Police Integrity Commission

Annual Report
2007–2008



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

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

Dear Mr President and Mr Speaker

In accordance with section 12 of the *Annual Reports (Departments) Act* 1985 and section 99 of the *Police Integrity Commission Act* 1996, the Commission hereby furnishes to you the Police Integrity Commission Annual Report for the year ended 30 June 2008.

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

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

Yours faithfully



John Pritchard
Commissioner

October 2008

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1 Commissioner's Foreword

2007–08 was an industrious year for the Commission as it continued its efforts directed to maintaining public confidence in the integrity of the NSW Police Force (NSWPF).

The Commission continued to assess a large number of complaints alleging serious police misconduct with a view to determining the most appropriate way of dealing with each matter. In 2007–08 the Commission assessed a total 1422 complaints and commenced 54 preliminary investigations and 28 full investigations.

The Commission presented two investigation reports to Parliament in December 2007 relating to Operations Mallard and Rani. Operation Mallard investigated allegations that a senior police officer improperly interfered in the police investigation of an allegation of sexual assault and improperly released confidential police information to persons of interest to the investigation and others. Operation Rani reported on the allegation that a former NSWPF officer was involved in the disappearance of Janine Vaughan at Bathurst in December 2001. In each of those Reports the Commission expressed opinions that police misconduct and other misconduct had occurred.

In May 2008 the Commission held a public hearing as part of its Operations Pegasus and Luno investigations. These investigations focused on allegations that police officers engaged in serious police misconduct relating to specific instances of roadside breath testing. The investigations highlighted particular misconduct risks faced by officers in local and specialist commands. The Commission will present its report on these investigations to Parliament in the latter part of 2008.

One of the Commission's principal functions is to prevent serious police misconduct. As part of its activities in this area the Commission continued its work on Projects Manta and Odin, which focus on the management of misconduct risks in individual commands and high-risk officers. Work on these projects will continue into the next reporting period including engaging and consulting with the NSWPF on the preliminary results of its research and development of recommendations directed to preventing police misconduct.

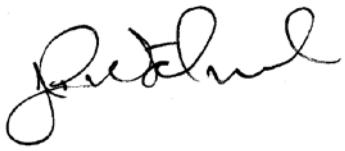
The Commission continues to be accountable to the Inspector of the Police Integrity Commission, the Hon Peter Moss QC and its Parliamentary Joint Committee (PJC). In March 2008 the Commission's Executive also appeared before the PJC to be examined on its Annual Reports for 2005–06 and 2006–07. The PJC also commenced an inquiry into Early Intervention Systems for police misconduct. The Commission has made a submission to this inquiry and has already undertaken a significant body of research and work in this area in conjunction with the NSWPF, the Ombudsman and the NSW Police Association on development of an Early Intervention System for the NSWPF.

During the last reporting year there have also been changes in the area of corporate governance which are reflected in the different layout and presentation of this Report relative to previous Reports. The Commission's Corporate Plan for 2007–2011 coincides with a number of related initiatives such as revised business planning and staff performance management practices to ensure that the Commission continues to work efficiently. These initiatives will be implemented during the next reporting year.

The reporting year ended with significant amendments to the *Police Integrity Commission Act* 1996 following the passage of the *Police Integrity Commission Amendment (Crime Commission) Act* 2008 by the NSW Parliament. These changes, which commenced on 1 July 2008, now extend the Commission's oversight to include the detection, investigation and prevention of misconduct by officers of the NSW Crime Commission (NSWCC). The Commission has reviewed its complaint assessment and investigation

procedures to cater for this extension in its jurisdiction. Under the changes, the Commission is also required to keep separate information relating to investigations involving NSWCC officers from other matters in the Commission's Annual Report. The Commission has also commenced an organisational review of the systems of the NSWCC and about which it will report further in its next Annual Report.

Finally, I would like to thank the staff of the Commission for their sustained efforts during the last reporting year. The work of the Commission is challenging and demanding but also rewarding. It is only through their commitment and energies that the Commission is able to meet its objectives.



John Pritchard
Commissioner

October 2008

2 Key Directives

Our Vision

Public confidence in the integrity of the NSW Police Force (NSWPF).

Our Mission

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

Our Values

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

Our Business

Our business is:

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

and by these actions prevent serious police misconduct and assure the community that there is effective oversight of police in NSW.

Our Charter

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

Section 13 of the Act sets out the principal functions and powers of the Commission. In summary, the principal functions of the Commission are to prevent, detect and investigate serious police misconduct and manage or oversee other agencies in the detection and investigation of serious police misconduct and other police misconduct.

Other functions of the Commission described in the Act relate to police activities and education programs (section 14) and the collection of evidence and information (section 15).

3 Achieving Our Key Goals

The Commission's current Corporate Plan for 2007–2011 was introduced in December 2007. It replaces the Corporate Plan and Performance Management Framework for 2003–2006.

The Corporate Plan aligns the work of the Commission with its principal legislative functions under section 13 of the *Police Integrity Commission Act* 1996, to prevent, detect and investigate serious police misconduct and the NSW Government's State Plan (State Plan) priorities:

R1 – reduced rates of crime, particularly violent crime.

F4 – embedding the principle of prevention and early intervention into government service delivery in NSW.

The Corporate Plan also provides information on how the Commission intends to meet its legislative functions and State Plan priorities by identifying three key goals:

Key Goal 1 – Reduce incidence of serious police misconduct in the NSW Police Force (NSWPF).

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

Key Goal 3 – Promote a culture of learning and development in the Commission.

This section is a summary of the Commission's progress towards reaching Key Goals 1 and 2 by identifying achievements and reporting against key performance indicators. Performance against Key Goal 3 is discussed in other parts of the report, particularly Appendices 1 and 7.

For detailed information on the Commission's progress towards reaching its Key Goals, refer to the in-depth chapters that follow.

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

Objective 1: Effective strategies to detect serious police misconduct

This objective is one of three that flows from the Commission's strategic intent to reduce serious police misconduct in the NSWPF. It is also consistent with the Commission's legislative function to detect police misconduct.

The Commission has the following strategies to meet Objective 1:

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

Achievements

During the 2007–08 financial year the Commission:

- Redesigned its website, www.pic.nsw.gov.au, which is consistent with the NSW Government's style directive. The website has an online complaint form that allows the public to report serious police misconduct to the Commission.
- Assessed 1422 complaints. Of these complaints, 352 arose from telephone calls.
- Of the 1422 complaints assessed, 95 were referred to the Investigations Unit recommending that consideration be given to commencing either a preliminary or full investigation.
- Developed and implemented two new methods for identifying potential targets for investigation.

Table 1: Key Goal 1, Objective 1 - Key performance indicators

Indicator	2007–08	2006–07	2005–06
% of staff directly involved in detecting suspected police misconduct	74	73	73
% of total complaints that were non - referred[1]	52	43	40
% of investigations[2] which arose from sources other than referred complaints	41	41[3]	n/a

A detailed description of the activities undertaken by the Commission to achieve Key Goal 1, Objective 1 can be found in Chapter 4 Assessing Information and Complaints.

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

[2] In this table investigations refers to preliminary investigations and full investigations. Further information on investigation types can be found in Chapter 5, Investigating Serious Police Misconduct.

[3] 2006–07 was the first year information for this indicator was collected.

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

Objective 2: Deter serious misconduct through effective investigation

This objective allows the Commission to achieve its key goal of reducing serious police misconduct in the NSWPF. It challenges the Commission to effectively investigate serious police misconduct.

The Commission has the following strategies to meet Objective 2:

- Efficiently manage resources and processes to investigate suspected police misconduct.
- Make recommendations for consideration of disciplinary action and prosecution as a result of investigations.
- Oversight the NSWPF's response to recommendations for disciplinary action.

Achievements

During the 2007–08 financial year the Commission:

- Worked on 164 investigations – 99 preliminary investigations and 65 full investigations.
- Commenced 54 preliminary and 28 full investigations.
- Progressed eight preliminary investigations to full investigations.
- Referred to the Office of the NSW Director of Public Prosecutions (ODPP) 433 charges[4] against 24 persons arising out of 10 Commission investigations.

Table 2: Key Goal 1, Objective 2 - Key performance indicators

Indicator[5]	2007–08	2006–07	2005–06
% of full investigations that resulted in recommendations for consideration of managerial action[6]	6	0[7,8]	n/a
% of full investigations that resulted in recommendations for consideration of prosecution action	29	13[8]	n/a
% of full investigations where information was disseminated to the NSWPF and resulted in managerial action	80	50[8]	n/a
% of full investigations referred to the ODPP that resulted in the commencement of prosecution action	75	100[8]	n/a

A detailed description of the activities undertaken by the Commission to achieve Key Goal 1, Objective 2 can be found in Chapter 5 Investigating Serious Police Misconduct.

[4] There may be more than one charge for each offence type.

[5] The indicators in this table were amended after the Commission published its Corporate Plan 2007–2011 to more accurately reflect the language and practices used by the Commission.

[6] Where a public report is made, under section 96 of the *Police Integrity Commission Act* 1996, the Commission is required to express an opinion in relation to "*affected persons*". In a public report the Commission may express an opinion that specific consideration should be given to whether action under either or both section 173 and section 181D of the *Police Act* 1990 should be considered against affected persons. In other matters, the Commission may disseminate information to the NSWPF to take such action as it considers appropriate without expressing any view as to the conduct involved.

[7] In 2006–07 the Commission released its Operation Banff Investigation Report, which did not express any opinions that police misconduct had occurred.

[8] 2006–07 was the first year information for this indicator was collected.

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

Objective 3: Exposure of serious police misconduct

The Commission exposes police misconduct to deter others from engaging in police misconduct.

The Commission has the following strategies to meet Objective 3:

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

Achievements

During the 2007–08 financial year the Commission:

- Held a public hearing in relation to Operations Pegasus and Luno, which investigated allegations that NSWPF officers engaged in serious police misconduct related to the road side breath testing of persons in regional areas.
- Held 42[9] private hearing days in relation to 12 of its investigations.
- Presented its Operations Rani and Mallard investigation reports to Parliament.

Table 3: Key Goal 1, Objective 3 - Key performance indicators

Indicator	2007–08	2006–07	2005–06
% of hearing days that were public	7	9	7
Number of investigation reports presented to Parliament	2	1	4
% growth in internet traffic to access the Commission's website	15	26	33

A detailed description of the activities undertaken by the Commission to achieve Key Goal 1, Objective 3 can be found in Chapter 5 Investigating Serious Police Misconduct.

[9] The average duration of a hearing is 2.5 hours. A private hearing day may consist of one or more private hearings.

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

Objective 1: Provide informed advice on improvements to NSWPF systems and practices

One of the Commission's principal functions is to prevent police misconduct. It carries out this function by providing advice to the NSWPF on prevention practices.

The Commission has the following strategies to meet Objective 1:

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

Achievements

During the 2007–08 financial year the Commission:

- Progressed Project Manta, research involving the identification and management of misconduct risks by individual commands.
- Progressed Project Odin, research involving the identification and management of problem officers in the NSWPF.
- Commenced Project Marrella, which is assessing the effectiveness of NSWPF ethics training for new recruits in the context of class size.
- Provided ongoing advice and support to the NSWPF on the development of an early intervention system.
- Commenced a research project looking at the unauthorised disclosure of confidential information by NSWPF officers, specifically the drivers behind such disclosure.
- Continued its membership of the Corruption Prevention Network, maintained existing and established new, less formal arrangements with researchers and peer organisations to share information on corruption prevention practices.

Table 4: Key Goal 2, Objective 1 - Key performance indicators

Indicator	2007–08	2006–07	2005–06
Number of recommendations to the NSWPF in relation to systems and practices	1[10]	3	70
% of recommendations accepted	n/a[11]	100	85

A detailed description of the activities undertaken by the Commission to achieve Key Goal 2, Objective 1 can be found in Chapter 6 Preventing Serious Police Misconduct.

[10] Recommendation in the Operation Mallard Investigation report.

[11] The NSWPF has not indicated whether the recommendation has been accepted.

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

Objective 2: Regular consultation and feedback to NSWPF to improve the quality of police investigations and accept reform recommendations

The Commission works closely with the NSWPF to ensure it has in place effective corruption prevention systems and practices. Regular consultation and feedback occurs so the Commission can meet its key goal of preventing serious police misconduct.

The Commission has the following strategies to meet Objective 2:

- Oversight selected investigations and recommend improvements where deficiencies are identified.
- Work with senior NSW police with a view to securing a commitment to Commission recommendations.
- Provide advice to the NSWPF in relation to internal systems for managing and monitoring misconduct risks.

Achievements

During the 2007–08 financial year the Commission:

- Oversighted 32 NSWPF investigations into complaints involving NSWPF officers.
- Reviewed 70 NSWPF investigation reports.
- Monitored the implementation of recommendations made to the NSWPF in Operation Abelia, which considered the problem of illegal drug use by some NSWPF officers.
- Monitored the NSWPF's response to suggestions arising out of its Counter Terrorism Misconduct Risk Assessment.
- Provided advice to the NSWPF on a secondary employment policy for NSWPF officers.
- Provided advice to the NSWPF on managing confidential sources.

Table 5: Key Goal 2, Objective 2 - Key performance indicators

Indicator	2007–08	2006–07	2005–06
% of complaints received, which are oversighted	2.21	2.08	0.78
Number of consultations with senior NSWPF officers	35[12]	n/a	n/a
% of requests for advice, which are met	100	100	100

A detailed description of the activities undertaken by the Commission to achieve Key Goal 2, Objective 2 can be found in Chapter 4 Assessing Information and Complaints and Chapter 7 Tracking Commission Recommendations.

[12] 2007–08 was the first year information for this indicator was collected.

Plans for 2008–09

The Commission will continue to achieve its 2007–2011 Corporate Plan outcomes by working in the following key areas during the 2008–09 financial year:

- Present investigation reports to Parliament on Operations Pegasus and Luno.
- Hold hearings to expose and deter serious police misconduct and to promote community and stakeholder awareness of the nature of serious police misconduct.
- Through its investigations review, where applicable, NSWPF policies and management practices to ensure they minimise opportunities for serious police misconduct.
- Progress its prevention research on Projects Manta, Odin and Marrella.
- Improve organisational effectiveness by emphasising accountability, equity and learning and development.
- In light of the Commission's extended jurisdiction from 1 July 2008 to include misconduct by officers of the New South Wales Crime Commission (NSWCC):

  - review the Commission's key directives and Corporate Plan outcomes with a view to including references to the NSWCC

  - refine existing complaint handling processes to effectively assess complaints against the NSWCC

  - Conclude a review into NSWCC misconduct risk management.

4 Assessing Information and Complaints

Introduction

Pursuant to section 13 of the *Police Integrity Commission Act* 1996 (the Act) a principal function of the Commission is to detect police misconduct. The Commission discharges this function through a number of processes including the assessment of information and complaints. The Commission's assessment process is linked to the Corporate Plan for 2007–2011 through Key Goal 1: Reduce incidence of serious police misconduct in the NSWPF.

Complaints come to the Commission in a variety of ways.

Complaints may be:

- extracted from the NSWPF complaints management system (c@ts.i)
- referred to the Commission by the NSWPF or the Ombudsman
- made directly to the Commission by a member of the public, a police officer, a legal representative, or a Member of Parliament on behalf of a constituent
- initiated by the Commission as a result of its investigations or research and analysis
- referred to the Commission by other agencies.

Complaints administration is not a substantive role for the Commission, but rather a means for facilitating the Commission's investigations into serious police misconduct. Part 8A of the *Police Act* 1990 and relevant provisions of the Act enable the Commission to receive information from other agencies on potentially serious police misconduct.

The Commission's own work in developing matters for investigation, independent of the complaints system, further enables the Commission to focus on serious police misconduct.

Complaint Assessment

The Commission reviews all complaints it receives. The Commission will conduct a more detailed assessment where a complaint meets specific objective criteria. The Commission will also consider complaints in the context of current investigations and research, focusing on the type of misconduct, the officer, the command, or the type of police officer duty.

The assessment process involves a level of research for all matters. The results are then considered by the Commission's Complaints Assessment Team in the context of the Commission's priority setting criteria. The Investigations Unit may also contribute to the assessment. A recommendation is then made to the Commissioner, the Commissioner's delegate or to the Operations Advisory Group (OAG) for further action.

This may involve the Commission either investigating the complaint, referral to the NSWPF with oversight by the Commission, or referral to the NSWPF with oversight arrangements to be determined by the Ombudsman as appropriate. Typically, the Commission investigates the most serious complaints and oversees investigations by the NSWPF of a small proportion of complaints. The majority of complaints of misconduct are investigated by the NSWPF and oversighted by the Ombudsman.

Complaint Oversight

The Commission generally oversights complaints of police misconduct, or misconduct by a NSWPF administrative officer, by reviewing a final investigation report prepared by the NSWPF. However, the Commission can request regular status reports and review material available on the complaints management system as the investigation progresses.

Indications of questionable decision making or a poor standard of resourcing may provoke more regular review. The Commission's oversight may also include reviewing decisions made by the NSWPF not to investigate a complaint or to resolve a complaint by other means such as conciliation.

When the Commission reviews a final NSWPF investigation report it either accepts the recommendations or makes further inquiries. These inquiries may be satisfied with additional information, or may lead to further investigation or management or administrative action.

Oversight is concluded when the Commission advises the NSWPF that it is satisfied with the investigation and/or the subsequent response to matters raised.

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

Complaints for 2007–08

During the 2007–08 financial year, 1422 complaints were assessed by the Commission of which 36 included an allegation of misconduct by a NSWPF administrative officer. The Commission received 1115 telephone calls raising various complaint-related issues of which 352 were formally assessed and accepted as complaints. Ninety-five complaints were referred to the Investigations Unit recommending that consideration be given to commencing a preliminary or full investigation. The Commission oversighted NSWPF investigations on a further 32 complaints and reviewed 70 final investigation reports for other purposes.

The remaining complaints were either referred to the NSWPF with oversight arrangements to be determined by the Ombudsman as appropriate (in the case of complaints against sworn officers), a decision was deferred by the Commission or no further action was required.[13]

The following table breaks these figures down further for NSWPF and administrative officers and compares them with figures from the 2006–07 financial year.

[13] For example where a decision is made by the Commission not to investigate a complaint that is already known to the NSWPF and/or the Ombudsman, ie. those extracted from c@ts.i.

Table 6: Complaints assessed by the Commission against sworn and administrative officers

Action	2007–08		2006–07	
	Police	Administrative	Police	Administrative
Complaints assessed:	1386	36	1208	25
Telephone calls:				
• Calls received	1114	1	1060	0
• Calls assessed[14]	351	1	466	0
Full investigations arising from complaints	11	0	11	0
Complaints oversight concluded[15]	31	1	25	0
Final reports reviewed (not oversighted)[16]	69	1	39	1

Of the 1422 complaints assessed by the Commission in regard to both sworn and administrative officers, 736 were made direct to the Commission, 682 were extracted from c@ts.i or otherwise referred by the NSWPF or the Ombudsman. Four complaints were made directly to the Commission and were also referred by the NSWPF or the Ombudsman.

[14] These calls are included in the "*Complaints assessed*" total above.

[15] Complaint may have been made in a previous period.

[16] Complaint may have been made in a previous period

CASE STUDY 1

Oversight NSWPF investigation of unauthorised disclosure of confidential information

In July 2006, a complaint about a NSWPF officer improperly attempting to send a confidential police document to his private email address was entered by the NSWPF on its complaint management system. This document was classified "Protected" and contained intelligence relating to organised crime. The Commission had identified a series of similar complaints relating to the unauthorised disclosure of confidential information, and decided to oversight the NSWPF investigation of this matter.

The investigation, completed by a senior officer of the NSWPF, found that the complaint was not sustained, as there was no intent by the constable to use this information in an inappropriate manner and the constable was unaware of any wrongdoing on his part. Further, the senior officer stated in his report that a small survey, conducted of constables at his local area command, indicated that the majority did not understand the meaning of terms such as "Protected" in relation to documents belonging to the NSWPF. The senior officer also stated that similar results would be likely should such a survey be conducted in other local area commands.

In May 2008, the Commission wrote to the NSWPF regarding its review of the final report of the investigation. The Commission indicated that while it was satisfied with the quality of the investigation, it was concerned at the apparent lack of understanding of constables, and perhaps of police officers of more senior rank, of the meanings attached to the classification of documents.

The Commission subsequently raised its concerns regarding this issue within the context of its project on the unauthorised disclosure of confidential information. At the end of the 2007–08 financial year, the Commission was engaging in discussions with the NSWPF and the Ombudsman's Office to develop a process for addressing this and other issues relating to the unauthorised disclosure of confidential information.

