

ANNUAL REPORT 2010–2011

1 October 2010–30 June 2011

Improving the integrity of government
and public authorities in Tasmania



INTEGRITY
COMMISSION





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President
Legislative Council
Parliament House
HOBART TAS

Speaker
House of Assembly
Parliament House
HOBART TAS

Dear Madam President
Dear Mr Speaker

Annual Report for nine months to end of June 2011

The Integrity Commission Annual Report is presented to Parliament in accordance with the *Integrity Commission Act 2009*, sections 11 (1) and 11 (2). As the Commission began its official operations on 1 October 2010, this report covers its activities for nine months to 30 June 2011 and its financial report for the 12 months ending 30 June 2011.

Yours sincerely



The Hon Murray Kellam AO
Chief Commissioner

October 2011
Copy to Attorney-General

MESSAGE FROM THE CHAIR AND CHIEF COMMISSIONER



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The newly-formed Integrity Commission has made a strong start in its first nine months of operation in its role to improve the standard of conduct and propriety in public authorities. While implementation of establishment processes and systems, including an integrated case management system, has been continuing, the committed team of staff has achieved a number of important milestones.

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The legislation which formed the Commission, the *Integrity Commission Act 2009*, places emphasis on education and prevention as an effective means to deal with public sector misconduct. That emphasis is consistent with the findings of the Joint Select Committee on Ethical Conduct, which found in its 21 July 2009 report, "*Public Office is Public Trust*", that the mechanisms available to support ethical and open government in Tasmania were ad hoc and lacked uniformity.

As a result, the Commission has conducted education sessions for more than 500 public officers across State and local government. It also completed its first regional visit program, taking public information sessions, stakeholder events, training sessions and complaints clinics to Burnie, Launceston and Queenstown. Over the coming year, the Commission intends to continue developing training and supporting the development of codes of conduct relating to ethical and transparent processes in the whole of the public sector.

The Commission has begun supporting the implementation of consistent standards of conduct through its first major research project, which resulted in a report being tabled in Parliament in June providing recommendations for new Codes of Conduct for Ministers, Members of Parliament and ministerial staff. Once the Codes of Conduct have been implemented, the Commission will have a solid foundation to develop training in ethics and integrity for Members of Parliament.

The Commission also received a steady stream of complaints from the day it opened its doors, with 131 complaints lodged during the year – many involving multiple allegations. The level of complaints, although high, was to be expected given the retrospective provisions in the legislation and has steadily reduced.

The Commission's role is a new concept for Tasmania. It was therefore gratifying to see Tasmanians express support for the Commission, as part of a Community Perceptions Survey undertaken in March, and indicate that it is a good thing for the State. The survey also showed that Tasmanians have a firm belief in the need for honesty and truthfulness of those with roles in public life.

A critical challenge facing the Commission is the necessity for legislative amendments. As is often the case with new legislation, a number of issues have been identified and a schedule of proposed amendments has been developed and submitted to the Attorney-General and to the Joint Standing Committee on Integrity of the Tasmanian Parliament. The amendments are necessary to clarify the powers of the Commission and to enhance its capacity to fulfill its statutory objectives.

One matter of critical importance is the issue of the applicability of the *Integrity Commission Act 2009* to Tasmania Police. The legislation is not sufficiently clear as to the precise role that the Commission is to play in respect of the oversight and monitoring of Tasmania Police. The Commission has not been granted access by Tasmania Police to its information systems to the extent that the Commission considers is required for it to properly carry out its functions. Further, there is a difference of opinion as to the precise role the Commission is to play in the oversight and monitoring of the investigation by police of events such as death or serious injury in custody, deaths or serious injury resulting from a police pursuit, and the use of capsicum spray. Such events will often occur in the absence of any misconduct by police, and in the proper exercise of police powers, but the public has an obvious interest in ensuring that these events are investigated in a transparent way. The question of whether or not Parliament intends the Commission to have any role in such circumstances is not sufficiently clear. Tasmania Police, the Commission and the Tasmanian public are entitled to legislative clarity as to whether or not the Commission has a role in, or is excluded from, such matters.

Notwithstanding this, I wish to record my appreciation of the contribution made by the Commissioner and Deputy Commissioner of Tasmania Police, and the Commander in Charge of Professional Standards, in providing cooperation, assistance and support to the Commission in a difficult legislative environment.

