment	1,458	989
	Office Equipment	618	629
	Amortisation of Leasehold Improvements	63	877
		2,139	**2,495**

Police Integrity Commission

Notes to and forming part of the Financial Statements for the year ended 30 June 2004

3. REVENUES

(a) Sale of goods and services

	2004 $'000	2003 $'000
Sale of transcript from Commission hearings	--	1
Sale of software licence	9	--
	9	**1**

(b) Investment income

Interest	63	83
	63	**83**

(c) Grants & Contributions

Grants received from Budget Sector Agency (see Note 8)	--	478
	--	**478**

(d) Other Revenue

Commission on salary deductions, conduct fees, fines	8	5
	8	**5**

4. GAIN/(LOSS) ON DISPOSAL OF NON-CURRENT ASSETS

In 2003–04 the Commission disposed personal computers and monitors in accordance with the NSW Government computer re-use pilot guidelines called *ReConnect.NSW Computer Program*.

Gain/(loss) on disposal of computer equipment

Proceeds from disposal	--	--
Written down value of assets disposed	(8)	--
Gain/(loss) on disposal of non-current assets	**(8)**	**--**

5. CONDITIONS ON CONTRIBUTIONS

The Commission did not receive any contributions during 2003–04, except as disclosed in note 8 for the prior year.

Police Integrity Commission

Notes to and forming part of the Financial Statements for the year ended 30 June 2004

6. APPROPRIATIONS

	2004 $'000	2003 $'000
Recurrent appropriations		
Total recurrent drawdowns from Treasury (per Summary of Compliance)	14,735	14,102
Less: Liability to Consolidated Fund (per Summary of Compliance)	--	849
	14,735	**13,253**
Comprising:		
Recurrent appropriations (per Statement of Financial Performance)	14,735	13,253
Transfer payments	--	--
Total	**14,735**	**13,253**
Capital appropriations		
Total capital drawdowns from Treasury (per Summary of Compliance)	1,050	560
Less: Liability to Consolidated Fund (per Summary of Compliance)	--	--
	1,050	**560**
Comprising:		
Capital appropriations (per Statement of Financial Performance)	1,050	560
Less: Transfer payments	--	--
Total	**1,050**	**560**

7. FUNDAMENTAL ERRORS

No fundamentals errors have been discovered.

8. INDIVIDUALLY SIGNIFICANT ITEMS

	2004 $'000	2003 $'000
Grant from the Premier's Department for the continuing implementation of the Police Oversight Data Store (PODS) project of the PCCMS	--	478
	--	**478**

All capital items purchased for the above projects have been recognised in the Commission's assets.

Police Integrity Commission

Notes to and forming part of the Financial Statements for the year ended 30 June 2004

9. EXTRAORDINARY ITEMS

There were no extraordinary items during the reporting period.

10. ACCEPTANCE BY THE CROWN ENTITY OF EMPLOYEE BENEFITS AND OTHER LIABILITIES

The following liabilities and/or expenses have been assumed by the Crown Entity

	2004 $'000	2003 $'000
Superannuation	694	650
Long Service leave	313	456
Payroll tax	42	39
	1,049	**1,145**

11. TRANSFER PAYMENTS

There were no transfer payments during the reporting period.

12. PROGRAMS/ACTIVITIES OF THE AGENCY

(a) Program 1: *Prevention of Serious Police Misconduct*

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

13. CURRENT ASSETS—CASH

For the purposes of the *Statement of Cash Flows*, cash includes cash on hand and at bank. Cash assets recognised in the *Statement of Financial Position* are reconciled to cash at the end of the financial year as shown in the *Statement of Cash Flows* as follows:

	2004 $'000	2003 $'000
Cash at bank	749	1,836
Cash on hand	12	12
Closing Cash and Cash Equivalents (per Statement of Cash Flows)	**761**	**1,848**

14. CURRENT / NON-CURRENT ASSETS—RECEIVABLES

Sale of goods and services	10	--
Other debtors	135	142
	145	**142**

No provision for doubtful debts has been raised as all amounts are considered to be collectable.