Allegations assessed

Information on the types of allegations assessed by the Commission during the 2007–08 financial year can be found in Appendix 3.

Complaint Streamlining

In the 2007–08 financial year changes were made to the way police complaints were dealt with by the NSWPF and the Ombudsman's Office. The effect of these changes was to reduce the level of administration involved in the management of some complaints. While the impact of these changes for the NSWPF and the Ombudsman's Office has been significant, they have had little effect on the Commission given that they relate to the management of less serious complaints.

The project was developed in consultation with the Ombudsman's Office. On 1 August 2007, a six-month trial was commenced whereby minor complaints received by commands were dealt with directly by senior NSWPF officers (usually inspectors), rather than through the formal command complaint management process.

During the 2007–08 financial year, the Commission participated in an interagency group known as the Complaints Advisory Group (CAG) to monitor the project and the trial. Other agencies participating in the CAG included: the NSWPF, the Ombudsman's Office, the Police Association of NSW and the Ministry for Police. The CAG was chaired by Ms Tanya Gadiel MP, Parliamentary Secretary Assisting the Minister for Police. In April 2008, the Ombudsman's Office issued a report finding the trial had been successful and endorsing implementation of the process throughout the NSWPF.

CASE STUDY 2

Oversight NSWPF investigation into circulation of inappropriate and offensive emails by administrative NSWPF employees.

In October 2006, the Commission was notified of an anonymous complaint alleging an administrative employee of the NSWPF had been circulating inappropriate and offensive emails. An examination of the officer's email account by the NSWPF Professional Standards Command (PSC) revealed that there were emails which appeared to be inappropriate and offensive that had been sent from this officer's account. Inquiries by the PSC also revealed that a number of other sworn officers and administrative employees had also received this material, some of whom had forwarded them onto others.

On receipt of the complaint the Commission decided it would oversight the NSWPF investigation. With the concurrence of the Commission, the PSC decided it would conduct investigations into those who had forwarded inappropriate or offensive material and explore some level of management counselling for those who had received the material. Early in the investigation a decision was taken to conduct separate investigations for sworn and unsworn officers. This case study relates only to the investigation into the unsworn or civilian employees.

In March 2008, the Commission received a detailed final investigation report from the NSWPF. The report revealed the investigation and related actions had been extensive. The conduct of 13 staff in connection with the forwarding of inappropriate or offensive material had been investigated and 99 staff, who had received emails of this nature, had failed to report it. The Commission reviewed this matter and found that the investigation had been thorough. However, the Commission is following up a number of broader issues identified by the NSWPF, specifically on:

- the enhancement of security to filter the receipt of inappropriate emails and attachments
- the training of NSWPF staff on appropriate NSWPF conduct
- the review of relevant policies governing the use of email.

5 Investigating Serious Police Misconduct

Introduction

Pursuant to section 13 of the *Police Integrity Commission Act* 1996 (the Act) a principal function of the Commission is to investigate police misconduct.

The Commission's investigation function is linked to the Corporate Plan for 2007–2011 through Key Goal 1: Reduce incidence of serious police misconduct in the NSWPF.

This section reports on Commission investigations that involved public hearings, reports to Parliament and where information has been released to the public. Case studies have also been included as an illustration of the types of investigations undertaken by the Commission.

The Investigations Process

The Investigations Unit (IU) assesses information from a number of different sources including complaints, informant reports or information derived from existing investigations.

Assessment may lead to a preliminary investigation, a referral of information to the NSWPF (with or without oversight) or no further action.

Preliminary investigations commence when there is credible information to suggest that serious police misconduct may have occurred and further analysis is necessary before an informed decision can be made on future action.

The decision to upgrade from a preliminary investigation to a full investigation is made by the Commissioner, often in conjunction with other senior officers, if satisfied that the information available is indicative of serious police misconduct and the investigation may be progressed by the use of the Commission's coercive powers and devoting further resources to it.

After an investigation commences, IU staff gather information by using a suite of investigative tools, as well as the use of coercive powers such as electronic surveillance and Commission hearings.

At the conclusion of an investigation, if a public hearing has been held, a report of the investigation pursuant to section 96 of the Act must be prepared. The Act authorises the Commission to include in a report any relevant assessments, opinions and recommendations, including recommendations that consideration be given to the prosecution of a person for a specified criminal offence or to the taking of specified disciplinary action.

If a public hearing has not been held as part of the investigation, the Commission may refer evidence and information to the ODPP recommending consideration be given to prosecution, and or material may be referred to the NSWPF for any managerial action it considers appropriate.

The Commission assures the integrity of its investigations through close monitoring by the Operations Advisory Group (OAG). The OAG is comprised of the Commissioner (as Chair), Director Operations, Commission Solicitor and Director, Prevention and Information and meets regularly to provide direction and advice on Commission investigations.

Profile of Investigations During 2007–08

During the 2007–08 financial year the Commission worked on 164 investigations of which 99 were classified as preliminary investigations and 65 full investigations.

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

Table 7: Commission investigations - 30 June 2008

Primary Allegations Investigated[17]	Ongoing as of 30 June 2008		Closed during 2007–08	
	Preliminary Investigations	Investigations	Preliminary Investigations	Investigations
Pervert the course of justice	2	12	12	7
Soliciting or accepting bribes	0	6	5	6
Being involved in the manufacture, cultivation or supply of prohibited drugs	9	9	25	8
Assault causing serious injury	0	0	2	0
Complaint made against an officer who is of, or above, the rank of superintendent	0	8	0	5
Improperly accessing/disclosing information	4	10	20	7
Improper associations	13	13	38	13
Improperly investigating or interfering with an investigation by another officer	5	3	11	1
Financial misconduct	1	3	2	7
Managerial/procedural issues	7	12	22	5
Reckless discharge of firearms	0	0	0	0
Offence punishable, on conviction, by 5 years or more imprisonment	1	7	4	8
TOTAL	**42**	**83**	**141**	**67**

[17] An investigation may contain more than one allegation.

CASE STUDY 3

Operation Easter

Operation Easter was an investigation into the alleged assault of a person by a number of off-duty NSWPF officers while attempting to effect an arrest.

The investigation focused on the actions of the off-duty officers involved in the arrest, and on the circumstances which led to the arrest, in particular, an earlier physical altercation with the person, which had been allegedly instigated by one of the off-duty officers.

As part of its investigation, the Commission held a number of private hearings between December 2007 and March 2008, as well as collecting evidence through witness interviews and electronic surveillance.

Evidence gathered during Operation Easter raised the following issues:

- breaches of the NSWPF Code of Conduct by several of the involved officers
- attempts by several of the involved NSWPF officers to conceal the true circumstances surrounding the events
- excessive use of force in effecting the arrest of the person
- collusion among a number of the involved NSWPF officers to impede the Commission's investigation of the matter
- the giving of false or misleading evidence to the Commission by several NSWPF officers
- breaches by several NSWPF officers of non-publication orders made at Commission private hearings and collusion in relation to the evidence they would give.

Briefs of evidence have been forwarded to the ODPP for consideration of prosecution of criminal offences arising from the above.

The Commission also referred information gathered during the investigation to the NSWPF for use in the management of involved officers.

During its investigation the Commission also identified evidence suggesting that a former NSWPF officer may have committed a theft prior to exiting the NSWPF and a second officer may have concealed the theft prior to exiting the NSWPF. Material has also been referred to the NSWPF and the Australian Federal Police regarding this matter.

Commission Hearings

The Commission may hold hearings as part of an investigation. The decision to hold a hearing in private or public is made by the Commissioner who must have regard to the public interest when making this decision.

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

During the 2007–08 financial year the Commission held 42 private hearing days arising out of 12 investigations and three public hearing days arising out of two investigations.

Operation Pegasus and Luno

Operation Pegasus commenced in January 2008 and Operation Luno in February 2008. Both investigations involve allegations that NSWPF officers engaged in serious police misconduct relating to separate incidences of roadside breath testing of persons in regional areas.

The Commission commenced these investigations because of a concern that some NSWPF officers may have adopted a practice of selective enforcement in circumstances where an alleged offender was known or connected to them.

As part of its investigation the Commission held a public hearing in May 2008. The general scope and purpose for the hearing focused on: whether any current or former police officer or any other person has engaged in serious police misconduct in connection with the roadside breath testing of persons by officers of the NSWPF.

The Commission is continuing with its investigation and a report will be presented to Parliament in the latter part of 2008.

Investigation Reports

During the 2007–08 financial year, the Commission presented two investigation reports to Parliament.

Operation Mallard

In its 2006–07 Annual Report the Commission reported on Operation Mallard, an investigation into allegations that NSWPF officers engaged in serious police misconduct in connection with the investigation of a sexual assault allegation made to Waverley Police in November 2004.

As part of its investigation the Commission gathered information through electronic surveillance and held private and public hearings between April and June 2007.

During the public hearing the scope and purpose of the hearing was broadened to include investigation into whether Superintendent Adam Purcell had been involved in releasing confidential police information.

As a result of the investigation the Commission formed the opinion that:

- Superintendent Purcell engaged in police misconduct in his actions relating to the alleged sexual assault.
- Superintendent Purcell released confidential police information to members of the media, a Member of Parliament and others.
- Superintendent Purcell and one other NSWPF officer, Detective Sergeant Alison Brazel, gave false or misleading evidence to the Commission.

In December 2007 the Commission presented an investigation report to Parliament.

The Commission recommended that consideration be given to prosecuting Superintendent Purcell for misconduct in public office (based on the release of the confidential information) and for giving false or misleading evidence to the Commission.

The Commission also recommended that consideration be given by the NSWPF to dismissing Superintendent Purcell or taking reviewable action against him. Superintendent Purcell has since been discharged from the NSWPF for being medically unfit.

In relation to Detective Sergeant Brazel the Commission recommended that consideration be given to prosecuting her for giving false or misleading evidence to the Commission. The Commission also recommended that consideration be given by the NSWPF to dismissal or managerial action against Detective Sergeant Brazel.

Briefs of evidence have been referred to the ODPP in relation to the prosecution recommendations. The Commission is waiting for advice from the ODPP in relation to both officers.

The Commission's report also recommended that consideration be given to the creation of a statutory offence of unauthorised release of confidential police information.

During its investigation the Commission also identified evidence suggesting that a third NSWPF officer and an associate of that officer appeared to have obtained a financial benefit by making false or misleading statements. A recommendation was made to the ODPP that consideration be given to prosecution of those persons and the ODPP agreed with that recommendation. This prosecution action has commenced and is expected to finish in late 2008.

Operation Rani

Operation Rani commenced in September 2005 following an anonymous allegation that a NSWPF officer may have been involved in the disappearance and suspected murder of Janine Vaughan at Bathurst in December 2001.

As part of its investigation the Commission conducted electronic surveillance and held public and private hearings between June and November 2006.

As a result of the investigation the Commission formed the opinion that:

- The NSWPF officer who was the subject of the original allegation, Detective Sergeant Bradley Hosemans:

  - deliberately provided homicide investigators with a statement containing false information as to his whereabouts on the evening of the disappearance

  - breached a workplace agreement to undertake restricted duties (at the time the disappearance was being investigated).

- A second NSWPF officer, Detective Inspector Paul Jacob, involved in the investigation of the disappearance and suspected murder of Janine Vaughan:

  - failed to act on information that suggested an association between Detective Hosemans and Ms Vaughan

  - prepared a deliberately misleading report for a superior officer in relation to the anonymous complaint

  - prepared a second deliberately misleading report in response to inquiries by the NSW Ombudsman about the anonymous complaint.

- Detective Senior Constable Ritchie Sim deliberately misled the Coroner.

- Stephanie Young deliberately produced a false document to the Commission and gave false evidence about it.

In December 2007 the Commission presented an investigation report to Parliament. In its report the Commission expressed the opinion that Detective Hosemans and the two other NSWPF officers engaged in police misconduct. The Commission also formed the opinion that Stephanie Young engaged in other misconduct.

The Commission recommended that no further action be taken against Detective Hosemans, because there was no reliable evidence to link

him to the disappearance of Ms Vaughan. As Detective Hosemans had already been dismissed from the NSWPF for an unrelated matter, the Commission did not make a recommendation that consideration be given by the NSWPF to management action.

In relation to the two other NSWPF officers, Detective Inspector Jacob and Detective Senior Constable Sim, the Commission recommended that the NSWPF consider taking dismissal or management action against both officers.

The Commission also recommended that consideration be given to prosecuting Ms Young for giving false or misleading evidence to the Commission. The ODPP subsequently advised the Commission there was insufficient evidence to pursue prosecution action and the Commission accepted this advice.

The Commission has also referred information gathered during the investigation to the NSWPF who established Strike Force Mountbatten to continue the investigation into Ms Vaughan's disappearance. The Strike Force continues with its inquiries.

Other Commission Investigations

This section reports on investigations containing information the Commission has released publicly.

Operation Horseshoe

Operation Horseshoe commenced in September 2006 and was an investigation into whether any serving or former NSWPF officers made false statutory declarations or statements, or provided false information to avoid liability for traffic offences.

After liaising with the Office of State Revenue, the Commission identified a number of NSWPF officers and other persons it suspected to have engaged in such misconduct.

As part of its investigation, the Commission made a public call for information, and held a number of private hearings as well as collecting evidence by other means.

Criminal proceedings have commenced against one NSWPF officer for offences of obtain benefit by deception and pervert the course of justice in relation to declarations made by him to avoid liability for two traffic matters. His wife was also charged in relation to false evidence given by her regarding her knowledge of the matter. The investigation is continuing.

Operation Alford

In April 2008 the Commission commenced Operation Alford. The investigation arose out of Operation Whistler, which was the subject of a report to Parliament by the Commission in December 2005.

Following the release of the Commission's report to Parliament in Operation Whistler one of the affected persons named in the report, Senior Constable Timothy Briggs, complained to the Inspector of the Police Integrity Commission that he had been denied procedural fairness by the Commission in the publication of aspects of the Whistler Report concerning him. The Inspector

upheld this complaint and the Commission sought to amend those aspects of the Whistler Report which constituted a denial of procedural fairness to Senior Constable Briggs, by publishing an amended report on the Commission's website.

Following the release of the amended report, a further complaint was made by Senior Constable Briggs regarding aspects of the amended report and this complaint was also upheld. Further details of the Inspector's findings in his two reports can be found in the Annual Report of the Inspector of the Police Integrity Commission for the Year Ended 30 June 2008, attached to the Inspector's website: www.inspectorpic.nsw.gov.au. The Commission withdrew the amended Whistler Report from its website.

Based on legal advice on how to deal with the recommendations made by the Inspector, the Commission commenced Operation Alford, a new investigation. The investigation is currently in progress and it is anticipated that a report to Parliament will be prepared at the conclusion of the investigation.

CASE STUDY 4

Operation Nettle

Operation Nettle commenced in July 2005 following a Suspect Transaction Report forwarded to the Commission by the Australian Transaction Reports and Analysis Centre (Austrac) in relation to a serving NSWPF officer.

The investigation analysed a number of large international funds transfers made by the NSWPF officer for the purchase, and subsequent importation, of vintage motor vehicles from the United States of America into Australia.

During the course of its investigation the Commission became aware of material discrepancies between the amount of money paid for these vehicles and the value of the vehicles declared by the NSWPF officer to the Department of Transport and Regional Services (DOTARS) and the Australian Customs Service (ACS) for the purposes of assessing import duties on the vehicles.

As part of its investigation the Commission held private hearings in October 2007 during which the NSWPF officer was questioned about the importations and information he provided to the DOTARS and the ACS about the purchase prices for the vehicles.

A brief of evidence has been referred to the Commonwealth Director of Public Prosecutions recommending that consideration be given to prosecuting the NSWPF officer for customs and fraud offences. Information has also been referred to the NSWPF to consider taking management action against this officer.

A second brief of evidence has also been referred to the ODPP in relation to the partner of the officer (not a NSWPF officer) recommending that consideration be given to prosecuting that person for giving false or misleading evidence to the Commission.

Investigation Outcomes

The following tables report on investigation outcomes[18] for the 2007–08 financial year.

Table 8: Preliminary investigation Outcomes 2007–08	
No further action	60
Preliminary Investigations that progressed to become full investigations	8
Preliminary Investigations that resulted in a dissemination of information to the NSWPF	8
Preliminary Investigations that resulted in information being disseminated to other Law Enforcement Agencies (LEA)[19]	0
Total	**76**

Table 9: Full Investigation Outcomes 2007–08	
No further action	15
Investigations that resulted in information being disseminated to the NSWPF	8
Investigations that resulted in information being disseminated to other Law Enforcement Agencies (LEA)	2
Investigations that resulted in information being referred to the ODPP for consideration of prosecution action	10
Total	**35**

[18] An investigation can have more than one outcome.

[19] LEAs include the Australian Federal Police, Australian Taxation Office, interstate Police Services, NSW Attorney General and NSW Ombudsman.

Criminal Assets Recovery Act 1990

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

No CAR Act proceedings were commenced in the 2007–08 financial year. Proceedings against one officer commenced in a previous reporting year (2005–06) and arising out of the Commission's Operation Alpine investigation remain open and are expected to be concluded by the end of 2008.

Table 10: Criminal assets recovery - proceedings

Name	Assets Forfeited	Proceeds Ordered
Samuel John FOSTER	Proceedings ongoing	

CASE STUDY 5

Operation Salzburg

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

During the course of its investigation the Commission conducted electronic and physical surveillance and also held private hearings in May and December 2007.

A brief has been submitted to the ODPP for consideration of prosecution of one NSWPF officer and three other persons for offences related to fraud, firearms offences and giving false or misleading evidence to the Commission.

The Commission has also commenced prosecution action against a second NSWPF officer for giving false or misleading evidence to the Commission.

The NSWPF has also commenced management action against both NSWPF officers.

6 Preventing Serious Police Misconduct

Introduction

A principal function of the Commission is to prevent serious police misconduct, as provided for in section 13 of the *Police Integrity Commission Act 1996* (the Act).

One of the ways in which the Commission performs this function is by providing advice to the NSWPF on how systems and practices intended, either directly or indirectly, to prevent misconduct can be strengthened. The Commission's prevention function is linked to the Corporate Plan 2007–2011 through Key Goal 2: Prevent serious police misconduct by supporting improvements to NSWPF systems and practices.

This section provides an overview of the Commission's prevention projects and activities during the 2007–08 financial year.

Research Processes

The research methods used by the Commission to develop advice vary depending on the scope and purpose of the project or task. The information collection strategies used by the Commission include:

- conducting research interviews with NSWPF officers in local area and specialist commands
- conducting surveys of NSWPF local area and specialist commands
- reviewing academic literature and agency reports
- collecting policy documents, complaints documentation and statistical data from the NSWPF
- forming or drawing upon networks of researchers both within Australia and from overseas
- drawing on the results of misconduct investigations conducted by the Commission or the NSWPF.

Where appropriate the Commission also uses investigations and hearings to examine policies and practices that may have contributed to serious police misconduct.

In addition to providing misconduct prevention advice to the NSWPF the Commission also works with the NSWPF to secure commitment to recommendations or to identify satisfactory alternative strategies.[20] Chapter 7 Tracking Commission Recommendations is concerned with tracking the implementation of recommendations made by the Commission to the NSWPF.

[20] Police Integrity Commission Corporate Plan Key Goal 2, Objective 2.

Research Projects

Project to Develop an Early Intervention System

An early intervention system (EIS) for police misconduct is a risk management tool. Its principal purpose is to assist law enforcement agencies to identify problematic behaviour among its officers which, if left unchecked, could potentially lead to serious misconduct. Since January 2003, the Commission has been involved in providing advice to the NSWPF on the development of an EIS.

In its 2004–05 Annual Report, the Commission noted that the NSWPF had deferred the development of an EIS in favour of a process known as Officer Risk Assessment (ORA). In April 2007, following a trial of ORA and discussions with the Commission, the Ombudsman's Office and the Police Association of NSW, the NSWPF advised the Commission that it would not be proceeding with ORA.

In July 2007 a multi-agency forum was convened involving the four agencies mentioned above. The purpose of the forum was to discuss foundational issues relating to EIS, and to inform any future decision making within the NSWPF on the next stage in the development of an EIS. At the forum the Commission presented a research paper detailing, among other things, the purpose and underlying assumptions of an EIS and the process by which such a system might be developed and subsequently evaluated and monitored.

In November 2007, as a result of the inter-agency forum and other discussions held throughout 2007, the NSWPF Commissioner's Executive Team endorsed a project to develop an EIS. The NSWPF Commissioner indicated that the development and implementation of such a system was an organisational priority to support corruption resistance within the NSWPF.

The Commission together with the Ombudsman's Office and Police Association of NSW are currently assisting the NSWPF to develop the EIS project. The Commission is participating and providing advice at two levels – the EIS Steering Committee and the EIS Project Team.