Whilst it is true that the Commission has been in operation for only a short period, some observations can be made at this point. During this time, the Commission has seen no evidence of any systemic corruption in any part of the public sector. Rather, the evidence before the Commission is that most complainants have concerns relating to perception of misconduct by individuals in the public sector. Unfortunately 'corruption' is a word that is too often used. His Excellency the Governor said in his speech at the opening of the Commission on 1 October 2010:

"It is an emotive word and I venture to suggest that the work of the Commission will be greatly assisted if people, particularly those who are able to speak with the protection of privilege, take time and thought before making an allegation of corruption. Past experience has taught us that such allegations, often made without proper basis, are seized upon by the media and by the process of widespread repetition gain unjustified veracity and cause public unrest."

It is also clear that a considerable number of complaints relate to a perception of conflict of interest on the part of those complained about. It is inevitable in a state with a population the size of Tasmania that conflict of interest will arise regularly in the course of decision-making.

However, the fact of a conflict of interest arising does not, by itself, demonstrate the existence of misconduct. What is necessary is an understanding throughout the public sector of what conflict of interest is, and what appropriate and transparent processes are necessary to deal with conflict of interest when it is reasonably perceived to arise. The misconduct education and prevention functions of the Commission provide assistance to public sector agencies in relation to appropriate strategies and processes to ensure public confidence in terms of this issue.

While the Commission continues to build on its internal practices and systems and there is more work to do in the fulfilment of its statutory obligations, it has created a sound basis in the first months of operation.

There are a number of people I wish to acknowledge in this first annual report. Dale Webster, from the Department of Justice, was the project manager for the establishment of the Commission and he and the Chief Executive Officer, Barbara Etter, were primarily responsible for the fact that the Commission was able to commence operation on 1 October 2010. I thank them both.

The Reverend Professor Michael Tate AO, in his capacity as Parliamentary Standards Commissioner, made a substantial contribution to the draft model codes of conduct tabled before Parliament in June 2011, for which I express my deep gratitude.

The members of the Board of the Commission have not only been extremely hard working but have provided me with strong support and sound advice during the period under review. Finally, I express my appreciation to all Commission staff members, who have throughout a challenging establishment period maintained a steadfast determination to ensure that the Commission performs as expected by Tasmanians in improving public confidence in the standard of conduct, ethics and propriety in the public sector.

A handwritten signature in black ink, reading 'Murray Kellam'. The signature is fluid and cursive, with a long horizontal stroke extending from the end.

The Hon Murray Kellam AO
Chair and Chief Commissioner

MESSAGE FROM THE CHIEF EXECUTIVE OFFICER



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I commenced duties as the sole Commission staff member on 15 June 2010. Under the Integrity Commission Act 2009, I am responsible for the general administration, management and operations of the Commission. My first challenge was to get the Commission up and running for a deferred start date of 1 October 2010. Fortunately, the Department of Justice had already made significant progress on a number of critical issues, including suitable premises for the new organisation.

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A number of core staff were quickly seconded for 12 months and staff were initially based in an office area shared with the Sullivan's Cove Waterfront Authority. The Commission moved to its current premises in Macquarie Street in September. Our first few months in operation were challenging, given an influx of various complaints, many of which related to matters that had occurred some time ago. It was also necessary to "breathe life" into a new and untried piece of legislation, as operational issues arose. We quickly discovered that there were a number of areas in which our underpinning legislation could be improved. This report highlights some of the areas in need of clarification and amendment.

Over some months, there was an intense recruitment period, resulting in the Commission attracting a pool of highly skilled and talented staff, some of whom had

had previous experience working in interstate integrity agencies. The final position, of Deputy CEO-Director of Operations, was filled in mid-January 2011.

The Tasmanian model is unique to Australia and places a strong emphasis on prevention, education and advice. It also targets a lower level of inappropriate conduct compared to interstate equivalents. The Commission has no role in investigating major or organised crime so was not given high level powers such as telephone tapping.

An ongoing challenge for the Commission is to gain the trust and confidence of the Tasmanian community. This needs to be achieved in an environment which demands strict confidentiality, high levels of accountability, and operations carried out in accordance with the principles of natural justice. Understandably, this inevitably leads to tension between the public's right to know and the requirements of the Act. The Commission's annual report is a valuable vehicle in which we can outline how our resources were used during the period under review and report on some of the more significant activities, such as our inaugural community outreach program, the community perceptions survey, a major research report on Codes of Conduct for Ministers, Members of Parliament and ministerial staff, training and education initiatives, an own motion investigation and the outcomes of our complaint handling process. The report also enables us to talk about our vision and directions for the future.

I would like to take the opportunity to thank the Commission's committed and dedicated staff, as well as the community and our key stakeholders for their support to date. I would also like to thank our sister integrity agencies for their invaluable support and assistance during our establishment phase.

There will be ongoing work in the next review period to expand our education and training programs, bed down critical systems, and work closely and cooperatively with all public authorities in order to build their capacity to deal with issues of misconduct in a proper and timely way.