Police Integrity Commission

Notes to and forming part of the Financial Statements for the year ended 30 June 2004

15. CURRENT / NON-CURRENT ASSETS—INVENTORIES

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

16. CURRENT / NON-CURRENT ASSETS—OTHER FINANCIAL ASSETS

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

17. NON-CURRENT ASSETS—PROPERTY, PLANT AND EQUIPMENT

Plant and Equipment	2004 $'000	2003 $'000
At Fair Value	15,126	14,301
	15,126	**14,301**
Accumulated Depreciation	11,673	9,910
	11,673	**9,910**
Total Property, Plant and Equipment at Net Book Value	**3,453**	**4,391**

Reconciliations
Reconciliations of the carrying amounts of each class of plant and equipment at the beginning and end of the current and previous financial year are set out below.

2004	Plant & Equipment $'000
Carrying amount at start of year	4,391
- Additions	1,209
- Disposals – cost	(384)
- Disposals – depreciation	376
- Depreciation Expense	(2,139)
Carrying amount at end of year	**3,453**

2003	Plant & Equipment $'000
Carrying amount at start of year	5,379
- Additions	1,507
- Depreciation Expense	(2,495)
Carrying amount at end of year	**4,391**

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. The Commission has computer and office equipment transferred from the Royal Commission. While these assets are fully depreciated they do provide some benefit to the Commission, but this benefit is immaterial to the Commission's *Financial Statements*.

Police Integrity Commission

Notes to and forming part of the Financial Statements for the year ended 30 June 2004

18. CURRENT / NON-CURRENT ASSETS—OTHER

	2004 $'000	2003 $'000
Prepayments	401	221
	401	**221**

19. RESTRICTED ASSETS

The Commission holds $83,000 (2002–03 $251,000) in its Operating Account, being the balance of the Police Oversight Data Store (PODS) grants funding, that was not expended during the year as expected.

20. CURRENT LIABILITIES—PAYABLES

Accrued salaries, wages and on-costs	115	232
Creditors	142	145
	257	**377**

21. CURRENT / NON-CURRENT LIABILITIES—INTEREST BEARING LIABILITIES

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

22. CURRENT / NON-CURRENT LIABILITIES—PROVISIONS

Employee benefits and related on-costs		
Recreation leave	713	720
Long service leave on-costs	127	126
Termination payment	--	135
FBT provision	20	21
	860	**1,002**
Aggregate employee benefits and related on-costs		
Provisions–current	741	889
Provisions–non-current	119	113
Accrued salaries, wages and on-costs (note 20)	115	232
	975	**1,234**

23. CURRENT / NON-CURRENT LIABILITIES - OTHER

Liability to Consolidated Fund	--	849
	--	**849**

Police Integrity Commission

Notes to and forming part of the Financial Statements for the year ended 30 June 2004

24. CHANGES IN EQUITY

Accumulated funds	2004 $'000	2003 $'000
Balance at 1 July	4,374	6,073
Surplus/(Deficit) for the Year	(731)	(1,699)
Balance at 30 June	**3,643**	**4,374**

25. INCREASE / DECREASE IN NET ASSETS FROM EQUITY TRANSFERS

During the reporting period, there were no equity transfers affecting the Commission.

26. COMMITMENTS FOR EXPENDITURE

(a) Capital Commitments

Aggregate capital expenditure contracted for at balance date and not provided for:

Not later than one year	--	27
Total (including GST)	--	**27**

(b) Other Expenditure Commitments

Aggregate other expenditure contracted for at balance date and not provided for:

Not later than one year	44	90
Total (including GST)	**44**	**90**

(c) Operating Lease Commitments

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

Not later than one year	2,225	2,431
Later than one year and not later than five years	3,713	6,226
Later than five years	--	--
Total (including GST)	**5,938**	**8,657**

These operating lease commitments relate to the Commission's rental of property, lease of equipment and its 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 2004 include an input tax credit of $543,824 (2002–03 $794,113) that is expected to be recoverable from the Australian Taxation Office.