The EIS Steering Committee is made up of senior level representatives of the Police Integrity Commission, the NSW Ombudsman, the Police Association of NSW, the NSWPF Professional Standards Command, and a representative from field operations in the NSWPF. The Steering Committee is, among other things, responsible for the strategic project direction and oversight of the implementation and evaluation of the EIS project. The EIS Project Team is made up of representatives of the same agencies as the Steering Committee. The Project Team is responsible for designing and developing the EIS for police misconduct within the NSWPF and completing the deliverables of the project, such as the development of a database and indicators. The Commission has agreed to undertake discrete research tasks as part of its contribution to the Project Team.

Identification and Management of Misconduct Risks by Individual Commands: Project Manta

Historically, police departments have focused on the individual officer when trying to reduce misconduct. In contrast, Project Manta takes a different and in some ways novel approach. Just as Occupational Health and Safety strategies seek to minimise employee accidents and maximise employee safety by identifying workplace hazards and the associated risks to employees' health and safety, this project seeks to inform strategies to minimise police misconduct by examining how NSWPF commands identify and manage the aspects of policing or other vulnerabilities which may put their officers' integrity at risk (referred to in this project as "misconduct risks").

Hence this project, which commenced in the 2006–07 financial year, focuses on the integrity

hazards or vulnerabilities for misconduct, independent of the particular individuals who occupy the positions.

The NSWPF is subdivided into 80 local area commands on the basis of their geographical location and a number of other centrally managed specialist commands that provide technical or administrative support to police in the field. Project Manta uses the command as its unit of analysis because responsibility for misconduct risk management and corruption prevention within the NSWPF lies with the individual commands.

The Commission's interest in the identification and management of misconduct risks by individual commands results from both its broad statutory role in preventing serious police misconduct as well as its assessment in 2006 of the management of misconduct risks by one specific command – the Counter Terrorist Coordination Command. Project Manta seeks to extend this previous assessment to other NSWPF commands.

The fundamental aim of Project Manta is to obtain a better understanding of the nature of the foreseeable integrity hazards or misconduct risks facing the NSWPF and how these misconduct risks may differ across commands, as well as better understanding how commands identify and manage their misconduct risks.

As reported previously, to collect information for this project the Commission surveyed approximately one-quarter of all NSWPF commands. The Commission wrote to commanders from a randomly selected sample of 25 commands (20 local area commands and five specialist commands) to seek their responses to a series of written questions and to obtain copies of relevant documentation. Information was collected in regard to five broad areas:

- command characteristics
- types of police work undertaken within the command and frequency with which the work is undertaken
- command misconduct risks
- command processes and strategies for identifying, assessing and reviewing misconduct risks
- command strategies for communicating and managing misconduct risks and other command misconduct prevention strategies.

All commands in the sample responded to these requests by August 2007. Where necessary, additional information was requested from the command and issues were clarified. This review of documentation, clarification of responses and receipt of additional information continued until January 2008.

During an interview one metropolitan commander provided his views about Project Manta:

> This was a really good opportunity for me to review my processes. I saw this as an 'ethical health' review of the command.
>
> … I can't recall seeing anything similar [to questions asked by the Police Integrity Commission in Project Manta]. I think this is a fantastic tool for the commands.

More than 290 documents were provided by the 25 commands, in addition to responses to the specific questions asked. The Commission is now in possession of more information about the way individual commands identify, assess and review their misconduct risks and the individual corruption (or misconduct) prevention strategies they employ than it has had at any time in the past.

A report on the nature of command misconduct risks and the identification and communication of these risks is currently being drafted and is proposed to be released in the coming year. A further report that will focus on the way commands manage their misconduct risks and command-specific corruption prevention strategies is intended to be released later in 2009.

Identification and Management of Problem Officers: Project Odin

In February 2007 the Commission commenced a project, codenamed Project Odin, to examine how the NSWPF identifies and manages high-risk officers. The term high-risk officer, although frequently used within the NSWPF, is not defined by the NSWPF. In its common usage, however, it frequently relates to officers considered to be at risk of engaging in misconduct.

In the 2006–07 financial year, it was reported that a sample of 20 local area commands were to be approached for assistance in providing information for the project. It was also reported that other aspects of the Commission's methodology were to include:

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

In the 2007–08 financial year, the 20 local area commands selected for the project were contacted for assistance. All provided information concerning how they identified and managed high-risk officers. The majority of commands provided this information in interviews with Commission officers, either face to face or over the telephone. Documents, including risk assessments and other command-level documentation, were also obtained for the sampled commands concerning the identification and management of high-risk officers.

The Commission contacted and obtained advice from the NSWPF Commissioner regarding the corporate policies and practices governing the identification and management of high-risk officers. The Commission also obtained corporate documents from the NSWPF intranet and complaints data about officers deemed high risk by their commands from the police complaints system – c@ts.i.

The information collected consisted of three main types:

- corporate and command-level perspectives concerning what the term high-risk officer denotes
- corporate and command-level strategies for identifying and managing high-risk officers and generally the misconduct risks posed by individual officers
- command level advice relating to the actual practice of identifying and managing high-risk officers at the commands participating in the project.

At the end of the 2007–08 financial year all information obtained for the project had been analysed. An initial draft of the report was also nearing completion. Prior to finalising its report the Commission will consult with the NSWPF and other relevant stakeholders.

The Project Odin report will form the basis of recommendations for change, designed to promote consistency on how the NSWPF identifies and manages officers who are considered to be high risk. The report will provide the Commission's views and the views of the NSWPF by including some examples of how local area commands have identified and managed high-risk officers.

Project Odin represented an important opportunity for the Commission to engage with local area commands regarding their strategies for identifying and managing high-risk officers. Some commands informed the Commission they looked forward to seeing the findings of the project and being provided guidance on the issue. Project Odin has also promoted discussion about the identification and management of high-risk officers. Some commands participating in the project, in response to the questions asked by the Commission as part of its information collection

phase, have already made changes to their procedures for identifying and managing high-risk officers.

Training for New Recruits to the NSWPF: Project Marrella

For new recruits to the NSWPF, training is the first step to becoming a sworn officer. Much of this training occurs at the NSW Police College. Three separate groups, or classes, of recruits are trained each year at the college and the number of students in each class varies. For example, between the years 2001 and 2007, the number of students attested (or graduated) each year ranged from 111 to 801. The majority of classes held at the college during this time contained less than 400 students.

There is a common perception that student NSWPF officers trained in larger than usual classes are more likely to engage in misconduct once they become police officers than those trained in smaller classes. There are several reasons why this may occur. For example, recruitment processes and/or the training given to students may differ from the norm when class sizes are unusually large.

In November 2007, the Commission began a new project codenamed Project Marrella, the broad objective of which is to test this perception. The Commission's project seeks to identify problems that might occur when there are unusually high numbers of students in a class at the NSW Police College and, if need be, provide advice to the NSWPF as to how these problems might be managed.

Misconduct is by nature a secretive activity and, therefore, very difficult to measure. This is one of the major challenges confronting Project Marrella insofar as the Commission's research is concerned with whether class sizes influence the likelihood of officers engaging in misconduct. Complaints against police officers can, however, be used as an indicator of misconduct.

There are many factors that can influence the likelihood of a NSWPF officer receiving a complaint against them. For example, it is possible that NSWPF officers working in a high crime area could receive more complaints against them than officers working in an area with less crime, simply because officers working in high crime areas have more contact with criminals who may have an interest in making complaints other than to do with the conduct of the officer. Taking factors that have the potential to affect the likelihood of an officer receiving a complaint against them into consideration is therefore another important aspect of the Commission's research.

At the end of the 2007–08 financial year, the Commission had collected data on class sizes at the NSWPF College between 2001 and 2007 and was in the process of collating complaints records of police officers who were trained in those classes. Further data has also been sought from the NSWPF.

Unauthorised Disclosure of Confidential Information

The unauthorised disclosure of confidential information is a form of police misconduct that can have serious consequences for both the NSWPF and the community. In October 2007 the Commission began a new project concerned with unauthorised disclosures of confidential information. Understanding how and why disclosure of information occurs is essential in the prevention and management of this type of misconduct.

The Commission was interested in identifying patterns in the characteristics of unauthorised disclosure, such as:

- the relationships between police officers and the persons to whom information is disclosed
- the methods used to disclose information
- the reasons why information is disclosed
- the benefits to police officers from disclosing information

- the consequences of disclosing information
- the attitudes of the police officers who disclose information.

Data regarding unauthorised disclosure of information were sourced from complaints about police officers received between 1 November 2006 and 30 June 2007. Only complaints which included a specific reference to an unauthorised disclosure of information were examined. The data were categorised according to each characteristic and analysed to identify patterns in the data.

The Commission anticipates the results of this study will contribute to the prevention and management of unauthorised release of information by identifying problem areas in:

- training of police officers
- the procedures used by the NSWPF governing the management and communication of confidential information
- the management of this type of misconduct.

At the end of the 2007–08 financial year the Commission was in the process of consulting the NSWPF and the Ombudsman's Office with the aim of addressing the issues identified through the Commission's research. A paper outlining the findings of this project is expected to be available on the Commission's website in due course.

Advice on Secondary Employment Policy in the NSWPF

According to the current NSWPF secondary employment policy, NSWPF officers are entitled to seek employment under certain conditions. For example, secondary employment in certain high-risk industries, including liquor, transport and security, is approved only in limited circumstances.

A major risk associated with secondary employment is the potential for conflict of interest. An officer with regulatory responsibility, for example in relation to liquor licensing, may have a conflict of interest if he or she obtains secondary employment at licensed premises. In this situation, the impartiality of the officer in fulfilling his or her duties as a police officer may be compromised.

The Commission has historically been interested in secondary employment issues within the NSWPF. Most recently, in March 2006, the Commission released a report into Operation Sandvalley which contained findings on its inquiries into the secondary employment activities of NSWPF officers attached to the Marine Area Command (the Water Police).

Since the publication of the Operation Sandvalley report, the Commission has been involved in discussions with the NSWPF to provide advice for the development of a new secondary employment policy. Among the strategies proposed by the Commission in relation to the NSWPF's secondary employment policy are:

- improving record keeping, particularly regarding decisions on secondary employment applications
- facilitating NSWPF officers' awareness of specific aspects of the secondary employment policy by including a statement of conditions along with all approvals
- extending the definition of high-risk industries to include those in which the officer has statutory powers and obligations.

In the 2007–08 financial year, an exchange of correspondence between the Commission and the NSWPF resulted in the majority of the Commission's suggestions and concerns regarding the draft secondary employment policy being dealt with by the NSWPF. In March 2008, the NSWPF informed the Commission that a further round of consultation in relation to the draft secondary employment policy would occur with the Commission and other external stakeholders. As at the end of the 2007–08 financial year the Commission was waiting to receive a further draft

of the secondary employment policy. It is also seeking a response from the NSWPF in connection with a residual query raised in 2007 concerning breaks between police shifts and secondary employment jobs.

Advice on Confidential Source Management in the NSWPF

Confidential sources, also known as informants, are often a crucial component of criminal investigations. Information provided by confidential sources may be useful in the detection of criminal activities. Relationships between police officers and confidential sources, however, pose numerous significant misconduct risks to a law enforcement organisation.

In November 2007, the NSWPF requested advice from the Commission regarding the effectiveness of the NSWPF's confidential source management policy in communicating the NSWPF's position on source management. Throughout 2008 the Commission exchanged correspondence and met with the NSWPF to discuss preliminary observations in relation to how well the confidential source management policy is supported by the NSWPF's systems and procedures.

Among other things, dialogue between the two agencies has centred on the role of the policy in raising awareness of the misconduct risks associated with confidential source management and linkages with other misconduct prevention policies and communication strategies to practitioners in the field.

At the end of the 2007–08 financial year the Commission was finalising its response to NSWPF's request for advice on its review of the implementation of its confidential source management policy.

Review of NSWPF System for Managing Conflicts of Interest in Internal Investigations

Conflicts of interest, or perceptions that conflicts exist, can compromise the integrity of internal investigations and subsequent findings. In 2000, following an audit on the quality of NSWPF internal investigations,[21] the Commission recommended that serious complaints about NSWPF officers be investigated outside the subject officer's command as a means of mitigating this risk. The recommendation was accepted and implemented by the NSWPF.

In August 2006 the Commission supported a proposal by the NSWPF that this recommendation be set aside in favour of a new system – the Complaint Allocation Risk Assessment (CARA) process. Among other things, the NSWPF had identified that in some cases, particularly in rural areas, significant costs were being incurred by having serious complaints against NSWPF officers investigated outside of their local area command. The Commission also formed the view that impending changes to the overall complaints system, namely the removal of complaint categories, would render this arrangement redundant because complaints to which it applied would no longer exist in a discrete category.

The Commission offered its endorsement for the introduction of CARA following a successful trial which was oversighted by the Ombudsman's Office and on the basis that further reviews would be conducted following its implementation. On 1 March 2007, CARA was rolled out across the NSWPF.

The CARA process is a risk assessment tool used by NSWPF commands and is applied in two stages. In the first stage, with the aid of criteria, commands assess whether there are risks associated with retaining a complaint for investigation. Included in this is a consideration of whether there are, at command level, conflicts of interest that might adversely affect the integrity of an investigation.

The second stage of the CARA process requires the officer allocated to investigating the complaint to assess whether there are any conflicts of interest, or other, risks that might preclude their

[21] Special Report to Parliament, Project Dresden - An Audit of the Quality of NSW Police Service Internal Investigations, April 2000.

involvement in the investigation.

In the 2007–08 financial year the Commission, in conjunction with the NSWPF and the Ombudsman's Office, undertook a review of a sample of complaints drawn from local and specialist commands throughout the NSWPF. The review examined compliance with the process, the quality of decision making by commands, and the extent to which conflict of interest and other risks had been satisfactorily identified, documented and subsequently managed. At the end of the 2007–08 financial year a report on this review was being prepared.

Police Corruption Education and Prevention Programs

One of the Commission's functions under section 14(c) of the Act is:

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

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

The Commission also reports on its performance by identifying staff contributions to corruption prevention groups, programs and meetings or conferences.

Corruption Prevention Groups

During the 2007–08 financial year the Commission's Principal Analyst served as an ex-officio member of the Corruption Prevention Network (CPN) organising committee. The CPN is a collective of practitioners and interested parties operating as a self-help group to share information and experiences in dealing with the challenges of corruption prevention. While initially the CPN was comprised of NSW state and local government fraud and corruption prevention practitioners, it now welcomes the participation of anybody who is interested in preventing fraud and corruption, regardless of the sector where they work or their geographical location. The CPN operates through an organising committee of elected volunteer public officials and non-voting nominees from central and watchdog agencies. The CPN offers awards to organisations each year to recognise and encourage excellence and ongoing development in corruption prevention and to share good practice. The Commission representative is one of the judges for these awards.

Corruption Prevention Programs

Independent Commission Against Corruption's, Rural and Regional Outreach Program

The Commissioner continued his participation in the Independent Commission Against Corruption's (ICAC) Rural and Regional Outreach Program (RAROP) held in the Hunter Valley in November 2007 and March 2008.

RAROP is designed to raise understanding of corruption risks, provide practical corruption prevention information and give advice on how to report corrupt activities to regional areas.

The Commissioner addressed a breakfast of community leaders, on both occasions explaining the work and functions of the Commission.

The Corruption and Anti-Corruption Executive Program 2007

During the 2007–08 financial year the Commission funded scholarships for two NSWPF officers to attend the Corruption and Anti-Corruption Executive Program (Executive Program) run by the Australian National University (ANU) Crawford School of Economics and Government. The course gave the scholarship recipients an opportunity to increase their understanding of corruption and practical strategies for investigation and prevention.

The two scholarship recipients participated in the Executive Program in October and November 2007. Both recipients completed workplace projects that focused on corruption prevention risks in the NSWPF. One recipient examined potential corruption risks for NSWPF officers working in rural areas while the other considered the corruption risks associated with NSWPF officers participating in secondary employment.

Corruption Prevention Conferences or Meetings

Australian Public Sector Anti-Corruption Conference (APSAC) 2007

The Commission was a conference partner for the inaugural APSAC conference held in Sydney in October 2007. The conference was an opportunity for public officials to receive information on the latest in anti-corruption trends and strategies and to network with Australian and international public sector peers and leaders.

The Commissioner also contributed by being a member of two discussion panels, which responded to questions on the challenges associated with preventing and managing police misconduct and the role of oversight bodies.

Presentation on strengthening the preventative capacity of anti-corruption agencies at a meeting of the Network of Anti-Corruption Agencies, Portugal

The Commission's Principal Analyst was invited to speak at the Second Meeting of the Network of Anti-Corruption Agencies (ANCORAGE-NET) held in Lisbon in May 2008. The theme of this workshop was *Empowering Anti-Corruption Agencies: Defying Institutional Failure and Strengthening Preventive and Repressive Capacities.*

The workshop was designed as a forum for academics and practitioners in the fields of anti-corruption and fraud to exchange experiences and knowledge of the role, powers and activities of anti-corruption agencies. This workshop considered possible ways of empowering anti-corruption agencies in terms of institutional reform, strengthening their repressive and preventative capacity.

The Commission's Principal Analyst spoke on the topic of strengthening the preventative capacity of anti-corruption agencies by boosting research capabilities and the role that research plays in the life of anti-corruption agencies. Approximately

60 participants from 25 countries attended this workshop. While the majority of these participants came from European anti-corruption agencies, there were also representatives from the United Kingdom, Africa, Asia, North and South America, and Australia.

Working with Other Agencies

During the 2007–08 financial year the Commission met with the NSWPF to discuss:

- the development of the NSWPF early identification and intervention systems
- a review of the NSWPF complaints process
- complaints received by the NSWPF Professional Standards Command in relation to NSWPF officers.

The Commission also met with international delegates from the:

- Anti-Corruption Agency, Malaysia
- Supreme People's Procuratorate, China
- Iraq Commission on Public Integrity (CPI)
- Independent Police Conduct Authority, New Zealand.

Other meetings were also held with the following state and federal government bodies:

- Office of Police Integrity, Victoria
- Parliamentary Crime and Misconduct Commission, Queensland
- Australian Crime Commission
- Corruption and Crime Commission, Western Australia.

Integrity Reports

Prior to appointing a person to a NSWPF executive or non-executive police officer position, the Commissioner of Police is required to make inquiries 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 inquire as to the integrity of a person proposed for appointment to a NSWPF non-executive administrative position. The Commission is authorised, but not required to furnish a report in relation to such an inquiry. In all cases, the Commissioner of Police is required to have regard to the contents of any report provided by the Commission, as well as any other information that comes to the Commissioner's attention as to the person's integrity.

During the 2007–08 financial year, the Commission provided 578 reports in response to requests received from the NSWPF regarding the integrity of officers nominated for appointment by way of promotion, compared with 607 the previous year.

The Commission also provided reports in response to 84 requests from the NSWPF regarding the integrity of officers for reasons other than that of consideration for promotion, and provided 68 responses to requests from other agencies considering current or former NSWPF officers for employment.

7 Tracking Commission Recommendations

Introduction

Under section 99(2)(c) of the *Police Integrity Commission Act* 1996 (the Act), the Commission is required to include in each Annual Report an evaluation of the responses by the Commissioner of Police, or senior police executives, to the Commission's findings and recommendations. The purpose of this section is to provide an evaluation of the responses of the NSWPF to the Commission's recommendations.

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

Tracking Recommendations

Operation Abelia

During the 2007–08 financial year the Commission continued to monitor NSWPF progress in the implementation of Operation Abelia recommendations. As described in previous Annual Reports, Operation Abelia combined misconduct investigations and hearings with detailed national and international research to provide a better understanding of the nature of the problem of illegal drug use by some NSWPF officers and what can be done to minimise such illegal drug use. The Commission made 64 recommendations in its Operation Abelia report, which it presented to Parliament in September 2005.

Due to the large number of recommendations, this progress report has been abbreviated. A complete listing of the recommendations and the codes used to describe them can be found on pages s-31 to s-42 of the Commission's *Operation Abelia: Research and investigations into illegal drug use by some NSW Police officers. Volume 1: Summary Report,* which can be found on the Commission's website: www.pic.nsw.gov.au.

Overview of Progress

The NSWPF accepted 54 of the Commission's 64 recommendations, either as drafted or with minor variations. Progress has been made in the implementation of these recommendations during the 2007–08 financial year. Of the 54 recommendations that the NSWPF has accepted, at 30 June 2008:

- 39 have been implemented (compared to 25 recommendations considered implemented at the end of the 2006–07 financial year)
- nine have been partly implemented (compared to 22 at the end of the 2006–07 financial year)
- five which were able to be implemented have yet to be implemented (compared to three at the end of the 2006–07 financial year)
- one was not able to be implemented at this time because its implementation is dependent upon the prior implementation of other recommendations (compared to four at the end of the 2006–07 financial year).