A handwritten signature in black ink, which appears to read 'B. Etter', is positioned above the printed name.

Barbara Etter APM
Chief Executive Officer

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WHY DOES TASMANIA HAVE AN INTEGRITY COMMISSION?

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A number of high profile incidents in Tasmania led to the establishment of a Parliamentary Joint Select Committee on Ethical Conduct. Its report, Public Office is Public Trust, tabled in the Tasmanian Parliament in July 2009, included a finding that “the need for a new body clearly exists to address the identified deficiencies in the existing system of governance”.

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“[The Integrity Commission] is an important role ... especially in a small place like Tasmania, where all the people know one another and ... can easily be friends with politicians and people in high places.”

– participant, Community Perceptions Study conducted by Enterprise Marketing and Research Services, March-April 2011.

Legislation was subsequently passed by the Parliament. The *Integrity Commission Act 2009* is unique in its approach to addressing community concerns about accountability in government and strengthening community trust and confidence.

The legislation established the independent Integrity Commission, the Parliamentary Joint Standing Committee on Integrity as an oversight level, and the separate statutory officer role of Parliamentary Standards Commissioner.

PARLIAMENTARY JOINT STANDING COMMITTEE ON INTEGRITY

Members of the first Parliamentary Joint Standing Committee on Integrity, formed in November 2010, are:

Legislative Council

Dr Vanessa Goodwin, Hon. Doug Parkinson, Hon. Jim Wilkinson (Chair).

House of Assembly

Kim Booth (Deputy Chair), Rene Hidding, Rebecca White.

Under the legislation, committee members are appointed at the beginning of the first session of each Parliament.

The committee will review the Commission's functions, powers and activities at the end of its first three years in operation. It provides guidance and oversight to other State integrity entities, such as the Ombudsman and State Service Commissioner, as well as the Integrity Commission.

While the Joint Standing Committee can refer matters to the Commission for investigation or advice, it may not involve itself in any complaints, or investigations arising from complaints, dealt with by the Commission.

A SNAPSHOT

“The Integrity Commission is a very different institution to similar bodies in other states of Australia ... it is clear that the intention of Parliament in passing the *Integrity Commission Act 2009* was to ensure that the Commission focused on the prevention of public sector misconduct.”

– Chief Commissioner, Hon Murray Kellam AO,
Launceston public information session, May 2011.

OUR ROLE

The Integrity Commission is an independent body established under the *Integrity Commission Act 2009* to improve the integrity of government and public authorities in Tasmania and enhance community trust and confidence in its system of government.

KEY ACTIVITIES

The primary focus of the Commission is on misconduct prevention, including education, training, and capacity building for State Government, local government and other public authorities in preventing misconduct and dealing with it when it occurs. The Commission also deals with misconduct complaints.

THE COMMISSION'S BUDGET

The Integrity Commission operates with a budget of \$3m, including funding and support for the Parliamentary Standards Commissioner, a role that is independent of the Commission.

OUR PEOPLE

As at 30 June 2011, the Commission employed 17.8 full-time equivalent staff members, including the Chief Commissioner, Chief Executive Officer and Deputy CEO, misconduct prevention officers, complaints handling and investigation officers, a lawyer, communications manager, and business and financial support staff. See Appendix B for the organisation chart.

GOVERNANCE AND ADMINISTRATIVE SUPPORT

The Integrity Commission is independent of government and is led by its Chief Commissioner and the six-member Board he chairs. It is accountable to Parliament through the Parliamentary Joint Standing Committee on Integrity. The Department of Justice provides administrative support such as information technology and human resources through a service level agreement.

THE BOARD

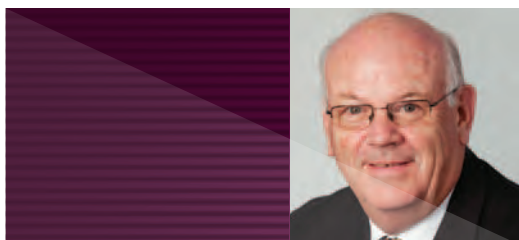
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The Board's role is to ensure that the Commission performs its functions appropriately and in a manner consistent with sound public administration practice, and exercises its powers in accordance with its legislation and using principles of procedural fairness.

It contributes to an understanding of good practice and systems in public authorities to develop a culture of integrity, propriety and ethical conduct. It also monitors and reports on the operation and effectiveness of the Integrity Commission Act 2009 and other legislation relating to the operations of Tasmanian integrity entities.