Police Integrity Commission

Notes to and forming part of the Financial Statements for the year ended 30 June 2004

27. CONTINGENT LIABILITIES

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

28. BUDGET REVIEW

Net cost of services
The net cost of services was lower than budget due to a reduction in the Commission's staffing numbers due to ongoing vacancies.

Assets and liabilities
The reported decrease in assets was due to payment of liabilities.

Cash flows
The higher cash outflows were due mainly to the repayment of Liability to the Consolidated Fund. The additional capital expenditure was funded from the unspent PODS grant.

29. RECONCILIATION OF CASH FLOWS FROM OPERATING ACTIVITIES TO NET COST OF SERVICES

	2004 $'000	2003 $'000
Net cash from operating activities	122	1,817
Cash Flows from Government Appropriations	(15,785)	(13,813)
Acceptance by Crown Entity of Employee liabilities and other liabilities	(1,049)	(1,145)
Depreciation	(2,139)	(2,495)
Decrease/(increase) in provisions	254	(273)
Increase/(decrease) in prepayments and other assets	188	4
Decrease/(increase) in creditors	852	(752)
Net loss on disposal of non-current assets	(8)	--
Net cost of services	**(17,565)**	**(16,657)**

30. NON-CASH FINANCING AND INVESTING ACTIVITIES

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

31. TRUST FUNDS

The Commission does not hold any trust funds

32. ADMINISTERED ASSETS AND LIABILITIES

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

33. ADMINISTERED REVENUE - DEBTS WRITTEN OFF

The Commission does not hold any administered revenue.

Police Integrity Commission

Notes to and forming part of the Financial Statements for the year ended 30 June 2004

34. ADMINISTERED REVENUE - SCHEDULE OF UNCOLLECTED AMOUNTS

The Commission does not administer any uncollected monies.

35. FINANCIAL INSTRUMENTS

The Commission's accounting policies, including the terms and conditions of each class of financial asset, financial liability and equity instrument, both recognised and unrecognised at the balance date, are detailed below:

(i) Cash

Cash comprises cash on hand and bank balances within the 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 that are known to be uncollectable are written off. A provision for doubtful debts is raised when some doubt as to collection exists. The credit risk is the carrying amount (net of any provision for doubtful debts). No interest is earned on trade debtors. The carrying amount approximates the net fair value. Sales are made on a 14 day term.

(iii) Bank Overdraft

The Commission does not have any bank overdraft facility.