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

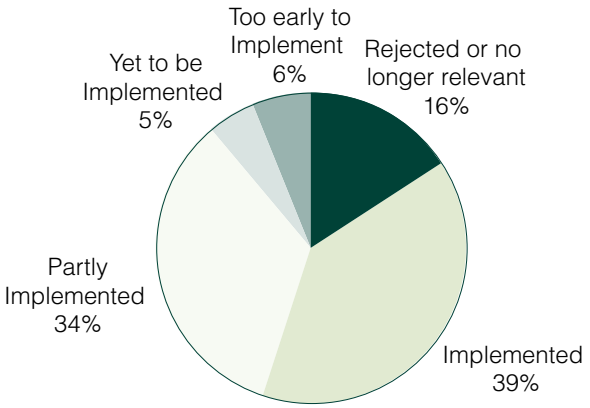
- it should continue to arrange assistance in the form of rehabilitation, counselling and/or relapse prevention for officers who come forward for help concerning their illegal drug use (Recommendation SR 1)
- it should conduct a 12-month trial of the use of drug testing based on the analysis of hair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

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

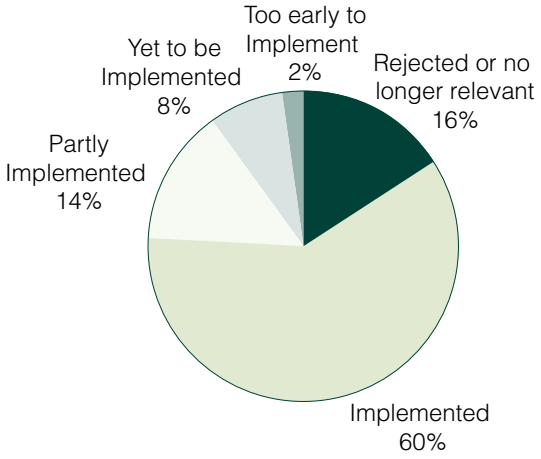
Figure 7.1 provides a comparison of the implementation status of the 64 recommendations at the beginning of the 2007–08 financial year with their implementation status at the end of the same financial year.

Figure 7.1: Operation Abelia recommendations: Change in implementation status from the beginning to the end of the financial year

Implementation status as at 1 July 2007



Implementation status as at 30 June 2008



Key Developments During 2007–08

As foreshadowed in last year's Annual Report, educational material in the form of a Mandatory Continuing Police Education (MCPE) package to promote the new Drug and Alcohol Policy was finalised and delivered during the 2007–08 financial year.

In addition to promoting the contents of the Drug and Alcohol Policy and the effects of the legislative changes, this education package included information relevant to a range of Operation Abelia recommendations. In particular, the MCPE included information concerning how illegal drug use can compromise an officer's position (Recommendation SR 2), what officers should do if they suspect illegal drug use by a fellow officer (Recommendation ETC 3), the effects of different illegal drugs (Recommendation ETC 4), and what officers should do if they suspect that they have accidentally ingested illegal drugs (Recommendation M 4). The MCPE also included information that promotes awareness of the NSWPF random drug testing program (Recommendation RDT 1) and the Code of Behaviour (Recommendation CoB 2).

In response to the Commission's recommendation that the NSWPF provides additional information to potential applicants to discourage those who may be unsuitable from applying, the NSWPF has designed, printed and disseminated a brochure for potential applicants. Among other things this brochure provides information about how applicants can expect employment with the NSWPF to change their off-duty life and about NSWPF values and expectations of ethical standards to be met by its officers (Recommendation R 1).

The Year to Come

Despite the progress that has been made to date, it is important to recognise that significant recommendations still remain to be implemented. Four of the recommendations yet to be implemented concern training or protocols associated with targeted drug testing, including:

- training on the uses and limitations of drug testing for those who are responsible for determining whether officers should be the subject of a targeted drug test (Recommendation TDT 1) as well as the provision of training on the content and form of information to be recorded when they consider whether or not to conduct a targeted drug test (Recommendation TDT 6)
- finalisation of revised Targeted Drug Testing Protocols (Recommendation TDT 2) and the associated finalisation of procedures and accountability systems in relation to recall-to-duty targeted drug testing prior to the introduction of such testing (Recommendation TDT 9).

Another of the recommendations yet to be implemented concerns equipping supervisors of all ranks to better understand the overlap and differences in the responsibilities assigned to them under the various NSWPF policies and procedures that are relevant either to early intervention (that is, minimising the likelihood of some circumstances that may trigger illegal drug use) or to possible responses when illegal drug use is suspected (Recommendation SS 1). A few examples of these policies and procedures include: the Drug and Alcohol Policy, the Psychological Wellbeing of Staff Policy, the Occupational Health and Safety Policy and the Rehabilitation Policy.

The majority of the other recommendations that have yet to be implemented pertain to evaluating the effects of the introduction of new procedures and reporting on these evaluations.

The Commission will continue to monitor NSWPF progress in its implementation of the remaining recommendations.

Counter-Terrorism Policing – Managing the Misconduct Risks

In 2006 the Commission undertook an assessment of the nature of the work undertaken by the NSWPF Counter Terrorist Co-ordination Command (the CTCC) and the management of any misconduct risks associated with this work. The Commission's assessment was finalised and provided to the Parliamentary Committee on 29 September 2006. This assessment provided a suggested way forward which, broadly speaking, had three components:

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

Since the time of the initial assessment, the unit undertaking the work of the former CTCC has been renamed. It is currently called the Anti-Terrorism & Security Group (AT&SG).

As reported last year, the Commission was pleased with the changes made to the AT&SG's Induction Package and associated induction process to acknowledge the special misconduct risks faced by officers undertaking counter-terrorist policing and dignitary protection. At the end of the 2006–07 financial year, the Commission said that it would continue to monitor:

- the AT&SG's corruption resistance planning in relation to strengthening its capacity to identify and respond to current and future misconduct risks
- the formal oversight from beyond the command.

Corruption Resistance Planning

In its assessment, the Commission provided guidance concerning the preparation of a documented misconduct risk management plan. This guidance identified six elements of the misconduct risk management strategy which should be documented.

In response, having accepted the need to prepare a documented misconduct risk management plan, the AT&SG has now developed and revised its Corruption Resistance Plan. This document, which is dated 30 June 2008, was received by the Commission in July 2008.

The Corruption Resistance Plan does not explicitly mention the two misconduct risks that the Commission had identified as requiring some form of special management, namely "inappropriate targeting" and "maintaining files on those who are unlikely to pose a threat of politically motivated violence". However, subsequent further inquiries with the AT&SG have revealed that supporting documentation for the Corruption Resistance Plan contains assessments of these risks and identifies strategies for managing them. The NSWPF has confirmed that these strategies have been implemented and are subject to external audit.

The Commission considers this a satisfactory variation and considers this recommendation implemented.

Oversight From Beyond the Command

In July 2007, the former Commissioner of Police advised the Commission that the NSWPF proposed to initiate a process of regular, formal oversight of the practices and procedures of the AT&SG by the Deputy Commissioner, Specialist Operations:

> *The Deputy Commissioner, Specialist Operations, will conduct an inspection and audit of the practices and procedures of AT&SG, including but not limited to the management of targeting, information retention and disposal. This will be done annually, or more frequently if the Commissioner so decides. The first inspection will be undertaken before the end of 2007. A plan for the first inspection and audit will be prepared and provided to you, and a report on the inspection and audit will likewise be prepared and provided to you. It is likely that as the result of the first inspection and audit, some refinement of the initial plan will be recognised as desirable and implemented accordingly. Again your Commission will be notified of any such change, or subsequent changes.*

The Commission has subsequently been advised that the (then) Organisational and Review Support Command of the NSWPF completed a review of the AT&SG in November 2007. The Commission received a copy of the plan for the review in mid-December 2007 and a copy of the review report in August 2008.

Based on consideration of this document, the Commission considers that the review methodology was appropriate, well focused and thorough.

The Commission is satisfied that the NSWPF has implemented this recommendation.

Operation Mallard

In December 2007 the Commission presented its Operation Mallard report to Parliament. In its report the Commission recommended that:

> consideration be given to the enactment of a provision in New South Wales that creates a statutory offence of the unauthorised release of confidential police information which would cover the situations disclosed during the course of the investigation.

The Commission has contacted the Ministry for Police for a progress report on implementing this recommendation.

As of 30 June 2008 the Commission had yet to receive a response to this recommendation.

8 Legal Matters

Introduction

This section reports on the Commission's use of legislative powers and provides information on legislative amendments affecting the Commission.

Witness Protection

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

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

Response to Subpoenas

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

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

Where the Commission is served with a subpoena falling outside these limited exceptions, the issuing party is invited instead to make an application to the Commissioner for the Police Integrity Commission to exercise his or her discretion to release information pursuant to section 56(4)(c) of the Act. Under that section, the Commissioner has a broad discretion to otherwise authorise the release of documents or information held by the Commission if satisfied that it is necessary to do so in the public interest.

Section 56(4) Disseminations

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

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

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

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

Law Reform

Police Amendment Act 2007

The Police Amendment Act 2007 addressed the remaining recommendations of the statutory review of the policy objectives and terms of the *Police Act* 1990, that being the Act establishing the NSWPF. The majority of the recommendations were dealt with in the 2006–07 financial year by the *Police Amendment (Miscellaneous) Act* 2006.

Minor amendments were made to the complaints provisions of the *Police Act* 1990, including an amendment to make it clear that complaints made directly to the Commission were not required to be entered into the complaints information system unless the Commission directed. This was intended to assist, where required, in protecting the identity of complainants.

Police Integrity Commission Amendment (Crime Commission) Act 2008

The *Police Integrity Commission Act* 1996 was amended so as to charge the Commission with oversight of the New South Wales Crime Commission ("NSWCC"). The amending legislation commenced on 1 July 2008.

The other functions of the Commission are extended to include the detection, investigation and prevention of misconduct within the NSWCC. Misconduct is broadly defined and encompasses conduct before or after the commencement of the Act, whether occurring on or off duty, and extends to persons who are no longer members of staff of the NSWCC.

So far as is practicable, the Commission is directed to turn its attention to matters of serious misconduct. Provision is made to permit the referral of more minor matters back to the NSWCC if the Commission considers it appropriate to do so.

The extensive powers available to the Commission to investigate misconduct by members of the NSWPF are available to deal with misconduct matters in relation to officers

of the NSWCC. It is also made clear that the secrecy provisions of the *New South Wales Crime Commission Act* 1985 will not impede an investigation by the Commission.

The amending legislation also requires the Commission to report on NSWCC matters separately in its Annual Report. The Commission will report on NSWCC matters in its 2008–09 Annual Report.

Surveillance Devices Act 2007

The *Surveillance Devices Act* 2007 (the SD Act) was passed during the 2007–08 financial year and commenced on 1 August 2008. The SD Act replaces the *Listening Devices Act* 1984 and regulates the use of tracking devices, optical surveillance devices and data surveillance devices as well as listening devices.

The SD Act implements national model legislation and simplifies the use of authorised surveillance devices in investigations which cross into participating states and territories.

The SD Act generally prohibits the use of any of the types of surveillance devices within its scope unless otherwise authorised to do so by law. The SD Act itself establishes a framework to regulate the use of surveillance devices by law enforcement agencies, including the Commission, by requiring that a warrant be obtained from either a judge of the Supreme Court or a magistrate (for the use of tracking devices only) to authorise use in most circumstances.

The use, communication or publication of information obtained from the lawful use of surveillance devices by law enforcement officers is also controlled, and will be limited to the purposes and circumstances set out in the SD Act. Law enforcement agencies are also obliged to destroy records and reports of such information when it is no longer required in connection with those purposes, except where those have been received into evidence in legal proceedings or disciplinary proceedings.

The Ombudsman is required to inspect the records of law enforcement agencies from time to time to determine the extent of compliance with the SD Act, and to report his or her conclusions to the Minister every six months.

Law Enforcement (Controlled Operations) Regulation 2007

This regulation remakes, with some minor amendments, regulations made under the *Law Enforcement (Controlled Operations) Act* 1997. Among other things, the regulation prescribes a code of conduct for controlled operations, the circumstances in which urgent applications may be made to conduct (or vary) a controlled operation, and the information to be included in reports on the conduct of controlled operations and in notices given to the Ombudsman under this Act.

Telecommunications (Interception and Access) Amendment Act 2007

The *Telecommunications (Interception and Access) Amendment Act* 2007 (the *Telecommunications Amendment Act*) implemented further recommendations made by the review of the regulation of access to telecommunications conducted by Mr Anthony Blunn AO.

Most significantly, the *Telecommunications Amendment Act* implemented the recommendation that there should be comprehensive and overarching legislation to deal with access to telecommunications data for security and law enforcement purposes.

Provisions permitting access to data (not being the content of a telecommunication) under the *Telecommunications Act* 1997 were reviewed and consolidated into the *Telecommunications (Interception and Access) Act* 1979. Amendments were also made so that access to such data on a historical or prospective basis was differentiated.

9 Governance and Accountability

Introduction

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

The Inspector, Police Integrity Commission

The Hon P J Moss QC was appointed as the Inspector of the Police Integrity Commission on 22 November 2006.

The principal functions of the Inspector[22] 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 2007–08 financial year with the Commissioner and the Commission Solicitor 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.

Further information on the Inspector can be found by accessing his website at: www.inspectorpic.nsw.gov.au

The Parliamentary Joint Committee

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

The Committee members are:

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

Interaction Between the Committee and the Police Integrity Commission

On 18 March 2008 the Commissioner together with senior staff from the Commission attended the tenth general meeting with the Parliamentary Joint Committee.

The meeting was held to review the 2005–06 and 2006–07 Commission Annual Reports.

The report from that meeting can be found at the Parliamentary website: www.parliament.nsw.gov.au.

The Commission also responded to questions on notice on two occasions during the 2007–08 financial year.

In April 2008 the Committee notified the Commission that it had commenced an inquiry into Early Intervention Systems (EIS) to identify officers at risk of corruption.

The Commission was invited to prepare a submission in relation to EIS, which it submitted to the Committee in June 2008.

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

Internal Governance

The Commission maintains a number of internal governance committees to monitor its day-to-day functions. The internal governance committees include:

Management Advisory Group/Executive Group

In May 2008 the Management Advisory Group (MAG) changed its name to the Executive Group (EG) to more accurately reflect the functions of the group.

The EG is comprised of the Commission's Executive:

- Commissioner (Chair) – Mr John Pritchard
- Director, Operations – Mr Andy Nattress
- Director, Prevention and Information – Mr Allan Kearney
- Commission Solicitor – Ms Michelle O'Brien

The Commission's Executive Officer, Mr John Renshaw is an advisor to the group. Secretariat support is provided by the Commissioner's Executive Assistant, Ms Cathy Healy.

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

Operations Advisory Group

The Commissioner, Director Operations, Director Prevention and Information and the Commission Solicitor meets every two to three weeks, and as required, to provide direction, and make decisions on investigations and research projects undertaken by the Commission.

Information Technology Governance Committee

The Information Technology Governance Committee (ITGC) is a group that meets quarterly to provide advice on information technology (IT) projects and purchasing decisions.

The ITGC is comprised of the EG with the addition of the Information, Communications and Technology (ICT) Manager, Mr Bill Sharpe and Manager, Records and Projects, Mr Digby Morrison.

Information Systems Steering Committee

The role of the Information Systems Steering Committee (ISSC) is to oversight the development and maintenance of the Commission's core ICT Management systems, ensuring the program of ICT applications development and enhancement work is aligned with business priorities.

The ISSC meets monthly, is chaired by the ICT Manager and is comprised of a mix of senior staff from various Commission business units. Supporting the ISSC are specific stakeholder groups convened on a project-by-project basis as required. Membership of the ISSC may change during the 2008–09 financial year subject to the outcomes of a review.

Budget Governance Committee

The Budget Governance Committee (BGC) is a group that meets quarterly to provide advice on the Commission's budget and to approve purchasing decisions.

The BGC is comprised of the EG with the addition of the Manager Finance, Ms Christina Anderson.

Internal Audit Committee

During the 2007–08 financial year the Internal Audit Committee met on one occasion and agreed to reconstitute the Committee to be consistent with the better practice framework identified by the NSW Department of Premier and Cabinet's report *Performance Review, Internal Audit Capacity in the NSW Public Sector.*

The Committee also endorsed a decision by the Commissioner to engage Deloitte Touche Tohmatsu (Deloitte) to undertake a strategic risk assessment of the Commission.

In the 2008–09 financial year the reconstituted Committee will review the Deloitte report and if necessary make recommendations to the Commission's EG.

Significant Committees

Protected Disclosures Act 1994 Implementation Steering Committee

The *Protected Disclosures Act* 1994 Implementation Steering Committee was established by the Premier, following the enactment of the *Protected Disclosures Act* 1994, to develop strategies to implement that Act more effectively across the NSW public sector.

The Steering Committee is comprised of representatives from the Independent Commission Against Corruption (ICAC), the Office of the NSW Auditor General, the Ombudsman, the Cabinet Office, the Department of Local Government, the NSWPF, the Premier's Department and the Commission. The Commission is represented by the Manager, Assessments and Research (Mr Peter Barnett). The Implementation Steering Committee met on one occasion during the 2007–08 year.

10 Appendices

APPENDIX 1

PRESCRIBED ANNUAL REPORTING REQUIREMENTS (Statutory and Departmental)

Annual Report Act

Industrial Relations

In the 2007–08 financial year the Police Integrity Commission Division continued to operate as an employing entity under the provisions of the Public Sector *Employment Legislation Amendment Act* 2008. Commission employees are deemed to be employees of the Crown under Chapter 1A of the *Public Sector Employment and Management Act* 2002 (PSEMA). As a "Special Employment Division" under the PSEMA, the Commission continued to employ staff as other than public servants on the basis of individual Employment Agreements usually of a three-or-five year duration.

Minor organisational restructuring was undertaken by the Commission throughout the 2007–08 financial year. The restructuring focused on consolidating the Finance, Human Resource and Administration responsibilities of the Commission. Through these initiatives, the Commission was able to meet its obligations in relation to the NSW Government's Reduce 5000 non-frontline positions initiative. The Commission's contribution to this whole-of-government initiative will ultimately see a reduction of seven positions from the establishment structure between June 2005 and June 2008.

Despite the organisational restructuring processes that were undertaken, there were no industrial relations issues that impacted upon the Commission's operations.

Personnel Policies

A comprehensive review of a wide range of Commission Personnel Policies was undertaken throughout the 2007–08 financial year.

- The Commission's Code of Conduct was reviewed and updated. Upon completion of the review, compulsory training was provided for all staff.
- The new Code of Conduct was unveiled alongside newly created policies relating to the management of gifts and benefits, and conflicts of interest.
- A new Performance Management system has been developed and it forms the basis of the newly created Performance Review, Feedback and Management Policy. The new Performance Management system is designed to bring consistency to the process across the organisation and will be implemented in the 2008–09 financial year.
- A new Training, Study Leave and Employee Development Policy has also been developed with a view to placing more emphasis on matching skills gaps with approved training and development options. This policy will be implemented in the 2008–09 financial year.
- A new Discrimination, Harassment and Bullying Policy has also been developed to ensure that the Commission continues to meet its corporate obligations in these important areas. Compulsory training based around the new policy will be provided to all staff in the 2008–09 financial year.

Important progress has been made in updating and maintaining a large number of corporate personnel policies in the 2007–08 financial year.

Table 11: Staff Movement 2007–08	
No. staff commenced employment	**No. staff ceased employment**
14	10

Exceptional Movements in Wages and Salaries

There were no exceptional movements in wages and salaries during the 2007–08 financial year.

Executive Remuneration – Level 5 and above

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

The Commissioner's remuneration is set by the Statutory and Other Officers Remuneration Tribunal, which, for the 2007–08 financial year, was $375,195 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 2007–08 financial year no persons were employed by the Commission in executive positions under the PSEMA.

With the exception of the Commissioner, all members of the Commission's Executive, whose names are shown in Chapter 9 Governance and Accountability, were employed under a private contract, the terms of which provide for regular performance assessment.

Assistant Commissioners

Pursuant to section 8 of the Act the Commissioner has continued the appointment made by the former Commissioner of Mr Andy Nattress, Director, Operations, as an Assistant Commissioner. Pursuant to section 11 of the Act Mr Nattress has delegated to him certain functions and powers in his capacity as an Assistant Commissioner such as is appropriate and desirable for the performance of his duty, other than those functions referred to in section 11(5) of the Act, and any other such functions as may be prescribed by the regulations for the purpose of section 9 of the Act. That appointment and associated delegation continues in order to assist the Commissioner with the discharge of the Commission's functions and exercise of powers.