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CHIEF COMMISSIONER



Hon Murray Kellam AO

A former justice of the Supreme Court of Victoria, Murray Kellam has a long-held interest in legal and judicial education, particularly in developing countries. On behalf of UNICEF he has provided training to lawyers, police, magistrates and judges on juvenile justice issues in Bangladesh, Mongolia and Burma. He has presented ethics programs for judges and magistrates throughout Australia.

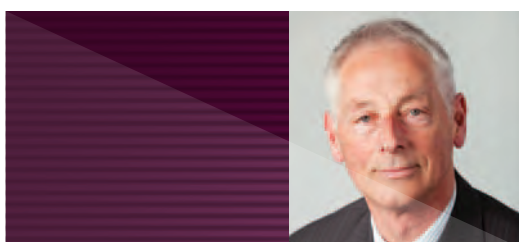
In 2009 he was appointed Adjunct Professor in the Faculty of Business and Economics, Monash University, where he has a special interest in business ethics and in the international obligations of Australian business to comply with anti-corruption requirements and promote corporate social responsibility.

EX-OFFICIO MEMBERS



Mike Blake, Auditor-General

Mike was appointed Tasmanian Auditor-General on 10 May 2004. He was previously Auditor-General for the Northern Territory and has been active in setting standards in accounting and auditing in Australia. He was made a member of the Public Sector Accounting Standards Board in 1999, was a member of the Urgent Issues Group representing Auditor-Generals from 2003 to 2005, and was appointed to the Auditing and Assurance Standards Board in 2006.



Iain Frawley, Acting State Service Commissioner

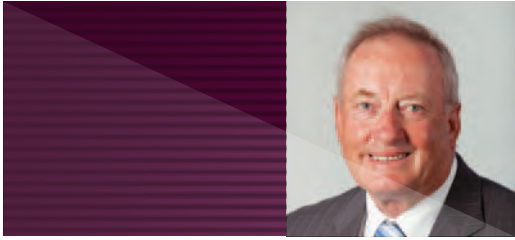
Iain has held the position of Acting State Service Commissioner since January 2009. His substantive role is Director, Office of the State Service Commissioner. Prior to the establishment of the Office of the State Service Commissioner, he was Acting Commissioner for Review. His career spans time in the Australian Public Service, Tasmanian State Service and self-employment.



Simon Allston, Ombudsman

Simon is a barrister and solicitor of the Supreme Courts of Victoria and Tasmania and of the High Court of Australia. He was admitted to the Victorian Bar in 1978 before moving to Tasmania. He was Principal Crown Counsel in the Office of the Solicitor General before being appointed as Ombudsman in August 2005.

APPOINTED MEMBERS



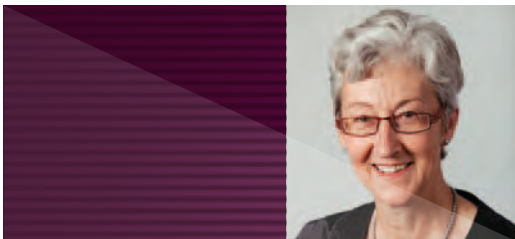
Luppó Prins, APM

A former Assistant Police Commissioner who was awarded the National Police Medal, the Australian Police Medal (APM) for Outstanding Service and the Commissioner's Integrity Medal, Luppó had a 42-year career in policing. Since his retirement from Tasmania Police in 2005, he has conducted major independent investigations and reviews for the Department of Justice and the Department of Health and Human Services.



David Hudson

With a career in the State Public Service spanning 30 years, David Hudson held senior roles before leaving in 2010 as Deputy Secretary of the Department of Primary Industries, Parks, Water and Environment. He is currently undertaking a range of roles for public sector organisations, including his position as Chair of the Tasmanian Building and Construction Industry Training Board.



Liz Gillam

A former Deputy Director of the Local Government Office, Liz is Chair of the Tasmanian Electoral Commission and chair of the St Michaels Collegiate School Board. She holds a Bachelor of Laws and is a Fellow of the Australian Institute of Company Directors.



Barbara Etter, APM

Prior to her appointment in 2010 as the Chief Executive Officer for the Integrity Commission, Barbara had a 20-year career in policing. She was the Assistant Commissioner of Strategy and Performance with the Western Australia Police and previously headed its Corruption Prevention and Investigation Portfolio, overseeing internal investigations, death in custody matters and disciplinary and managerial processes, and liaising closely with the Western Australian Corruption and Crime Commission.

In October 2006, Barbara was named WA Telstra Businesswoman of the Year. She was awarded the Australian Police Medal (APM) in the Australia Day Honour's List in 2008.