(iv) Trade Creditors and Accruals

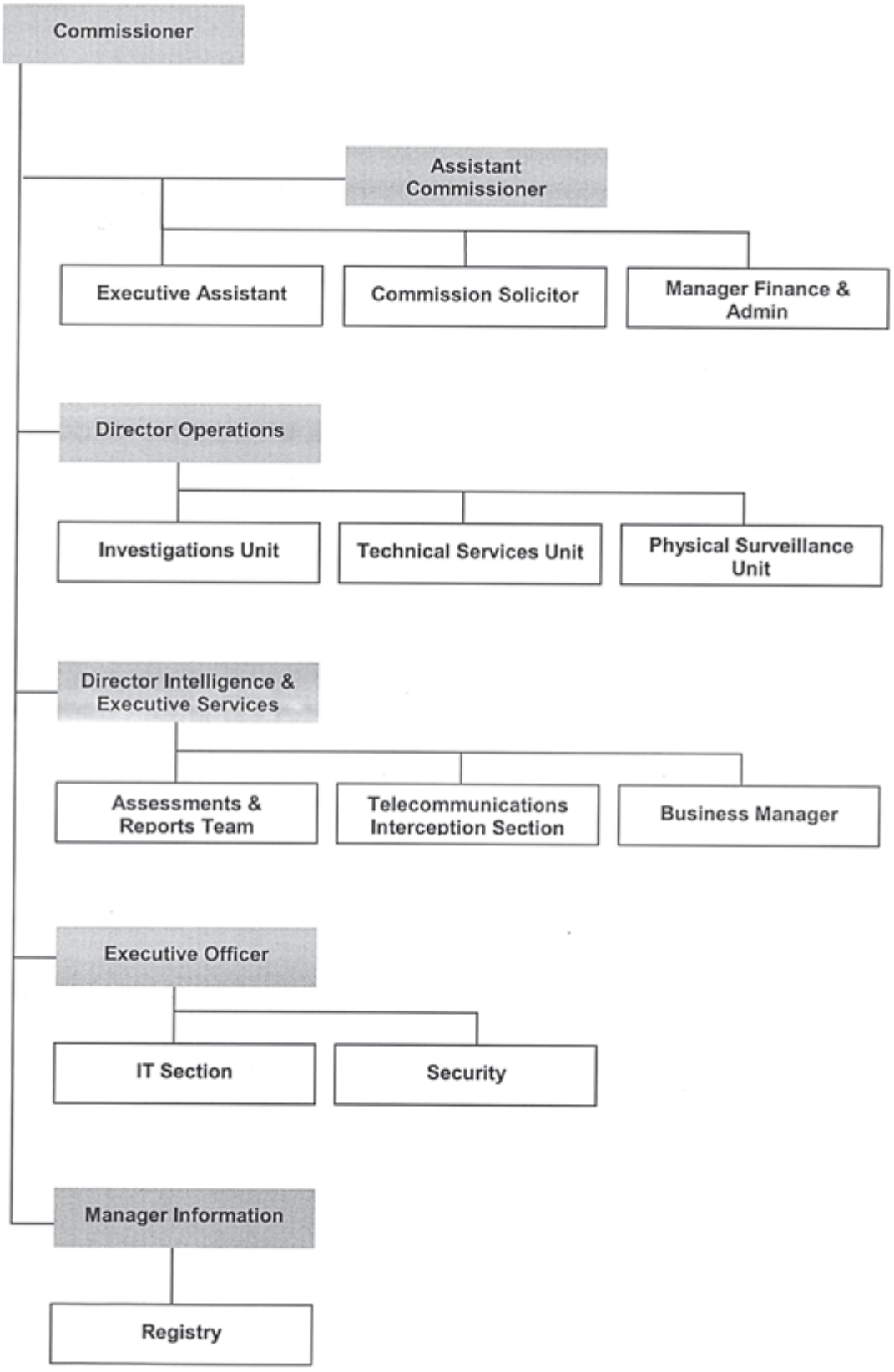
The liabilities are recognised for amounts due to be paid for future goods or services received, whether or not invoiced. Amounts owing to suppliers (that are unsecured) are settled in accordance with the policy set out in Treasurer's Direction 219.01. If trade terms are not specified, payment is made 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.

36. AFTER BALANCE DATE EVENTS

There are no known after balance date events.

End of audited financial statement

APPENDIX 9 - ORGANISATION STRUCTURE



AAPPENDIX 10 - DIRECTORY, PUBLICATIONS AND PRINTING REQUIREMENTS

DIRECTORY

Address:
Level 3, 111 Elizabeth Street
SYDNEY NSW 2000

Postal Address:
GPO Box 3880
SYDNEY NSW 2001

Website:
www.pic.nsw.gov.au

Telephone Enquiries:
Telephone: (61 2) 9321 6700
Freecall: 1800 657 079
Facsimile: (61 2) 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 (s96(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
Report to Parliament, Operation Ibis	September 2003
Annual Report 2002-2003	October 2003
Report to Parliament, Operation Tower	April 2004
Report to Parliament, Operation Florida	June 2004

The Commission's Practice Guidelines and Notes were also finalised during the year and published in July 2004.

ANNUAL REPORT COSTS

Number of copies printed: 500

Average cost per copy: $20.21 (including GST)

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