During the 2007–08 financial year the Commissioner also appointed Ms Michelle O'Brien, Commission Solicitor, as an Assistant Commissioner for the period between 5 June 2008 and 24 June 2008 and had delegated to her those functions referred to in section 11(4) of the Act which may be delegated only to an Assistant Commissioner who has special legal qualifications. This delegation was to cater for a period of leave by the Commissioner.

Training and Development

The Commission provided a broad range of training and development opportunities to staff throughout the 2007–08 financial year. Training covered specialist areas including:

- Telecommunications Interception Systems
- Advanced Surveillance Program
- Statistical Analysis
- Project Management
- Risk Management
- Freedom of Information
- Intelligence Analyst Methodologies.

Generic training opportunities provided to staff throughout the 2007–08 financial year included:

- Occupational Health and Safety
- Writing Skills
- Complaint Handling
- Microsoft Outlook
- First Aid.

Support for tertiary-related study was provided to a total of 10 staff members continuing the Commission's commitment to providing assistance in career development through the pursuit of enhanced academic qualifications. The Commission's commitment to providing quality career development opportunities to its staff was further highlighted by the fact that 33 staff members were provided with an opportunity to act in higher duties positions during the 2007–08 financial year.

Occupational Health and Safety

During the 2007–08 financial year, three workplace accidents/incidents were reported. Of the three accidents/incidents, one resulted in a total of four lost working days. None of the accidents/incidents were serious in nature nor did any require instant remedial action. The time-loss accident was related to a repetitive strain type injury and arrangements are being made to conduct an ergonomic assessment of the individual's workplace.

The Occupational Health and Safety (OH&S) Committee has undergone a number of personnel changes and a total of four new members are awaiting formal OH&S Committee training. Highlighting the Commission's proactive approach to its OH&S obligations was the purchase of a number of defibrillators to protect staff in the event of unexpected life-threatening situations arising.

The Commission has also met its reporting responsibilities with respect to the requirements of the NSW Government's "Working Together: Public Sector OHS and Injury Management Strategy". There were no OH&S related prosecutions under the *Occupational Health and Safety Act* 2000 during the 2007–08 financial year.

Code of Conduct

The Commission's Code of Conduct (Code) was the subject of a comprehensive review in the 2006–07 financial year. The new Code was distributed to Commission staff in November 2007 and supported by a compulsory training program in November 2007 and February 2008.

A copy of the Code can be found on the Commission's website at: www.pic.nsw.gov.au.

Disability Action Plan

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

The Disability Action Plan also commits the Commission to ensuring that staff have access to relevant education and training in relation to awareness of disability related issues within the workplace. Constant review of complaints procedures ensures that they remain relevant when dealing with people with a disability.

NSW Government Action Plan for Women

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

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

Number of Employees

Table 12: Number of officers and employees by category and comparison to previous three years

	2005	2006	2007	2008
Statutory appointments	1	1	1	1
Executive appointments[23]	2	2	3	3
Female executive appointments	0	0	1	1
Operational staff	74	74.8	75.6	76.2
Support staff	24	25	24	23.2
Total	101	102.8	104.6	104.4

Information Communication and Technology Management

During the 2007–08 financial year a review of the Information, Communication and Technology (ICT) Customer Services Desk function and workload was undertaken to improve the alignment of the team with the priority needs of the Commission. The outcome was an adjustment to the roles and responsibilities of the team, reflecting an increased commitment to ICT training and an increased allocation of resources to ICT infrastructure development and administration. Following a successful pilot on the development of an intelligence database further work has been undertaken over the last 12 months on the enhancement of the Investigation-Intelligence Business Systems suite. Significant resources were also committed to Web-technology projects to address both internal and outward-facing information management needs.

Achievements over the period include:

- Delivery of the first phase of the iNTELL2 project along with the provision of training to the investigators, operational analysts and selected members of the Assessments and Research team.
- The implementation of a new Commission website in October 2007; the site incorporates a new graphical design, provides functional enhancements and has been developed in accordance with the NSW Government Website Style Directive.
- The implementation of a new website for the Inspector of the Police Integrity Commission in May 2008. The site complies with the Government's Style Directive and is externally hosted by a commercial provider, thereby enabling independent operation and management by the Inspector's Office.
- The development and implementation of a Commission Intranet to enhance internal communication and access to, and dissemination of information.
- The deployment (via the Intranet) of a staff self-service module that provides for the online submission and approval of leave applications as well as giving staff the ability to update/

[23] In 2007 the definition for the Commission's Executive changed to include the Commission Solicitor. This resulted in an increase in the number of Executive appointments from two in 2006 to three in 2007. A definition for the Commission's Executive can be found in Chapter 9 Governance and Accountability.

maintain their personal details held in the HR/ Payroll system.

- The enhancement of the Commission network infrastructure to address security requirements associated with the implementation of new Telephone Interception and Electronic Surveillance Product Management applications; enhancements include specific security upgrades to enable the development of secure remote access solutions to meet a range of requirements from various Commission business units.
- Working in conjunction with staff from the NSWPF, a new COPS network access solution has been implemented that enables selected Commission staff to access COPS directly from their desks.
- The provision of the Police Oversight Data Store (PODS) system maintenance and ongoing product management services to the Ombudsman's Office and the NSWPF.

Plans for the 2008–09 financial year include a range of initiatives to further enhance Investigation-Intelligence applications and upgrade client access facilities. Additionally, the Commission will be determining its ICT asset replacement strategy spanning the next three years.

Major Works

The Commission did not undertake major works during the 2007–08 financial year.

Delivery of Electronic Services

The Commission launched its re-designed website in October 2007. The new site provides additional electronic services and improves the internal mechanisms employed to manage content. During the 2007–08 financial year, the Commission's website attracted 86,545 visitors - an average of 236 per day. This figure represents an increase of 14.9% over the 2006–07 financial year.

Financial Services

Audits

The Audit Office of NSW was engaged to carry out an audit of the 2007–08 Financial Statements of both the Police Integrity Commission and the Police Integrity Commission Division. Copies of the Independent Audit Reports appear with the Financial Statements in Appendix 7.

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

The Commission was not required to pay interest to creditors due to late payment of accounts during the 2007–08 financial year.

Table 13: Aged analysis at the end of each quarter 2007–2008

Qtr	Current (ie within due date)	Less than 30 days overdue	Between 30 and 60 days overdue	Between 60 and 90 days overdue	More than 90 days overdue
	$	$	$	$	$
Sept	87,661	35,173	10,856	3,264	0
Dec	78,174	110,064	8,905	0	3,339
March	150,512	58,722	269	0	0
June	172,775	15,244	0	0	0

Table 14: Accounts paid on time within each quarter 2007–08

Qtr	Total Accounts Target	Paid On Time Actual	Total Accounts Paid	Paid On Time
	%	%	$	$
Sept	85	86.1	5,876,053	5,764,280
Dec	85	88.2	7,368,374	7,276,779
March	85	86.5	6,247,912	6,057,128
June	85	87.6	8,127,949	7,900,944

Statutory Reporting

The Commission and Division Financial Statements for 2007–08 were prepared and submitted to the Audit Office of NSW within the required timeframe.

Consultants

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

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

Table 15: Consultants

Area of consultancy	Amount ($)
Management Services	5,880
Organisational Review	4,200
Operational	4,000
TOTAL	**14,080**

Land Disposal

The Commission does not hold any real property.

Insurance

Insurance during the 2007–08 financial year was undertaken through the NSW Treasury Managed Fund Scheme – self-insurance for government agencies. This insurance cover includes property, public liability and workers compensation.

The fund manager sets the premiums paid by the Commission in direct relation to the number of claims made by the agency during the previous year. The insurance premium has reduced this financial year reflecting the low level of claims made by the Commission.

Disclosure of Controlled Entities

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

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

The Office of Police Integrity Commission is regarded as the employer for Fringe Benefits Tax purposes. No Financial Statements have been prepared for the Office.

Credit Card Certification

The Commission has a Corporate Credit Card Policy, which meets NSW Treasury guidelines and Treasurer's Direction 205.01. Card holders are required to observe the policy and submit a signed acquittal form each month.

It is certified that credit card usage by Commission officers has been in accordance with the appropriate government policies, Premier's Memoranda and Treasurer's Directions, and meets best practice guidelines. There were no known instances of misuse of credit cards during the 2007–08 financial year.

Major Assets

The Commission did not purchase or commit funds to new major assets during the 2007–08 financial year.

Risk Management and Internal Control

The Internal Audit Committee is responsible for the management of risk and for auditing internal controls. For further information please refer to the "Internal Audit Committee" section in Chapter 9 Governance and Accountability.

Energy Management Plan

Consistent with NSW Government requirements, the Commission has an ongoing contract with its energy supplier to provide six per cent 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 Management

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

The Commission continues to use paper containing at least 80 per cent of recycled content.

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

- recycling all paper, toner cartridges and other items where recycling is possible
- continuing the use of photocopiers capable of double-sided copying
- using re-manufactured toner cartridges
- printing corporate and other stationery on recycled paper
- donate unwanted goods to charities and obsolete equipment to recycling facilities

Overseas Visits

The following Commission staff travelled overseas on official business during the 2007–08 financial year.

Table 16: Overseas Visits

Officer	Destination	Purpose	Cost
Manager, Physical Surveillance Unit	UK	International Surveillance Group Conference	$7,198
Principal Analyst	Portugal	Anti-Corruption workshop	Nil

Assumed Identities

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

Section 12 requires that an agency report in its Annual Report details relating to assumed identity approvals granted, varied or revoked for the relevant reporting period. The results of the most recent audit of assumed identity records, as reported to the chief executive officer of the agency, must also be reported so far as they "disclose any fraudulent or other criminal behaviour". The audit of assumed identities records for the 2007–08 financial year did not disclose any fraudulent or other criminal behaviour.

Table 17: Assumed Identities The results of the annual audit for 2007–08:		
Assumed Identities		
Granted	Revoked	Varied
8	6	2

Eight Assumed identity applications were granted and allocated to the following duty types:

Granted Assumed Identities – (Duty Type)		
Surveillance	Investigations	Administrative
5	1	2

Privacy Management

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

During the 2007–08 financial year, no internal reviews were applied for or undertaken in relation to those Commission functions to which the *PPIP Act* applies.

APPENDIX 2

STATUTORY ANNUAL REPORTING REQUIREMENTS (*Police Integrity Commission Act* 1996)

Relevant sections of the *Police Integrity Commission Act 1996*	Relevant section in 2007–08 Annual Report	Relevant pages in 2007–08 Annual Report
Section 99(2)(a) description of the types of matters that were referred to the Commission	Chapter 4, Assessing Information and Complaints	Page 16
	Appendix 3, Types of Allegations Raised in Complaints against Sworn and Unsworn Officers	Page 62
Section 99(2)(b) a description of the types of matters investigated by the Commission	Chapter 5, Investigating Serious Police Misconduct	Page 22
Section 99(2)(c) an evaluation of the response of the Commissioner of Police, relevant members of the Police Service Senior Executive Service and other relevant authorities to the findings and recommendations of the Commission	Chapter 7, Tracking Commission Recommendations	Page 41
	Appendix 5, Prosecutions in 2007–08 Arising from Commission Investigations	Page 66
Section 99(2)(d) any recommendations for changes in the laws of the State, or for administrative action, that the Commission considers should be made as a result of the exercise of its functions	Chapter 7, Tracking Commission Recommendations (Operation Mallard)	Page 45
Section 99(2)(e) the general nature and extent of any information furnished under the *Police Integrity Commission Act* 1996 by the Commission during the year to a law enforcement agency	Chapter 5, Investigating Serious Police Misconduct	Page 22
Section 99(2)(f) the extent to which its investigations have resulted in prosecutions or disciplinary action in that year	Chapter 5, Investigating Serious Police Misconduct	Page 22
	Appendix 5, Prosecutions in 2007–08 Arising from Commission Investigations	Page 66
Section 99(2)(g) the number of search warrants issued by authorised justices and the Commissioner respectively under this Act in that year	Appendix 4, Statistical Data on the Exercise of Commission Powers	Page 64
Section 99(2)(h) a description of its activities during that year in relation to its education and advising functions	Chapter 6, Preventing Serious Police Misconduct	Page 31

APPENDIX 3

TYPES OF ALLEGATIONS[24] RAISED IN COMPLAINTS AGAINST SWORN OR UNSWORN OFFICERS

Allegation	Sworn Officers	Unsworn Officers
Attempt to pervert the course of justice	45	2
Pervert the course of justice	30	0
Mislead the court	9	0
False accusation	31	1
Collusion between police witnesses	12	1
Fabrication of evidence	15	0
Make false statement	13	0
Perjury	9	0
Lied during proceedings etc	46	1
Withholding or suppression of evidence	17	1
Corrupted a witness	1	0
Deceived a witness	1	0
Prevented witness from providing statement	0	0
Forced confessions	3	0
Tampering with or destroying evidence	12	1
Improper interference in an investigation	38	1
Inappropriate prosecution / misuse prosecution power	10	0
Misuse authority	112	4
Bribery	35	0
Protection of persons involved in drugs	78	1
Improper association	143	5
Theft / misappropriation (more than $5000)	7	1
Manufacture / cultivate / supply drugs	54	0
Homicide	6	0
Sexual assault	17	0

[24] There may be a number of allegations in a single complaint.

Allegation	Sworn Officers	Unsworn Officers
Child sexual abuse or paedophilia	9	0
Offence punishable by maximum 5-year sentence	47	1
Unauthorised improper disclosure of information	137	8
Fail to investigate offence by another officer	24	2
Assault including malicious wounding and GBH	0	0
Complaints containing other allegations[25]	403	17
Telephone calls not broken down by allegation	340	1
TOTAL	**1704**	**48**

[25] Less serious allegations including customer service issues.

APPENDIX 4

STATISTICAL DATA ON THE EXERCISE OF COMMISSION POWERS

The following table indicates the frequency with which the Commission exercised its various powers in 2007–08, compared with the two previous reporting years.

FUNCTIONS	YEAR ENDING 30 JUNE 2008	YEAR ENDING 30 JUNE 2007	YEAR ENDING 30 JUNE 2006
Under *Police Integrity Commission Act 1996*			
s 16 —Establishment of task forces within the state	NIL	NIL	NIL
s 25 —Requiring public authority or public official to produce a statement of information	47	6	12
s 26 — Requiring a person to attend before an officer of the Commission and produce a specified document or other thing	338	278	406
s 29 —Commission may authorise an officer of the Commission to enter and inspect premises etc	NIL	2	NIL
s 32 and s 33 — Hearing days: • public • private	 3 42	 4 38	 3 40
s 38 —Commissioner may summon a person to appear before the Commission and give evidence or produce documents or other things	62	54	68
s 45(1) — Authorised justice may issue a search warrant	NIL	1	NIL
s 45(2) —Commissioner may issue a search warrant	NIL	NIL	NIL
s 50 — Number of warrants obtained under *Listening Devices Act 1984*	10	43	25
Under *Law Enforcement (Controlled Operations) Act 1997*			
Applications granted by Commissioner for authority to conduct controlled operations	NIL	2	13
Applications granted by Commissioner for variation of authority to conduct controlled operations	NIL	NIL	3
Under *Law Enforcement (Assumed Identities) Act 1998*			
Applications of assumed identity approvals granted	8	6	1
Applications of assumed identity approvals revoked	6	6	2

FUNCTIONS	YEAR ENDING 30 JUNE 2008	YEAR ENDING 30 JUNE 2007	YEAR ENDING 30 JUNE 2006
Under *Telecommunications (Interception) Act* 1979			
Warrants issued for the interception of communications	91	40	51
Warrants issued for access to stored communications	3[26]	n/a	n/a
Under *Protected Disclosures Act* 1994			
Complaints received by the Commission that constitute Protected Disclosures	35	46	27

[26]In 2006 amendments to the *Telecommunications (Interception and Access) Act 1979* gave agencies conducting investigations into serious offences the authority to access information stored by telecommunications carriers on their networks. The Commission made use of these provisions for the first time in 2007–08.

APPENDIX 5

PROSECUTIONS IN 2007–08 ARISING FROM COMMISSION INVESTIGATIONS

PROSECUTIONS BY POLICE INTEGRITY COMMISSION

Name	Charge(s)	Status/Result
Rafiq AHMED*	1 x s 178BB *Crimes Act 1900* Obtain a financial advantage by making a false statement	4/08/08 & 6/08/08 Summary hearing in Downing Centre Local Court (carried over from 4/04/08). Adjourned part- heard to 21/11/08.
Barry BLANCHETTE	1 x s 113(2) *Crimes Act 1900* Aggravated break & enter with intent 1 x s 344A(1) & 95(1) *Crimes Act 1900* Attempt aggravated steal from the person (alternative to s 113(2) charge) 1 x s 111(2) *Crimes Act 1900* Aggravated enter dwelling with intent (also alternative to s 113(2) charge)	10/07/08 Mentioned at Downing Centre Local Court. Set down for committal commencing 27/10/08.
Simonne DALY	1 x s 178BB *Crimes Act 1900* Obtain a financial advantage by making a false statement	Plea of guilty to recklessly obtain financial advantage. On 16/09/08 ordered to enter section 10 good behaviour bond for 12 months.
Wayne DIXON	8 x s 178BB *Crimes Act 1900* Obtain a financial advantage by making a false statement	Plea of guilty to four counts (remainder withdrawn). 16/10/07 Sentenced in Downing Centre Local Court to 7 months imprisonment, suspended on condition that DIXON enter into a good behaviour bond for a period of 7 months.
Samuel FOSTER*	1 x s 97(2) *Crimes Act 1900* Robbery whilst armed 3 x s 25(1) *Drug Misuse and Trafficking Act 1985* Supply prohibited drug 1 x s 25(1) *Drug Misuse and Trafficking Act 1985* Conspiracy to supply 1 x s 25(1) *Drug Misuse and Trafficking Act 1985* Attempt supply prohibited drug 1 x s 200(2)(b) *Police Act 1990* Corruption 5 x s 25(1) *Drug Misuse and Trafficking Act 1985* Supply prohibited drug charges still outstanding (expected to be dealt with by way of Form 1) 4 other charges have been withdrawn	Pleas of guilty to all charges and sentenced on 14/12/07 in Sydney District Court. In total, sentenced to 7½ years imprisonment, with a non-parole period of 5½ years. (Note: In addition to the charges arising from the Commission's investigation, some fraud matters relating to a NSWPF investigation were taken into account on Form 1.)

PROSECUTIONS BY POLICE INTEGRITY COMMISSION

Name	Charge(s)	Status/Result
David HOPES	1 x s 99(2) *Crimes Act 1900* Conspiracy to demand money with intent to steal 1 x s 319 *Crimes Act 1900* Pervert the course of justice 2 x s 249F *Crimes Act 1900* Aid and abet serious indictable offence 1 x s 178BA *Crimes Act 1900* Obtain financial advantage by deception 2 x s 346 *Crimes Act 1900* Accessory before the fact to serious indictable offence 1 x s 112(2) *Crimes Act 1900* Breaking etc into house and committing serious indictable offence 1 x s 95 *Crimes Act 1900* Steal in circumstances of aggravation (alternative to s 112(2) charge) 1 x s 111(2) *Crimes Act 1900* Enter dwelling/house with intent to commit serious indictable offence (alternative to s 112(2) charge)	10/07/08 Mentioned at Downing Centre Local Court. Set down for committal commencing 20/10/08.
Clarence IRWIN	1 x Conspiracy to pervert the course of justice (common law offence) 1 x s 328 *Crimes Act 1900* Perjury with intent to procure acquittal of person of serious indictable offence 2 x s 107 *Police Integrity Commission Act 1996* Give false evidence	02/09/08 Mentioned at Downing Centre Local Court. Set down for committal commencing 20/10/08.
Christopher JACKSON*	1 x s 35 *Crimes Act 1900* Maliciously inflict grievous bodily harm 1 x s 59 *Crimes Act 1900* Assault occasioning actual bodily harm (alternative to s 35 charge)	9/05/08 JACKSON discharged after summary trial at Wagga Wagga Local Court. Charges not proved.
Christopher LAYCOCK	6 x s107 *Police Integrity Commission Act* Give false or misleading evidence 2 x s112(2) *Crimes Act 1900* Aggravated break & enter and commit serious indictable offence 2 x s95(1) *Crimes Act 1900* Aggravated steal from the person (alternative to s.112(2) offences) 2 x s111(2) *Crimes Act 1900* Aggravated enter dwelling with intent 1 x s99(2) *Crimes Act 1900* Conspiracy to demand money with menaces 1 x s319 *Crimes Act 1900* Pervert the course of justice 1 x s113(2) *Crimes Act 1900* Aggravated break & enter with intent 1 x 114(1)(d) *Crimes Act 1900* Remain in building with intent to commit indictable offence (alternative to s 113(2) offence) 3 x s 249B(1) *Crimes Act 1900* Agent corruptly receive benefit 1 x s 179BA *Crimes Act 1900* Obtain money by deception	10/07/08 Mentioned at Downing Centre Local Court. Set down for committal commencing 27/10/08.