INTEGRITY COMMISSION BOARD ATTENDANCE 2010-11

Meeting dates	Attendance	Absent	Attendance rate
2010			
31 August	6	Liz Gillam	86 %
23 September	7		100 %
8 October	7		100 %
2 December	7		100 %
2011			
7 January	7		100 %
24 February	7		100 %
31 March	7		100 %
28 April	6	Mike Blake	86 %
6 May	7		100 %
30 June	7		100 %
Total meetings	10		97 %

HIGHLIGHTS

IN ITS FIRST NINE MONTHS OF OPERATION, THE INTEGRITY COMMISSION:

- established efficient, effective processes and systems, seconded staff from other integrity agencies for short-term periods, and developed a five-year Strategic Plan;
- conducted awareness-raising and education events and activities with more than 2,500 people across the public sector, local government, the community and stakeholders;
- conducted three regional outreach visits this year, to Burnie, Launceston and Queenstown. The program included public information sessions; events for State Government, local government and community leaders; public officer training; and complaints clinics;
- organised a highly successful forum on conflict of interest in Hobart on 9 December 2010 to mark International Anti-Corruption Day;
- received 131 complaints and dealt with 85% of them by 30 June 2011;
- monitored and audited internal investigation processes in State Government agencies; and
- completed a major research project leading to a report tabled in Parliament that makes recommendations for new Codes of Conduct for Ministers, Members of Parliament and ministerial staff.

MAJOR INITIATIVES IN THE COMING YEAR WILL INCLUDE:

- the development of training packages to support senior public officers in delivering internal training in integrity and ethics;
- a focus on support for public sector organisations in building their capacity to prevent misconduct and deal appropriately with complaints of misconduct;
- introduction of an electronic case management system; and
- development of a dedicated website to replace an interim site.

↓ The Governor of Tasmania, His Excellency the Honourable Peter Underwood (third right) chats with, from left, the Attorney General, Lara Giddings (now the Premier), Chief Commissioner Hon Murray Kellam, and Premier David Bartlett after officially opening the Integrity Commission offices on 1 October 2010.



↓ The panel in action at the Hobart forum on Conflict of Interest on 9 December 2010 – from left, Mercury reporter, Sue Neales; Greens Leader, Nick McKim; moderator Judy Tierney (obscured); former Attorney General, John Bennett; and University of Tasmania lecturer, Tom Baxter.









OUR VISION

.....
*Integrity of government and public
authorities in Tasmania and enhanced
public confidence and trust*
.....

VALUES

The Integrity Commission has identified a set of values as guiding principles for all that we do:

-  **Integrity**
We are trustworthy and honest in all of our activities and unequivocally observe confidentiality. We uphold the highest levels of ethical behaviour in the way that we work and maintain relationships. We seek to ensure that justice prevails.
-  **Fairness**
We apply our knowledge and skills impartially, equitably and consistently. We act at all times with independence and in a professional, considerate and competent manner.
-  **Accountability**
Our communication and actions are transparent and we share as much information as our legislative obligations and role allows. We are responsible and diligent.
-  **Leadership**
We endeavour to inspire and encourage others by continually seeking better ways to achieve quality outcomes, by taking a stand on important misconduct issues and through sharing information and best practice approaches.
-  **Respect**
In everything we do, we are inclusive and value the different perspectives and qualities of the people we work and deal with. We treat others and expect to be treated with courtesy, compassion and sincerity. We work as a team.
-  **Moral Courage**
We have the courage to do the right thing and to take a stand to address misconduct and promote ethical behaviour. As an organisation and as individuals, we are not influenced by disapproval or any attempt to deter us from right action. To the fullest extent possible, we will support and protect those taking ethical action from any negative consequences.

THE EMERGING PICTURE

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The integrity framework within which the Integrity Commission operates is a new concept for Tasmania, and for the rest of Australia. Its jurisdiction and role is determined by the Integrity Commission Act 2009, which empowers it to deal with misconduct as it relates to public officers and public authorities. They include State Government departments, government businesses, Tasmanian councils and elected members at State and local government levels.

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The legislation has a primary focus on prevention and education to improve standards of conduct in the public sector. The Commission's prevention and education functions work closely with its complaints handling role to ensure that prevention and education are targeted to the Tasmanian context.

The Commission has power to assess and investigate complaints of misconduct. In practical terms, misconduct as defined in the legislation may include:

- theft or unauthorised removal of property belonging to a public authority;
- using a public authority's resources or property for personal benefit;
- accepting money or a benefit to take action or make a decision;
- conflict of interest, such as allocating contracts to a business in which the public officer, friend or relative has a personal or financial interest, or employing a person known to the public officer without proper recruitment or selection processes;
- failure of a councillor to declare an interest in a matter at a council meeting in breach of the *Local Government Act 1993*;
- the use of excessive force by a police or prison officer; or
- the unauthorised release of public authority information to a member of the public or another person.

Matters that fall outside the Commission's jurisdiction include:

- decisions or actions by a Supreme Court Judge or Magistrate;
- decisions or actions by the Tasmanian Industrial Commission or any other Tasmanian court or tribunal;
- actions or decisions by employees of private companies and businesses;
- actions or decisions of lawyers in private practice;
- actions of a Member of Parliament during proceedings in Parliament; or
- administrative decisions or actions by public authorities where there is no suggestion that the decisions were made dishonestly or improperly.

The pattern of complaints made to the Commission indicates that, notwithstanding the Commission's public information and website, it will need to maintain an ongoing focus on promoting an accurate understanding of the Commission's jurisdiction and powers.

Many complaints, although made in good faith, have raised issues that are outside the Commission's jurisdiction or that involve conduct not consistent with the Commission's statutory objectives.

In terms of complaints made to the Commission, there is no evidence to date of systemic misconduct or corruption in the Tasmanian public sector. The majority of complaints relate to concerns regarding perceptions of misconduct by individual public officers. Conflict of interest is a consistent theme arising in matters reported to the Commission, which may reflect the size of the population in Tasmania, its community base and networks.

The Commission recognises the necessity for the public sector to understand what constitutes conflict of interest and to identify, adopt and maintain appropriate, transparent processes to deal with it. The use of transparent processes is a means to ensure that public confidence in public authorities is maintained. The Misconduct Prevention, Education and Research unit provides assistance to public sector authorities in relation to appropriate strategies and processes to address conflict of interest and associated perceptions.

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The Integrity Commission has a primary focus on prevention and education activities. However, in its establishment year, the Commission's workload has by necessity included the development and implementation of systems and processes, as well as dealing with a backlog of misconduct complaints that pre-dated the establishment of the Commission.
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The Integrity Commission has identified five key goals in its Strategic Plan for 2011-2016. Our progress against the goals is outlined in the following pages.

GOAL 1: ORGANISATIONAL AND CULTURAL REFORM

CODES OF CONDUCT FOR MEMBERS OF PARLIAMENT, MINISTERS AND MINISTERIAL STAFF

Under the *Integrity Commission Act 2009*, the Commission is to undertake research into matters related to ethical conduct and investigatory processes. A major research project was triggered by a request from then-Premier David Bartlett for feedback on the existing Government Members Code of Conduct and a draft Code of Conduct for Ministerial staff.

The Commission tabled its recommendations on *Codes of Conduct for Members of Parliament, Ministers and Ministerial Staff* in Parliament in June. The report was the result of the Commission's first major research project, focusing on national and international best practice and representing the first complete comparative analysis in Australia of all codes of conduct for members of parliament and government ministers.

The project was undertaken with the assistance of the Parliamentary Standards Commissioner, Rev Prof Michael Tate AO.

The proposed model codes provide a strong platform for greater awareness of expectations on the part of Parliamentarians, Ministers and ministerial staff. They also establish a clear understanding for the Tasmanian community in relation to the standards of behaviour they can expect from Parliamentarians and Ministers. The Premier, Hon. Lara Giddings, referred the report to the Parliamentary Joint Standing Committee on Integrity for consideration.

The adoption of codes, when it occurs, will provide the necessary framework for the Commission to develop training in ethical conduct for Parliamentarians.

“Anyone who acts inappropriately or unethically should be responsible for their actions, and if they’re not, it’s a cost to the taxpayer.”

– survey participant

PUBLIC OFFICER TRAINING

One of the most important ways in which public authorities and the Commission can enhance integrity and prevent misconduct is by ensuring that State and local government employees and office holders are aware of the risks of misconduct, and of the standards of conduct appropriate to their role as public officers. This can be achieved through the delivery of effective education and training programs.

The Commission's Misconduct Prevention, Education and Research unit conducted training sessions for almost 500 public officers across State and local government during the nine months to the end of June.

Scheduled sessions were offered in Burnie, Launceston and Queenstown as part of the regional outreach program, as well as in Hobart. Training was also provided in response to requests from specific public bodies.

The Commission also began working with State Government agencies to enhance ethical conduct through the development of misconduct awareness workshops relevant to officers in those authorities. In addition to education sessions, Commission staff members have given a wide range of presentations to professional bodies, conferences, State and local government bodies and community groups. These presentations have reached more than 2,000 people.

“... the first complete comparative analysis in Australia of all codes of conduct for members of parliament and government ministers.”