PROSECUTIONS BY POLICE INTEGRITY COMMISSION		
Name	**Charge(s)**	**Status/Result**
Vivian Rex LITTLE	1 x s 91H *Crimes Act 1900* Possess child pornography	24/06/08 Summary hearing in Downing Centre Local Court adjourned part-heard to 27/10/08.
Emile MATTAR*	1 x s 25(1)/26 *Drug Misuse and Trafficking Act 1985* Conspiracy to supply prohibited drug 1 x s 25(1) *Drug Misuse and Trafficking Act 1985* Supply prohibited drug	22/05/08 Found guilty of both offences (jury verdict) at Sydney District Court. Remanded in custody for sentencing on 26/09/08.
James MCCABE*	1 x s 97(2) *Crimes Act 1900* Robbery whilst armed 1 x s 25(2) *Drug Misuse and Trafficking Act 1985* Supply not less than commercial quantity	3/06/08 Plea of guilty in Sydney District Court to Robbery in company, with a Supply prohibited drug offence to be considered on schedule at sentencing. Sentenced on 01/09/08 to imprisonment for 3 years and 9 months with a non-parole period of 2 years and 3 months.
Darren MICHALSKI	1 x s 178BB *Crimes Act 1900* Obtain a financial advantage by making a false statement	14/08/08 Plea of guilty and sentenced in Downing Centre Local Court, $1000 fine and 12 month section 9 good behaviour bond.
Kim NADAZDY	1 x s 107 *Police Integrity Commission Act 1996* Give False Evidence	21/08/08 Mentioned at Downing Centre Local Court. Listed for further mention on 25/09/08.
Sandy NADAZDY	2 x s 319 *Crimes Act 1900* Pervert the course of justice 2 x s 178BA *Crimes Act 1900* Obtain financial advantage by deception	21/08/08 Mentioned at Downing Centre Local Court. Listed for further mention on 25/09/08.
Souma SAHYOUN	1 x Conspiracy to pervert the course of justice (common law offence) 1 x s 107 *Police Integrity Commission Act 1996* Give False Evidence	02/09/08 Mentioned at Downing Centre Local Court. Set down for committal commencing 20/10/08.
Jahangir SHAGAEV	1 x s 99(2) *Crimes Act 1900* Conspiracy to demand money with menaces 1 x s 249F *Crimes Act 1900* Aiding and abetting Agent corruptly receive benefit	10/07/08 Mentioned at Downing Centre Local Court. Set down for committal commencing 27/10/08.

PROSECUTIONS BY POLICE INTEGRITY COMMISSION		
Name	**Charge(s)**	**Status/Result**
Daniel RYAN	1 x s 300(2) *Crimes Act 1900* Use false instrument 5 x s 178BB *Crimes Act 1900* Obtain money by false or misleading statements 1 x s 109 *Police Integrity Commission Act 1996* Procure false testimony 1 x s 35 *Crimes Act 1914* (Cth) False testimony Family Court	2/11/07 Plea of guilty to s 35 offence (False Testimony) sentenced at Downing Centre Local Court to 12 months imprisonment. Sentence suspended on condition of RYAN entering into a 12 month good behaviour bond with a $1000 security. 7/12/07 Hearing at Downing Centre Local Court in relation to 2 x s 178BB offence. Not proved; charges dismissed. 12/11/07 Plea of guilty to 2 x s 178BB and 1 x s 300(2), sentenced at Downing Centre Local Court to 12 months imprisonment concurrent on each charge. Sentence suspended on condition of RYAN entering into a good behaviour bond. 7/04/08 Section 109 offence charge not proved; dismissed at Downing Centre Local Court. (Note: 1 count of Obtain Money by false or misleading statements - s 178BB - was withdrawn).
Ehab TAHA	3 x s 328 *Crimes Act 1900* Perjury with intent to procure acquittal of person of serious indictable offence	02/09/08 Mentioned at Downing Centre Local Court. Set down for committal commencing 20/10/08.

PROSECUTIONS BY POLICE INTEGRITY COMMISSION

Name	Charge(s)	Status/Result
Christopher WALKER	2 x s 112(2) *Crimes Act 1900* Aggravated break and enter and commit serious indictable offence 2 x s 95(1) *Crimes Act 1900* Aggravated steal from the person (alternative to s 112(2) charge) 3 x s 111(2) *Crimes Act 1900* Aggravated enter dwelling with intent (2nd count is an alternative to 2nd count of s 112(2)) 2 x s 249F(1) *Crimes Act 1900* Agent corruptly receive benefit 1 x s 178BA(1) *Crimes Act 1900* Obtain money by deception (alternative to s 249F(1) charge) 2 x s 113(2) *Crimes Act 1900* Aggravated break & enter with intent 1 x s 114(1)(d) *Crimes Act 1900* Remain in building with intent to commit indictable offence (alternative to s 113(2) charge) 1 x s 344A(1) & 95(1) of *Crimes Act 1900* attempt aggravated steal from the person (alternative to 2nd count of s 113(2)) 1 x s 61 *Crimes Act 1900* Common assault	10/07/08 Mentioned at Downing Centre Local Court. Set down for committal commencing 27/10/08.

* Denotes matters carried over from previous reporting period.

PROSECUTIONS BY NSW POLICE ON FOOT IN 2007–08 (evidence supplied in whole or in part by the Commission)

Name	Charge(s)	Status/Result
Mark SMITH*	3 x s 107 *Police Integrity Commission Act 1996* Give false evidence	For hearing in Sydney District Court on 15/09/08.
Stephanie YOUNG	1 x s 474.17 *Criminal Code 1995* (Cth) Using a carriage service to menace, harass or cause offence. 1 x s 13 *Crimes (Domestic and Personal Violence) Act 2007* Stalking or intimidation with intent to cause fear of physical or mental harm	Listed for mention in Bathurst Local Court 13/10/08.
Clementine CUNEO	1 x s 474.17 *Criminal Code 1995* (Cth) Using a carriage service to menace, harass or cause offence. 2 x s 13 *Crimes (Domestic and Personal Violence) Act 2007* Stalking or intimidation with intent to cause fear of physical or mental harm	Listed for mention in Bathurst Local Court 13/10/08.

APPENDIX 6

FREEDOM OF INFORMATION STATEMENT OF AFFAIRS

Structure and Functions of the Commission

The Commission is a statutory corporation established under the *Police Integrity Commission Act 1996* (the 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 Annual Report.

Effect of Functions on Members of the Public

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

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

The Commission is exempt from the *Freedom of Information Act 1989* (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

The following policy documents are accessible through the Commission website: www.pic.nsw.gov.au or are available for inspection:

(i) Corporate Plan 2007–2011;

(ii) Guidelines that have been issued to better acquaint persons, in particular legal practitioners, with the nature of the Commission's functions and powers, their usual exercise by the Commission, and its practice and procedure with particular reference to:

- obtaining;
- handling; and
- releasing information.

Among others things, the guidelines explain the Commission's approach to various provisions of the Act;

(iii) Practice Notes in relation to Commission hearings, primarily directed at legal practitioners acting for persons involved in a Commission hearing;

(iv) Guides for recipients of Commission Notices and witnesses;

(v) Code of Conduct (November 2007) and related policies;

(vi) Information Package for Job Applicants including Equal Employment Opportunity (EEO), Ethnic Affairs & Cultural Diversity (EAPS) and Occupational Health and Safety (OH&S) requirements.

(vii) Investigation Reports.

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 Manager, Records and Projects. All other inquiries

may be directed to the FOI Coordinator. Copies of these policy documents are generally available free of charge but 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.

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

Manager, Records and Projects
FOI Coordinator
Police Integrity Commission
GPO Box 3880
SYDNEY NSW 2001
Facsimile: (02) 9321 6799

Telephone inquiries may be made between 8.30 am and 5.00 pm on (02) 9321 6700.

Statistics and Assessment of Statistical Report for Year Ending 30 June 2008

There were no requests under the *FOI Act* determined or still under consideration in the 2007–08 financial year. The Commission has had no requests for amendment or notation of personal records. There have been no internal reviews, Ombudsman reviews or District Court appeals in respect of FOI requests finalised from an earlier period or in the 2007–08 financial year.

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

The impact on the Commission of fulfilling its requirements under the *FOI Act* (including consideration of the application noted above) during the 2007–08 financial year has been negligible. No major issues arose in the 2007–08 financial year in connection with the Commission's compliance with FOI requirements.

APPENDIX 7

FINANCIAL STATEMENTS 2007–08

FINANCIAL STATEMENTS 2007–08

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GPO BOX 12
Sydney NSW 2001

INDEPENDENT AUDITOR'S REPORT

Police Integrity Commission

To Members of the New South Wales Parliament

I have audited the accompanying financial report of the Police Integrity Commission (the Department), which comprises the balance sheets as at 30 June 2008, the operating statements, statements of recognised income and expense, cash flow statements and summary of compliance with financial directives for the year then ended, a summary of significant accounting policies and other explanatory notes for both the Department, and the Department and its controlled entity (the consolidated entity).The consolidated entity comprises the Department and the entity it controlled at the year's end and during the financial year.

Auditor's Opinion

In my opinion, the financial report:

- presents fairly, in all material respects, the financial position of the Department and the consolidated entity as at 30 June 2008, and of their financial performance and their cash flows for the year then ended in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations)
- is in accordance with section 45E of the *Public Finance and Audit Act 1983* (the PF&A Act) and the Public Finance and Audit Regulation 2005.

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

Commissioner's Responsibility for the Financial Report

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

Auditor's Responsibility

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

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

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

My opinion does *not* provide assurance:

- about the future viability of the Department or consolidated entity,
- that they have carried out their activities effectively, efficiently and economically,
- about the effectiveness of their internal controls, or
- on the assumptions used in formulating the budget figures disclosed in the financial report.

Independence

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

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



Peter Barnes
Director, Financial Audit Services

13 October 2008
SYDNEY

Police Integrity Commission

Statement by Department Head

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

(a) the accompanying financial statements in respect of the year ended 30 June 2008 have been prepared in accordance with the provisions of the *Public Finance and Audit Act 1983* and Regulations, the *Financial Reporting Code for Budget Dependent General Government Sector Agencies,* and the *Treasurer's Directions*

(b) the statements exhibit a true and fair view of the financial position and transactions of the Commission, and

(c) there are no circumstances that would render any particulars included in the consolidated financial statements to be misleading or inaccurate.

J W Pritchard
Commissioner
13 October 2008

This page is not audited

Operating Statement for the Year Ended 30 June 2008

		Parent Entity (Police Integrity Commission)		Economic Entity (Consolidated)		
	Notes	Actual	Actual	Actual	Budget	Actual
		2008	2007	2008	2008	2007
		$'000	$'000	$'000	$'000	$'000
EXPENSES EXCLUDING LOSSES						
Operating Expenses						
Employee related	2(a)	60	28	12,944	13,255	11,754
Other operating expenses	2(b)	4,322	4,081	4,322	4,586	4,081
Personnel services	2(c)	12,385	11,234	--	--	--
Depreciation and amortisation	2(d)	1,313	1,035	1,313	1,091	1,035
Total Expenses excluding losses		**18,080**	**16,378**	**18,579**	**18,932**	**16,870**
REVENUE						
Investment revenue	3(a)	109	102	109	86	102
Grants and contributions	3(b)	195	--	195	--	--
Other revenue	3(c)	1	--	1	--	--
Total Revenue		**305**	**102**	**305**	**86**	**102**
Gains/(loss) on disposal	4	(109)	39	(109)	--	39
Net Cost of Services	26	**17,884**	**16,237**	**18,383**	**18,846**	**16,729**
GOVERNMENT CONTRIBUTIONS						
Recurrent appropriation	6	16,476	15,196	16,476	17,020	15,196
Capital appropriation	6	619	2,571	619	680	2,571
Acceptance by Crown Entity of employee benefits and other liabilities	9	--	--	499	644	492
Total Government Contributions		**17,095**	**17,767**	**17,594**	**18,344**	**18,259**
SURPLUS/(DEFICIT) FOR THE YEAR		**(789)**	**1,530**	**(789)**	**(502)**	**1,530**

The accompanying notes form part of these financial statements

Statement of Recognised Income and Expense for the Year Ended 30 June 2008

		Parent Entity (Police Integrity Commission)		Economic Entity (Consolidated)		
	Notes	Actual	Actual	Actual	Budget	Actual
		2008	2007	2008	2008	2007
		$'000	$'000	$'000	$'000	$'000
TOTAL INCOME AND EXPENSE RECOGNISED DIRECTLY IN EQUITY						
Surplus/ (deficit) for the year		(789)	1,530	(789)	(502)	1,530
TOTAL INCOME AND EXPENSE RECOGNISED FOR THE YEAR		**(789)**	**1,530**	**(789)**	**(502)**	**1,530**

The accompanying notes form part of these financial statements

Balance Sheet as at 30 June 2008

		Parent Entity (Police Integrity Commission)		Economic Entity (Consolidated)		
	Notes	Actual	Actual	Actual	Budget	Actual
		2008	2007	2008	2008	2007
		$'000	$'000	$'000	$'000	$'000
ASSETS						
Current Assets						
Cash and cash equivalents	12	1,090	886	1,283	1,481	1,462
Receivables	13	601	1,362	682	828	828
Total Current Assets		**1,691**	**2,248**	**1,965**	**2,309**	**2,290**
Non-Current Assets						
Plant and equipment	14	4,344	4,636	4,344	4,240	4,636
Intangible asstes	15	187	42	187	27	42
Total Non-Current Assets		**4,531**	**4,678**	**4,531**	**4,267**	**4,678**
Total Assets		**6,222**	**6,926**	**6,496**	**6,576**	**6,968**
LIABILITIES						
Current Liabilities						
Payables	17	167	167	441	277	209
Provisions	19	1,076	1,039	1,076	1,081	1,039
Other	20	285	725	285	725	725
Total Current Liabilities		**1,528**	**1,931**	**1,802**	**2,083**	**1,973**
Non-Current Liabilities						
Provisions	21	488	--	488	--	--
Total Non-Current Liabilities		**488**	**--**	**488**	**--**	**--**
Total Liabilities		**2,016**	**1,931**	**2,290**	**2,083**	**1,973**
Net Assets		**4,206**	**4,995**	**4,206**	**4,493**	**4,995**
EQUITY						
Accumulated funds	22	4,206	4,995	4,206	4,493	4,995
Total Equity		**4,206**	**4,995**	**4,206**	**4,493**	**4,995**

The accompanying notes form part of these financial statements

Cash Flow Statement for the Year Ended 30 June 2008

		Parent Entity (Police Integrity Commission)		Economic Entity (Consolidated)		
	Notes	Actual	Actual	Actual	Budget	Actual
		2008	2007	2008	2008	2007
		$'000	$'000	$'000	$'000	$'000
CASH FLOWS FROM OPERATING ACTIVITIES						
Payments						
Employee Related		(60)	(40)	(12,359)	(12,501)	(11,249)
Other		(4,805)	(4,594)	(4,591)	(5,166)	(4,599)
Personnel services		(12,348)	(11,790)	--	--	--
Total Payments		**(17,213)**	**(16,424)**	**(16,950)**	**(17,667)**	**(15,848)**
Receipts						
Interest received		115	91	115	86	91
Other		1,265	427	619	580	427
Total Receipts		**1,380**	**518**	**734**	**666**	**518**
Cash Flows from Government						
Recurrent appropriation		16,761	15,921	16,761	17,020	15,921
Capital appropriation		619	2,571	619	680	2,571
Cash transfers to the Consolidated Fund		(725)	(283)	(725)	--	(283)
Net Cash Flows from Government		**16,655**	**18,209**	**16,655**	**17,700**	**18,209**
NET CASH FLOWS FROM OPERATING ACTIVITIES	26	**822**	**2,303**	**439**	**699**	**2,879**

The accompanying notes form part of these financial statements

	Notes	Parent Entity (Police Integrity Commission) Actual	Parent Entity (Police Integrity Commission) Actual	Economic Entity (Consolidated) Actual	Economic Entity (Consolidated) Budget	Economic Entity (Consolidated) Actual
		2008	2007	2008	2008	2007
		$'000	$'000	$'000	$'000	$'000
CASH FLOWS FROM INVESTING ACTIVITIES						
Proceeds from sale of plant & equipment		--	40	--	--	40
Purchases of plant & equipment		(566)	(2,554)	(566)	(680)	(2,554)
Purchases of Intangible Assets		(52)	(17)	(52)	--	(17)
NET CASH FLOWS FROM INVESTING ACTIVITIES		**(618)**	**(2,531)**	**(618)**	**(680)**	**(2,531)**
NET INCREASE / (DECREASE) IN CASH		(204)	(228)	(179)	19	348
Opening cash and cash equivalents		886	1,114	1,462	1,462	1,114
CLOSING CASH AND CASH EQUIVALENT	12	**1,090**	**886**	**1,283**	**1,481**	**1,462**

The accompanying notes form part of these financial statements

Summary of Compliance with Financial Directives for the Year Ended 30 June 2008

	2008			
	Recurrent Appropriation	Expenditure/ Net claim on Consolidated Fund	Capital Appropriation	Expenditure/ Net claim on Consolidated Fund
	$'000	$'000	$'000	$'000
ORIGINAL BUDGET APPROPRIATION/ EXPENDITURE				
• Appropriation Act	17,020	16,476	680	619
	17,020	16,476	680	619
OTHER APPROPRIATIONS/ EXPENDITURE				
• Treasurer's Advance	**--**	**--**	**--**	**--**
• Transfers from another agency (s32 of the Appropriation Act)	--	--	--	--
	--	--	--	--
Total Appropriations/ Expenditure/Net Claim On Consolidated Fund	17,020	16,476	680	619
Amount drawn down against Appropriation		16,761		619
Liability on Consolidated Fund		285		--

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

The accompanying notes form part of these financial statements

	2007			
	Recurrent Appropriation	Expenditure/ Net claim on Consolidated Fund	Capital Appropriation	Expenditure/ Net claim on Consolidated Fund
	$'000	$'000	$'000	$'000
ORIGINAL BUDGET APPROPRIATION/ EXPENDITURE				
• Appropriation Act	16,567	15,196	2,372	2,372
	16,567	15,196	2,372	2,372
OTHER APPROPRIATIONS/ EXPENDITURE				
• Treasurer's Advance	**--**	**--**	**--**	**--**
• Transfers from another agency (s32 of the Appropriation Act)	--	--	199	199
	--	--	199	199
Total Appropriations/ Expenditure/Net Claim On Consolidated Fund	16,567	15,196	2,571	2,571
Amount drawn down against Appropriation		15,921		2,571
Liability on Consolidated Fund		725		--

The accompanying notes form part of these financial statements

Summary of Compliance with Financial Directives for the Year Ended 30 June 2008 (cont)

Recurrent Appropriation

The Commission's recurrent appropriation of $17.020m was not fully drawn down as the agency did not employ the full number of staff expected during the year, and was able to make additional savings on other operating expenses.

Capital Appropriation

The Commission expended $618,678 of the $680,000 approved capital appropriation.

The accompanying notes form part of these financial statements

Notes to and forming part of the Financial Statements for the year ended 30 June 2008

01. Summary of Significant Accounting Policies

(a) *Reporting entity*

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

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

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

The consolidated financial report for the year ended 30 June 2008 has been authorised for issue by the Commissioner for the Police Integrity Commission on 13 October 2008.

(b) *Basis of preparation*

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

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

Plant and equipment are measured at historical cost, as a surrogate for fair value. Other financial items are prepared in accordance with the historical cost convention. However, certain provisions are measured at fair value.

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

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

(c) *Statement of Compliance*

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

(d) *Administered activities*

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

Notes to and forming part of the Financial Statements for the year ended 30 June 2008

(e) *Insurance*

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

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

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

- 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.
- receivables and payables are stated with the amount of GST included.

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

(g) *Income recognition*

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

(i) Parliamentary Appropriations and Contributions

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

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

The liability is disclosed in Note 20 as part of 'Current Liabilities–Other'. The amount will be repaid and the liability will be extinguished next financial year.

(ii) Sale of Goods

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

(iii) Rendering of Services

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

(iv) Investment Revenue

Interest revenue is recognised using the effective interest method as set out in

AASB 139 Financial Instruments: Recognition and Measurement.