– *Codes of Conduct for Members of Parliament, Ministers and Ministerial Staff Summary Report*

STANDARDS FOR PUBLIC OFFICERS

The Commission has a legislative function to develop standards and codes of conduct that guide public officers in the performance of their duties, and to review and make recommendations about practices, procedures and standards in relation to conduct, propriety and ethics in public authorities, as well as evaluate their application within those authorities.

Since October 2010, the Commission has received a number of requests from public authorities to examine and review existing codes of conduct, policies and processes and provide feedback on how they can be improved.

The Misconduct Prevention, Education and Research unit has conducted these reviews and provided feedback to several agencies.

The unit is also working with the Local Government Association of Tasmania in the development of a new model code of conduct for local government.

MEASURING PUBLIC PERCEPTIONS

The Integrity Commission engaged public opinion polling specialists, Enterprise Marketing and Research Services, to conduct a Community Perceptions Study in March-April.

The main purpose of the survey conducted as part of the study was to establish benchmarks for the organisation against its strategic plan, including the identification of baseline data on community beliefs in relation to integrity and public sector misconduct.

The survey was conducted before the Commission began its regional outreach program. However, even at such an early stage of the organisation's life, about a third of Tasmanians were aware of the Commission's existence and role and supported the need for the organisation.

As part of the study, Tasmanians demonstrated a strong belief in the need for honesty and truthfulness on the part of those with roles in public life. Of those surveyed, 90% had a view that there would always be some level of dishonesty, unethical behaviour or misconduct in the public sector.

The majority (86%) said they would be willing to provide information to the Commission on public sector misconduct.

The Commission plans to repeat the survey in two to three years to measure any changes in perceptions.

↓ *Speaker of the House of Assembly, Hon Michael Polley (left) with Launceston businessman Harvey Cuthill and Integrity Commission CEO, Mrs Barbara Etter, at the leaders' breakfast held as part of a two-day program of Launceston activities in May 2011.*



↓ *Hobart Lord Mayor Rob Valentine with the Chief Commissioner, Hon Murray Kellam, and Mayor of Glenorchy, Adriana Taylor MLC at the Hobart event for southern councils in June 2011.*



GOAL 2: PREVENT, DETECT AND ADDRESS MISCONDUCT

PREVENTION AND CAPACITY-BUILDING

Working with public authorities

A key Commission function is to assist public authorities in increasing their capacity to identify, prevent and deal with misconduct. As part of developing a productive working relationship with public authorities, the Misconduct Prevention Education and Research unit facilitated 25 meetings with representatives of State and local government organisations.

The meetings provided the opportunity to ensure that State and local government managers and officers are aware of the *Integrity Commission Act 2009* and the Commission's role, as well as to determine ongoing support needs for principal officers. Under Section 32 of the legislation, principal public officers are required to ensure that officers in their organisation have access to education and training on ethical conduct.

The meetings were also an opportunity to raise awareness of the risks associated with misconduct, and the role of the Commission in assisting public authorities to improve integrity and prevent and deal with misconduct.

Meetings involved senior officers from a range of public authorities but were targeted in the Commission's early months of operation to State Government agencies and Government businesses.

Monitoring

The Commission's MPER unit keeps a watching brief on complaints received by the Commission, as well as the Commission's oversight of how these matters are dealt

with by the authorities, as part of its role in identifying areas of potential improvement in public authority processes for preventing and dealing with misconduct. Processes were established during 2010-11 to enable MPER to identify where and when agencies or other public sector bodies may require assistance to ensure that allegations of misconduct are dealt with internally by them in an appropriate and effective manner.

MISCONDUCT MATTERS

The Commission recorded a total of 190 misconduct matters during its partial financial year of operation.

They comprised:

- **131 complaints**
- **19 notifications** – instances of public authorities notifying the Commission about complaints of misconduct.
- **33 inquiries** – inquiries that did not lead to the lodging of a complaint (from 1 May 2011).
- **7 information reports** – instances of information submitted to the Commission that did not constitute a complaint or potential complaint.

Complaints

The Commission received 131 complaints in its first nine months of operation. Many complaints involved multiple allegations.

Under the *Integrity Commission Act 2009*, the Commission can accept retrospective complaints and many lodged with the Commission pre-dated its establishment. It is therefore expected that the level of complaints will reduce over time.

↓ Shadow Attorney General, Vanessa Goodwin, and Integrity Commission Board member, Luppo Prins, at the Hobart forum on Conflict of Interest.



More than half the complaints received during 2010-11 were dismissed after initial assessment. Reasons included: lack of evidence to support the complaint; the time that had elapsed and associated difficulties with availability of evidence or witness accounts; nature and seriousness of alleged misconduct; complaints that were outside the Commission's jurisdiction; and unlikelihood that the matter could be productively investigated.