Notes to and forming part of the Financial Statements for the year ended 30 June 2008

(h) *Assets*

(i) *Acquisition of assets*

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

Assets acquired at no cost, or for nominal consideration, are initially recognised at their fair value at the date of acquisition. Fair value is the amount for which an asset could be exchanged between knowledgeable, willing parties in an arm's length transaction.

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

(ii) *Capitalisation thresholds*

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

(iii) *Revaluation of plant and equipment*

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

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

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

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

(iv) *Impairment of plant and equipment*

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

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

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

Notes to and forming part of the Financial Statements for the year ended 30 June 2008

(vi) *Depreciation of plant and equipment*

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

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

Computer equipment
4 years

Intangible computer software
4 years

Office machines
7 years

Other plant and equipment
7 years

Leasehold improvements
the initial period of the lease

(vii) *Major Inspection Costs*

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

(viii) *Restoration Costs*

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

(ix) *Maintenance*

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

(x) *Critical Accounting Estimates*

Make good provision – provision is made for the anticipated costs of future restoration of leased premises as required under the terms of agreement signed 4 October 2007, effective from the 5 July 2007. The provision includes future cost estimates associated with dismantling and reinstatement of the leased premises to original condition. The calculation is based on a square metre rate of $150.00 over the lease period discounted by 6.81% (Government bond rate 30/6/08) as required under AASB 137 *Provisions, Contingent Liabilities & Contingent Assets.*

(xi) *Leased Assets*

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

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

(xii) Intangible Assets

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

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

The useful lives of intangible assets are assessed to be finite. Intangible assets are subsequently measured at fair value only if there is an active market. As there is no active market for the Commission's intangible assets, the assets are carried at cost less any accumulated amortisation.

Notes to and forming part of the Financial Statements for the year ended 30 June 2008

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

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

(xiii) *Loans and receivables*

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

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

(xiv) *Investments*

The Commission held no investments during 2007–08 or 2006–07.

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

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

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

or

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

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

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

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

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

(xvii) Trust funds

The Commission does not hold any trust funds.

(xviii) Other Assets

Other assets are recognised on a cost basis.

(i) *Liabilities*

(i) *Payables*

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

Notes to and forming part of the Financial Statements for the year ended 30 June 2008

(ii) *Employee benefits and other provisions*

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

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

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

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

b. Long Service Leave and Superannuation

The Commission's liabilities for long service leave and defined benefit superannuation are assumed by the Crown Entity. The Commission accounts for the liability as having been extinguished, resulting in the amount assumed being shown as part of the non-monetary revenue item described as "Acceptance by the Crown Entity of employee benefits and other liabilities". Prior to 2005–06 the Crown Entity also assumed the defined contribution superannuation liability.

Long service leave is measured on a present value in accordance with AASB 119 Employee Benefits. This is based on the application of certain factors (specified in NSW TC 07/04) to employees with five or more years of service, using current rates of pay. These factors were determined based on an actuarial review to approximate present value.

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

c. Other Provisions

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

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

(j) *Equity transfers*

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

Notes to and forming part of the Financial Statements for the year ended 30 June 2008

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

(k) *Budgeted Amounts*

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

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

(l) *Comparative information*

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

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

The Commission is of the opinion that the following new Australian Accounting Standards issued but not effective would not have significant impact on its financial statements. The standards apply to annual reporting periods beginning on or after 1 July 2008.

- AASB 101
  Presentation of Financial Statements (January 2009)
- AASB 1004
  Contributions (December 2007)
- AASB 1049
  Whole of Government and General Government Sector Financial Report (October 2007)
- AASB 1050
  Administered items (December 2007) replaces paragraphs relating to administered items in AAS 29 *Financial Reporting by Government Departments.*
- AASB 127
  Consolidated and Separate Financial Statements (January 2009)
- AASB 2007–9
  Amendments to Australian Accounting Standards arising from the review of AASs 27, 29 and 31 (December 2007)
- AASB 2007–3
  Amendments to Australian Accounting Standards (applicable to annual reporting periods beginning on or after January 1, 2009).
- AASB 2007–6
  Amendments to Australian Accounting Standards (applicable to annual reporting periods beginning on or after January 1, 2009).
- AASB 2007–8
  Amendments to Australian Accounting Standards (applicable to annual reporting periods beginning on or after January 1, 2009).
- AASB 2008–3
  Amendments to Australian Accounting Standards (applicable to annual reporting periods beginning on or after January 1, 2009).

Notes to and forming part of the Financial Statements for the year ended 30 June 2008

02. Expenses Excluding Losses

	Police Integrity Commission		Consolidated	
a) Employee related expenses	2008 $'000	2007 $'000	2008 $'000	2007 $'000
Salaries and wages (including recreation leave)	--	--	10,675	9,656
Superannuation–defined benefit plans	--	--	117	100
Superannuation–defined contribution plans	--	--	836	774
Long service leave	--	--	375	386
Workers' compensation insurance	--	--	128	95
Payroll tax and fringe benefits tax	34	28	733	686
Other	26	--	80	57
	60	**28**	**12,944**	**11,754**

Notes to and forming part of the Financial Statements for the year ended 30 June 2008

	Police Integrity Commission		Consolidated	
b) Other operating expenses include the following:	2008 $'000	2007 $'000	2008 $'000	2007 $'000
Administration charges	217	114	205	114
Books and periodicals	38	27	38	27
Auditor's remuneration–audit or review of financial information	36	32	48	32
Consultancies	14	20	14	20
Contractors	155	295	155	295
EDP expenses (including equipment leasing charges)	174	234	174	234
Maintenance *	328	182	328	182
Make good expense	25	--	25	--
Insurance	34	29	34	29
Rent and outgoings	1,571	1,713	1,571	1,713
Minor equipment	249	140	249	140
Motor vehicle costs (including leasing charges)	251	241	251	241
Advertising	38	65	38	65
Printing and stationery	58	31	58	31
Staff development	107	35	107	35
Travelling expenses	321	271	321	271
Telephones	198	271	198	271
Fees and searches	202	122	202	122
Other	306	259	306	259
	4,322	**4,081**	**4,322**	**4,081**
* Reconciliation - Total maintenance				
Maintenance expense - contracted labour and other (non-employee related), as above	328	182	328	182
Maintenance related employee expenses included in Note 2 (a)	--	--	--	--
Total maintenance expenses in Note 2 (a) + 2 (b)	**328**	**182**	**328**	**182**

Notes to and forming part of the Financial Statements for the year ended 30 June 2008

	Police Integrity Commission		Consolidated	
c) Personnel Services expenses	2008 $'000	2007 $'000	2008 $'000	2007 $'000
Police Integrity Commission Division	**12,385**	**11,234**	**--**	**--**
d) Depreciation and amortisation expense				
Depreciation				
Computer Equipment	585	322	585	322
Office Equipment	416	365	416	365
Office Furniture and Fitting	8	20	8	20
Amortisation				
Leasehold Improvements	266	142	266	142
Intangibles	38	186	38	186
	1,313	**1,035**	**1,313**	**1,035**

03. Revenue

	Police Integrity Commission		Consolidated	
a) Investment revenue				
Interest	109	102	109	102
	109	**102**	**109**	**102**
b) Grants and contributions				
Assets received free of charge	195	--	195	--
	195	**--**	**195**	**--**
c) Other Revenue				
Commission on salary deductions, conduct fees, fines	1	--	1	--
	1	**--**	**1**	**--**

Notes to and forming part of the Financial Statements for the year ended 30 June 2008

04. Gains/(loss) on Disposal

	Police Integrity Commission		Consolidated	
Gain / (loss) on disposal	2008 $'000	2007 $'000	2008 $'000	2007 $'000
Proceeds from disposal	--	40	--	40
Written down value of assets disposed	(109)	(1)	(109)	(1)
Gain / (loss on disposal	**(109)**	**39**	**(109)**	**39**

05. Conditions on Contributions

The Commission did not receive any contributions during 2007–08.

Notes to and forming part of the Financial Statements for the year ended 30 June 2008

06. Appropriations

	Police Integrity Commission		Consolidated	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000
Recurrent appropriations				
Total recurrent draw-downs from Crown Entity (per Summary of Compliance)	16,761	15,921	16,761	15,921
Less: Liability to Consolidated Fund (per Summary of Compliance)	285	725	285	725
	16,476	**15,196**	**16,476**	**15,196**
Comprising:				
Recurrent appropriations (per Operating Statement)	16,476	15,196	16,476	15,196
Transfer payments	--	--	--	--
	16,476	**15,196**	**16,476**	**15,196**
Capital appropriations				
Total capital draw-downs from the Crown Entity (per Summary of Compliance)	619	2.571	619	2,571
Less: Liability to Consolidated Fund (per Summary of Compliance)	--	--	--	--
	619	**2,571**	**619**	**2,571**
Comprising:				
Capital appropriations (per Operating Statement)	619	2,571	619	2,571
Transfer payments	--	--	--	--
	619	**2,571**	**619**	**2,571**

Notes to and forming part of the Financial Statements for the year ended 30 June 2008

07. Prior Period Errors

No prior period issues have been discovered.

08. Individually Significant Items

During 2007–08 there were no individually significant items.

09. Acceptance by the Crown Entity of Employee Benefits and Other liabilities

	Police Integrity Commission		Consolidated	
The following liabilities and/or expenses have been assumed by the Crown Entity or other Government agencies	2008 $'000	2007 $'000	2008 $'000	2007 $'000
Superannuation – defined benefit	--	--	117	100
Long service leave	--	--	375	386
Payroll tax	--	--	7	6
	--	**--**	**499**	**492**

10. Transfer Payments

There were no transfer payments during the reporting period.

11. Programs/Activities of the Agency

Program 1: *Prevention of Serious Police Misconduct*

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

Notes to and forming part of the Financial Statements for the year ended 30 June 2008

12. Current Assets – Cash and Cash Equivalents

	Police Integrity Commission		Consolidated	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000
Cash at bank	1,078	874	1,271	1,450
Cash on hand	12	12	12	12
	1,090	**886**	**1,283**	**1,462**
For the purposes of the Cash Flow Statement, cash and cash equivalents include cash on hand and cash at bank. Cash and cash equivalent assets recognised in the Balance Sheet are reconciled at the end of the financial year to the Cash Flow Statment as follows:				
Cash and cash equivalents (per Balance Sheet)	**1,090**	**886**	**1,283**	**1,462**
Closing Cash and Cash Equivalents (as per Cash Flow Statement)	**1,090**	**886**	**1,283**	**1,462**

$350,888 of the above is classified as a restricted asset and disclosed at note 16.

13. Current Assets – Receivables

	Police Integrity Commission		Consolidated	
Prepayments	324	288	420	415
Other debtors	164	413	262	413
Police Integrity Commission Division	113	661	--	--
	601	**1,362**	**682**	**828**

No allowance for impairment has been raised as all amounts are considered to be collectable. Prepayments made by the Commission have been classified as receivables in compliance with AASB 101.75(b).

Notes to and forming part of the Financial Statements for the year ended 30 June 2008

14. Non-Current Assets – Plant and Equipment

	Police Integrity Commission	Consolidated
	$'000	$'000
Plant and Equipment		
At 1 July 2007 – fair value		
Gross carrying amount	15,688	15,688
Accumulated depreciation and impairment	(11,052)	(11,052)
Net Carrying Amount	**4,636**	**4,636**
At 30 June 2008 – fair value		
Gross carrying amount	15,128	15,128
Accumulated depreciation and impairment	(10,784)	(10,784)
Net Carrying Amount	**4,344**	**4,344**
Reconciliations A reconciliation of the carrying amount of each class of plant and equipment at the beginning and end of he current reporting peropd year are set out below.		
Year ending 30 June 2008		
Net carrying amount at start of year	4,636	4,636
- Additions	566	566
- Free of cost	195	195
- Disposals	(100)	(100)
- Depreciation Expense	(1,121)	(1,121)
- Lease make good	308	308
- Other movements – WIP transferred to intangibles	(140)	(140)
Net carrying amount at end of year	**4,344**	**4,344**
At 1 July 2006		
At Cost of Fair Value	13,510	13,510
Accumulated depreciation and impairment	(10,578)	(10,578)
Net Carrying Amount	**2,932**	**2,932**
At 30 June 2007		
At Cost of Fair Value	15,688	15,688
Accumulated depreciation and impairment	(11,052)	(11,052)
Net Carrying Amount	**4,636**	**4,636**

Notes to and forming part of the Financial Statements for the year ended 30 June 2008

	Police Integrity Commission	Consolidated
Reconciliations A reconciliation of the carrying amount of each class of plant and equipment at the beginning and end of the current reporting period year are set out below.		
Year ending 30 June 2007		
Net carrying amount at start of year	2,932	2,932
- Additions	2,554	2,554
- Disposals	(376)	(376)
- Depreciation Expense	(849)	(849)
- Other movements – disposals – depreciation	375	375
Net carrying amount at end of year	**4,636**	**4,636**
There has been no revaluation of physical non-current assets during the reporting period. The Commission considers that the written down value of assets approximates the fair value of these assets.		

15. Intangible Assets

	Police Integrity Commission	Consolidated
	$'000	$'000
At 1 July 2007		
Cost (gross carrying amount)	4,009	4,009
Accumulated amortisation and impairment	(3,967)	(3,967)
Net Carrying Amount	**42**	**42**
At 30 June 2008		
Cost (gross carrying amount)	4,066	4,066
Accumulated amortisation and impairment	(3,879)	(3,879)
Net Carrying Amount	**187**	**187**

Notes to and forming part of the Financial Statements for the year ended 30 June 2008

	Police Integrity Commission	Consolidated
Year ended 30 June 2008		
Net carrying amount at start of year	42	42
Additions	52	52
Disposals	(9)	(9)
Amortisation (recognised in "depreciation and amortisation")	(38)	(38)
Other movements – WIP transferred from P&E	140	140
Net carrying amount at end of year	**187**	**187**
At 30 June 2006		
Cost (gross carrying amount)	3,994	3,994
Accumulated amortisation and impairment	(3,783)	(3,783)
Net Carrying Amount	**211**	**211**
At 30 June 2007		
Cost (gross carrying amount)	4,009	4,009
Accumulated amortisation and impairment	(3,967)	(3,967)
Net Carrying Amount	**42**	**42**
Year ended 30 June 2007		
Net carrying amount at start of year	211	211
Additions	17	17
Disposals	(2)	(2)
Amortisation (recognised in "depreciation and amortisation")	(186)	(186)
Other movements – disposals – depreciation	2	2
Net carrying amount at end of year	**42**	**42**

Computer softwares that are not an integral part of the related hardware are classified as intangibles assets to conform with AASB 138 *Intangible Assets.*

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

Notes to and forming part of the Financial Statements for the year ended 30 June 2008

16. Restricted Assets

	Police Integrity Commission		Consolidated	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000
Police Oversight Data Store grant	66	66	66	66
Liability to consolidated fund	285	725	285	725
	351	**791**	**351**	**791**

The Commission has not expended any of the $65,888 in its Operating Account (2006–07 $65,888), being the balance of the police Oversight Data Store grants funding.

17. Current Liabilities – Payables

	Police Integrity Commission		Consolidated	
Accrued salaries, wages and on-costs	--	--	91	42
Redundancies	--	--	153	--
Creditors	167	167	197	167
	167	**167**	**441**	**209**

18. Current / Non-Current Liabilities – Interest Bearing Liabilities

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

Notes to and forming part of the Financial Statements for the year ended 30 June 2008

19. Current Liabilities – Provisions

	Police Integrity Commission		Consolidated	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000
Employee Benefits and related on-costs				
Recreation leave	--	--	819	787
Long service leave on-costs	--	--	196	189
Payroll tax and FBT provision	12	16	61	63
	12	**16**	**1,076**	**1,039**
Other provisions				
Provision for personnel services	**1,064**	**1,023**	**--**	**--**
Total Provisions	**1,076**	**1,039**	**1,076**	**1,039**
Aggregate employee benefits and related on-costs				
Provisions – current	--	--	1,076	1,039
Accrued slaaries, wages and on-costs (Note 19)	--	--	244	42
	--	**--**	**1,320**	**1,081**

20. Current Liabilities – Other

	Police Integrity Commission		Consolidated	
Liability to the Consolidated Fund	285	725	285	725
	285	**725**	**285**	**725**

21. Non-Current Liabilities – Provisions

	Police Integrity Commission		Consolidated	
Lease make good provision	488	--	488	--
	488	**--**	**488**	**--**

Under a new lease agreement effective 5 July 2007 the Commission is required to reinstate the leased premises to the condition they were in as at the date the premises were first leased.

Notes to and forming part of the Financial Statements for the year ended 30 June 2008

22. Changes in Equity

	Police Integrity Commission		Consolidated	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000
Accumulated funds				
Balance at the beginning of the financial year	4,995	3,465	4,995	3,465
Changes in equity - transactions with owners as owners				
Increase/decrease in net assets from equity transfers	--	--	--	--
Total	**--**	**--**	**--**	**--**
Changes in equity - other than transactions with owners as owners				
Surplus/(deficit) for the year	(789)	1,530	(789)	1,530
Increment/decrement on revaluation of plant and equipment	--	--	--	--
Other increases/(decreases)	--	--	--	--
Total	**(789)**	**1,530**	**(789)**	**1,530**
Transfers within equity				
Asset revaluation reserve balance transferred to accumulated funds on disposal of asset	--	--	--	--
Total	--	--	--	--
Balance at the end of the financial year	**4,206**	**4,995**	**4,206**	**4,995**

Notes to and forming part of the Financial Statements for the year ended 30 June 2008

23. Commitments for Expenditure

	Police Integrity Commission		Consolidated	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000
(a) Capital Commitments Aggregate capital expenditure for the acquisition of computer software and hardware, office equipment and leasehold improvements, contracted for at balance date and not provided for:				
Not later than one year	4	66	4	66
Total (including GST)	**4**	**66**	**4**	**66**
(b) Other Expenditure Commitments Aggregate other expenditure for the acquisition of external training and minor equipment contracted for at a balance date and not provided for:				
Not later than one year	64	12	64	12
Total (including GST)	**64**	**12**	**64**	**12**
(c) Operating Lease Commitments Future non-cancellable operating lease rentals not provided for and payable:				
Not later than one year	1,630	1,612	1,630	1,612
Later than one year and not later than five years	1,752	3,319	1,752	3,319
Later than five years	--	--	--	--
Total (including GST)	**3,382**	**4,931**	**3,382**	**4,931**
These operating lease commitments relate to the Commission's rental of property and motor vehicle fleet, and are not recognised in the financial statements as liabilities.				
(d) Finance Lease Commitments The Commission has no finance lease committments.				
(e) GST on Commitments The total commitments for 2008 include input tax credits of $313,702 (2006–07 $448,247) that are expected to be recoverable from the Australian Taxation Office.				

Notes to and forming part of the Financial Statements for the year ended 30 June 2008

24. Contingent Liabilities and Contingent Assets

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

25. Budget review

Net cost of services

The actual net cost of services was lower than budget by $463,000 primarily due to:
Employee related expenses being underspent by $311,000 and other operating expenses under budget by ($43,000). Revenue was higher than budget by $219,000 due to assets received free of cost of $195,000 and increased interest revenue of $23,000. Loss on disposal of assets of ($109,000) was not originally budgeted for.

Assets and liabilities

Total assets were lower than budget by $80,000 primarily due to lower than expected cash holdings at year end and a decrease in receivables, non-current assets were higher than budget by $264,000. Total liabilities were higher than budget by $207,000 due to first time recognition of a make good provision of $488,000 this was offset by a reduction in current liabilities of $281,000.

Cash flows

The net decrease in cash flow was lower than expected by $198,000 this was primarily due to repayment of prior year's liability to confund and actual drawdown against appropriation being less than budget reflecting a reduction in total payments.

Notes to and forming part of the Financial Statements for the year ended 30 June 2008

26. Reconciliation of Cash Flows from Operating Activites to Net Cost of Services

	Police Integrity Commission		Consolidated	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000
Net cash used on operating activities	822	2,303	439	2,879
Cash Flows from Government Appropriations	(17,095)	(18,209)	(17,095)	(18,209)
Acceptance by Crown Entity of employee benefits and other liabilities	--	--	(499)	(492)
Depreciation and amortisation	(1,313)	(1,035)	(1,313)	(1,035)
Decrease/(increase) in provisions	(525)	(49)	(525)	(49)
Increase/(decrease) in prepayments and other assets	(761)	730	(146)	196
Decrease/(increase) in creditors	440	(16)	208	(58)
Assets received free of cost	195	--	195	--
Make good provision	462	--	462	--
Net gain/loss on sale of plant and equipment	(109)	39	(109)	39
Net cost of services	**(17,884)**	**(16,237)**	**(18,383)**	**(16,729)**

27. Non–Cash Financing and Investing Activities

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

28. Trust Funds

The Commission does not hold any trust funds.

29. Administered Assets and Liabilities

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

30. Administered Revenue – Debts Written Off

The Commission does not hold any administered revenue.

Notes to and forming part of the Financial Statements for the year ended 30 June 2008

31. Administered Revenue – Schedule of Uncollected Amounts

The Commission does not administer any uncollected monies.

32. Financial Instruments

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

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

The Commissioner has overall responsibility for the establishment and oversight of risk management and reviews and agrees policies for managing risk. Risk management policies are established to identify and analyse the risks faced by the Commission, to set risk limits and controls and to monitor risk. Compliance with policies is reviewed by internal audit on a continuous basis.

(i) Financial instrument categories

Financial Assets	Note	Category	Carrying Amount	Carrying Amount
Class			2008 $'000	2007 $'000
Cash and cash equivalents	12	N/A	1,283	1,462
Receivables[1]	13	Loans and receivables (at amortised cost)	262	413

Financial Liabilities	Note	Category	Carrying Amount	Carrying Amount
Class			2008 $'000	2007 $'000
Payables[2]	19	Financial liabilities Measured at amortised cost	424	194

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

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

Notes to and forming part of the Financial Statements for the year ended 30 June 2008

(ii) Credit Risk

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

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

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

Cash

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

Receivables – trade debtors

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

The Commission is not materially exposed to concentrations of credit risk to a single trade debtor or group of debtors. Based on past experience, debtors that are not past due (2008 $66,666, 2007 $14,549) and less than 3 months past due (2008 nil, 2007 nil) are not considered impaired and together these represent 100% of total trade debtors. No provision for doubtful debts has been made as all amounts are considered to be collectable.

Notes to and forming part of the Financial Statements for the year ended 30 June 2008

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

	Total[1, 2] $'000	Past due but not impaired[1, 2] $'000	Considered impaired[1, 2] $'000
2008			
< 3 months overdue	67	67	--
3 months – 6 months overdue	--	--	--
> 6 months overdue	--	--	--
2007			
< 3 months overdue	15	15	--
3 months – 6 months overdue	--	--	--
> 6 months overdue	--	--	--

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

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

(iii) Liquidity Risk

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

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

The liabilities are recognised for amounts due to be paid in the future for goods or services received, whether or not invoiced. Amounts owing to suppliers (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.

Notes to and forming part of the Financial Statements for the year ended 30 June 2008

Maturity analysis and interest rate exposure of financial liabilities

	Fixed Interest Rate Monthly						
	Average interest rate %	Variable interest rate $'000	Less than 1 year $'000	1 to 5 years $'000	More than 5 bearing $'000	Non interest $'000	Total $'000
2008							
Accrued salaries, wages and on-costs		--	--	--	--	239	239
Creditors		--	--	--	--	197	197
						436	**436**
2007							
Accrued salaries, wages and on-costs		--	--	--	--	39	39
Creditors		--	--	--	--	167	167
						206	**206**

[1] The amounts disclosed are the contractual undiscounted cash flows of each class of financial liabilities, therefore the amounts disclosed above may not reconcile to the balance sheet.

(iv) Market Risk

a) Foreign Exchange

The Commission does not have an exposure to foreign exchange risk.

b) Price Risk

The Commission does not have an exposure to price risk.

c) Interest Rate Risk

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

Notes to and forming part of the Financial Statements for the year ended 30 June 2008

	Interest Rate Risk					
			-1%		+1%	
	Carrying Amount $'000	Profit $'000	Equity $'000	Profit $'000	Equity $'000
2008						
Financial Assets Cash and cash equivalents	1,283	13	13	(13)	(13)
2007						
Financial Assets Cash and cash equivalents	1,462	15	15	(15)	(15)

(iv) Fair Value

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

33. After Balance Date Events

There are no known after balance date events.

End of audited financial statement.

GPO BOX 12
Sydney NSW 2001

INDEPENDENT AUDITOR'S REPORT

Police Integrity Commission Division

To Members of the New South Wales Parliament

I have audited the accompanying financial report of the Police Integrity Commission Division (the Department), which comprises the balance sheet as at 30 June 2008, the operating statement, statement of recognised income and expense and cash flow statement for the year then ended, a summary of significant accounting policies and other explanatory notes.

Auditor's Opinion

In my opinion, the financial report:

- presents fairly, in all material respects, the financial position of the Department as at 30 June 2008, and its financial performance and cash flows for the year then ended in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations)
- is in accordance with section 45E of the *Public Finance and Audit Act 1983* (the PF&A Act) and the Public Finance and Audit Regulation 2005.

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

Commissioner's Responsibility for the Financial Report

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

Auditor's Responsibility

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

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

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

My opinion does *not* provide assurance:

- about the future viability of the Department,
- that it has carried out its activities effectively, efficiently and economically, or
- about the effectiveness of its internal controls

Independence

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

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



Peter Barnes
Director, Financial Audit Services

13 October 2008
SYDNEY

Police Integrity Commission Division

Statement by Department Head

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

(a) the accompanying financial statements in respect of the year ended 30 June 2008 have been prepared in accordance with the provisions of the *Public Finance and Audit Act 1983* and Regulations, the *Financial Reporting Code for Budget Dependent General Government Sector Agencies*, and the *Treasurer's Directions*

(b) the statements exhibit a true and fair view of the financial position and transactions of the Division, and

(c) there are no circumstances that would render any particulars included in the financial statements to be misleading or inaccurate.



J W Pritchard
Commissioner
13 October 2008

Operating Statement for the Year Ended 30 June 2008

	Notes	2008	2007
		$'000	$'000
EXPENSES EXCLUDING LOSSES			
Operating Expenses			
Employee related	2(a)	12,884	11,726
Other operating expenses	2(b)	12	5
Total Expenses excluding losses		**12,896**	**11,731**
REVENUE			
Personnel Services		12,385	11,234
Other revenue		12	5
Total Revenue		**12,397**	**11,239**
Net cost of services	10	**499**	**492**
GOVERNMENT CONTRIBUTIONS			
Acceptance by Crown Entity of employee benefits and other liabilities	3	499	492
Total Government Contributions		**499**	**492**
SURPLUS/(DEFICIT) FOR THE YEAR		**-**	**-**

The accompanying notes form part of these financial statements

Statement of Recognised Income and Expense for the Year Ended 30 June 2008

	2008	2007
	$'000	$'000
Other net / (decreases) in equity	--	--
TOTAL INCOME AND EXPENSE RECOGNISED DIRECTLY IN EQUITY	**--**	**--**
Surplus / (deficit) for the year	--	--
TOTAL INCOME AND EXPENSE RECOGNISED FOR THE YEAR	**--**	**--**

The accompanying notes form part of these financial statements

Balance Sheet as at 30 June 2008

	Notes	2008	2007
		$'000	$'000
ASSETS			
Current Assets			
Cash and cash equivalents	4	193	576
Receivables	5	1,233	1,150
Total Current Assets		1,426	1,726
Total Assets		**1,426**	**1,726**
LIABILITIES			
Current Liabilities			
Payables	6	362	703
Provisions	7	1,064	1,023
Total Current Liabilities		1,426	1,726
Total Liabilities		**1,426**	**1,726**
Net Assets		**--**	**--**
EQUITY			
Accumulated funds	9	--	--
Total Equity		**--**	**--**

The accompanying notes form part of these financial statements

Cash Flow Statement for the Year Ended 30 June 2008

	Notes	2008	2007
		$'000	$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Payments			
Employee Related		(12,657)	(11,209)
Other		(6)	(5)
Total Payments		**(12,663)**	**(11,214)**
Receipts			
Personnel services		12,280	11,790
Total Receipts		**12,280**	**11,790**
NET CASH FLOWS FROM OPERATING ACTIVITIES		**(383)**	**576**
NET INCREASE/(DECREASE) IN CASH	10	**(383)**	**576**
Opening cash and cash equivalents	4	576	--
CLOSING CASH AND CASH EQUIVLENTS	4	**193**	**576**

The accompanying notes form part of these financial statements

Notes to and forming part of the Financial Statements for the year ended 30 June 2008

01. Summary of Significant Accounting Policies

(a) *Reporting entity*

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

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

The financial report was authorised for issue by the Commissioner of Police Integrity Commission Division on 13 October 2008.

.

(b) *Basis of preparation*

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

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

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

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

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

(c) *Statement of Compliance*

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

(d) *Income*

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

Notes to and forming part of the Financial Statements for the year ended 30 June 2008

(e) *Receivables*

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

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

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

(f) *Payables*

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

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

A short-term payable with no stated interest rate is measured at historical cost if the effect of discounting is immaterial.

(g) *Employee benefit provisions and expenses*

Provisions are made for liabilities of uncertain amount or uncertain timing of settlement.

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

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

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

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.

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

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

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

Notes to and forming part of the Financial Statements for the year ended 30 June 2008

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

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

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

The Division is of the opinion that the following new Australian Accounting Standards issued but not effective would not have significant impact on its financial statements. The standards apply to annual reporting periods beginning on or after 1 July 2008-

- AASB 101
  Presentation of Financial Statements (January, 2009)
- AASB 1004
  Contributions (December 2007)
- AASB 1049
  Whole of Government and General Government Sector Financial Report (October 2007)
- AASB 1050
  Administered items (December 2007) replaces paragraphs relating to administered items in AAS 29 Financial Reporting by Government Departments.
- AASB 127
  Consolidated and Separate Financial Statements (January 2009)
- AASB 2007–9
  Amendments to Australian Accounting Standards arising from the review of AASs 27, 29 and 31 (December 2007)
- AASB 2007–3
  Amendments to Australian Accounting Standards (applicable to annual reporting periods beginning on or after January 1, 2009).
- AASB 2007–6
  Amendments to Australian Accounting Standards (applicable to annual reporting periods beginning on or after January 1, 2009).
- AASB 2007–8
  Amendments to Australian Accounting Standards (applicable to annual reporting periods beginning on or after January 1, 2009).
- AASB 2008–3
  Amendments to Australian Accounting Standards (applicable to annual reporting periods beginning on or after January 1, 2009).

Notes to and forming part of the Financial Statements for the year ended 30 June 2008

02. Expenses Excluding Losses

	2008 $'000	2007 $'000
a) Employee related expenses		
Salaries and wages (including recreation leave)	10,675	9,656
Superannuation–defined benefit plans	117	100
Superannuation–defined contribution plans	836	774
Long Service Leave	375	386
Workers' compensation insurance	128	95
Payroll tax	700	658
Other	53	57
	12,884	**11,726**
b) Other operating expenses including the following:		
Administration charges	--	1
Auditor's remuneration – audit review of financial information	12	4
	12	**5**

03. Acceptance by the Crown Entity of Employee Benefits and Other Liabilities

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

Superannuation–defined benefit plans	117	100
Long Service Leave	375	386
Payroll tax on superannuation	7	6
	499	**492**

Notes to and forming part of the Financial Statements for the year ended 30 June 2008

04. Current Assets – Cash and Cash Equivalents

	2008 $'000	2007 $'000
Cash at bank	193	576
	193	**576**

05. Current Assets – Receivables

Prepayments	96	127
Personnel Services	1,064	1,023
Other	73	--
	1,233	**1,150**

06. Current Liabilities – Payables

Accrued salaries and wages*	244	42
Creditor	7	--
Police Integrity Commission	111	661
	362	**703**

Accrued salaries and wages include redundancies owed as at 30 June 2008 but not yet paid of $153,517.

07. Current Liabilities – Provisions

Recreation leave	819	787
Long service leave on-cost	196	189
Payroll tax	49	47
	1,064	**1,023**

The accompanying notes form part of these financial statements

Notes to and forming part of the Financial Statements for the year ended 30 June 2008

08. Contingent Liabilities and Contingent Assets

As at the reporting date, the Division is not aware of any contingent liabilities and contingent assets that will materially affect its financial position (2007: nil).

09. Equity

	2008 $'000	2007 $'000
Accumulated funds	--	--

10. Reconciliation of Cash Flows from Operating to Net Cost of Services

Net cash used in operating activites	(383)	576
Acceptance by Crown Entity of employee benefits and other liabilities	(499)	(492)
Decrease/(increase) in provisions	(41)	(33)
Increase/(decrease) in prepayments and other assets	83	25
Decrease/(increase) in creditors	341	(568)
Net cost of services	**499**	**492**

11. Financial Instruments

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

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

The Commissioner has overall responsibility for the establishment and oversight of risk management and reviews and agrees policies for managing risk. Risk management policies are established to identify and analyse the risks faced by the Division, to set risk limits and controls and to monitor risk. Compliance with policies is reviewed by internal audit on a continuous basis.

The accompanying notes form part of these financial statements

Notes to and forming part of the Financial Statements for the year ended 30 June 2008

(i) Financial instrument categories

Financial Assets	Note	Category	Carrying Amount	Carrying Amount
Class			2008 $'000	2007 $'000
Cash and cash equivalents	4	N/A	193	576
Receivables	5	Loans and receivables (at amortised cost)	1,130	1,023

Financial Liabilities	Note	Category	Carrying Amount	Carrying Amount
Class			2008 $'000	2007 $'000
Payables	6	Financial liabilities Measured at amortised cost	351	643

(ii) Credit Risk

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

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

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

Cash

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

Receivables – trade debtors

All trade debtors are recognised as amounts receivable at balance date. Collectibility of trade debtors is reviewed on an ongoing basis. Procedures as established in the Treasurer's Directions are followed to recover outstanding amounts, including letters of demand. Debts which are known to be uncollectible are written off. An allowance for impairment is raised when there is objective evidence that the entity will not be able to collect all amounts due. This evidence includes past experience, and current and

Notes to and forming part of the Financial Statements for the year ended 30 June 2008

expected changes in economic conditions and debtor credit ratings. No interest is earned on trade debtors. Sales are made on 14 day terms.

The Division is not materially exposed to concentrations of credit risk to a single trade debtor or group of debtors. Based on past experience, debtors that are not past due (2008 $69,206, 2007 nil) and less than 3 months past due (2008 nil, 2007 nil) are not considered impaired and together these represent 100% of total trade debtors. No provision for doubtful debts has been made as all amounts are considered to be collectable.

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

	Total[1, 2] $'000	Past due but not impaired[1, 2] $'000	Considered impaired[1, 2] $'000
2008			
< 3 months overdue	69	--	--
3 months – 6 months overdue	--	--	--
> 6 months overdue	--	--	--
2007			
< 3 months overdue	--	--	--
3 months – 6 months overdue	--	--	--
> 6 months overdue	--	--	--

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

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

(iii) Liquidity risk

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

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

The liabilities are recognised for amounts due to be paid in the future for goods or services received, whether or not invoiced. Amounts owing to suppliers (that are unsecured) are settled in accordance with the policy set out in 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.

Notes to and forming part of the Financial Statements for the year ended 30 June 2008

Maturity analysis and interest rate exposure of financial liabilities

	Fixed Interest Rate Monthly						
	Average interest rate %	Variable interest rate $'000	Less than 1 year $'000	1 to 5 years $'000	More than 5 bearing $'000	Non interest $'000	Total $'000
2008							
Accrued salaries, wages and on-costs		--	--	--	--	239	239
Creditors		--	--	--	--	118	118
						357	**357**
2007							
Accrued salaries, wages and on-costs		--	--	--	--	39	39
Creditors		--	--	--	--	661	661
						700	**700**

(iv) Market Risk

a) Foreign Exchange

The Commission does not have an exposure to foreign exchange risk.

b) Price Risk

The Commission does not have an exposure to price risk.

c) Interest Rate Risk

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

Notes to and forming part of the Financial Statements for the year ended 30 June 2008

	Interest Rate Risk				
	Carrying Amount $'000	Profit $'000	Equity $'000	Profit $'000	Equity $'000
2008					
Financial Assets Cash and cash equivalents	193	2	2	(2)	(2)
2007					
Financial Assets Cash and cash equivalents	576	6	6	(6)	(6)

(iv) Fair Value

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

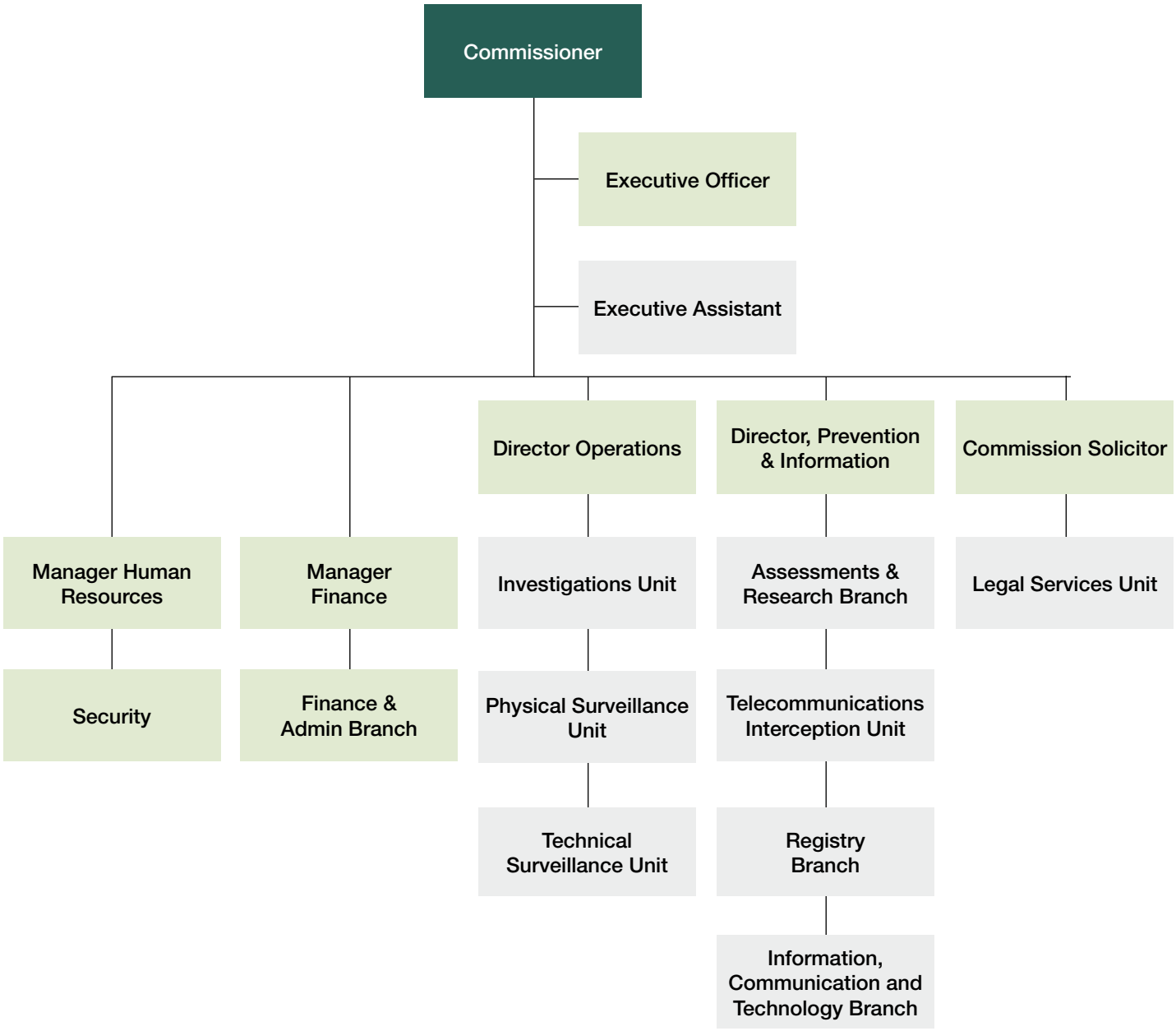
12. After Balance Date Events

There are no known after balance date events.

End of audited financial statement.

APPENDIX 8

ORGANISATIONAL STRUCTURE



APPENDIX 9

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 Inquiries	Telephone: (61 2) 9321 6700 Freecall: 1800 657 079 Facsimile: (61 2) 9321 6799
Office Hours	8.30 am - 5.00 pm

PUBLICATIONS

The Commission's publications fall into the following categories:

- Reports to Parliament following an investigation which involved public hearings (section 96(2))
- special reports to Parliament on any administrative or general policy matter relating to the functions of the Commission (section 98)
- 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
Annual Report 2006–07	October 2007
Report to Parliament, Operation Rani	December 2007
Report to Parliament, Operation Mallard	December 2007

Annual Report Costs

Total External Costs: $31,014 (includes design and printing costs)

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Police Integrity Commission

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