The Commission recognises the value of public authorities appropriately managing their own risk of misconduct. It therefore, where it is considered relevant, refers complaints to public authorities for them to be dealt with. The Commission can seek progress reports, monitor how the public authority deals with the matter, and audit the outcome.

See Appendix A for complaints statistics.

Notifications

Public authorities are encouraged to notify the Commission about complaints of misconduct. This is an important means of capacity building within public bodies, as the Commission can work with them to improve their complaint handling processes to ensure that issues are adequately dealt with at the earliest opportunity. This process can lead to greater levels of transparency and integrity within public bodies who notify the Commission of complaints or allegations. The Commission received a total of 19 notifications during 2010-11 from public sector bodies.

Inquiries

The Commission in May 2011 began keeping records relating to the number of inquiries that did not lead to the lodging of a complaint. These inquiries included discussions with potential complainants, phone and email inquiries. They totalled 33 for May-June.

Information Reports

The Commission received seven information reports for the period. These were instances where information was submitted by members of the public, as well as public authorities, but the reports did not constitute a complaint or the basis of a potential complaint.

INVESTIGATIONS

Each complaint received by the Commission is carefully considered. In some cases, it uses its investigative powers as part of the assessment of a complaint to determine whether or not a formal or more complete investigation is warranted. The Commission does not investigate every complaint received.

Information on investigations is only released publicly if it is in the public interest, it does not jeopardise current or subsequent court proceedings, and it has been authorised by the Board of the Commission for release.

In general, any public release of the outcomes of a Commission investigation will occur in the form of a dedicated report tabled in the Tasmanian Parliament or will be included in the Commission's Annual Report.

COMPLAINT AND ASSESSMENT PROCESS

When a complaint is received by the Integrity Commission, it is first considered to see if it raises a matter that is within the Commission's jurisdiction.

If it is within jurisdiction, the Commission may accept it for formal assessment. Possible outcomes include:

- the complaint is referred to another public body or agency for action (and the Commission will monitor or audit what happens);
- the Commission conducts its own investigation; or
- after assessment, the Commission takes no further action.

An issue that is within the Commission's jurisdiction is not automatically accepted for assessment, for example due to the time that has elapsed, whether the matter is being adequately dealt with elsewhere, or whether the matter can be productively investigated.

The Commission writes to complainants and lets them know what is happening with their complaint. Updates are provided.

The Commission can initiate its own investigations. This is an example of an 'own motion' investigation conducted during 2010–2011.

Own Motion Investigation

Local media reporting in the latter half of 2010 highlighted the outcome of an internal Tasmania Police investigation into an allegation that police officers had made telephone contact with a 12-year-old girl who had been engaged in prostitution services.

In November 2010, the Integrity Commission determined to audit the internal investigation that had been carried out by Tasmania Police. In response to a request, the Commissioner of Police provided access to relevant material.

The audit identified issues which caused the Commission to have concerns as to the adequacy of the internal investigation. On 2 December 2010, the Board of the Integrity Commission resolved to conduct an 'own motion investigation' to determine whether the Tasmania Police internal investigation had been "in any way detrimentally affected or compromised by improper conduct by any police officer". The Board also resolved that the Commission's investigation should be conducted jointly with Tasmania Police, if possible.

The Commissioner of Police was briefed in respect of the Commission's concerns and offered his cooperation and resources, including the services of a senior-ranking commissioned officer to assist with the Commission's investigation.

The investigation focused on determining whether:

- there had been any wilful cover-up or attempt to cover-up misconduct in the course of the internal investigation; and
- there had been any misconduct by internal investigators or police command in respect of the internal investigation.

The investigation established that there was no cover-up or attempt to cover-up misconduct, or misconduct in respect of the internal investigation itself. However, it did reveal a number of deficiencies and systemic failings that had adversely affected the internal investigative process.

The deficiencies included the fact that:

- critical decisions that drove the internal investigation were based on false assumptions or incomplete information;
- the subject officers had not been formally interviewed and instead were spoken to informally, and in circumstances in which no audio recording was made; and
- there was an absence of investigation and command-related reporting of the type that would routinely be prepared in investigations of this nature.

Having been briefed on the findings of the Commission's investigation, the Commissioner of Police directed that a fresh internal investigation be conducted by Tasmania Police. A report detailing the outcome of that fresh internal investigation was provided to the Integrity Commission on 7 April 2011.

The fresh internal investigation addressed the deficiencies outlined in the Commission's findings. It concluded that there was insufficient evidence to establish that any of the subject officers had engaged in sexual conduct with the 12-year-old.

The Commission is satisfied as to the thoroughness of the fresh internal investigation and the relevant investigation report, and appreciative of the action taken by the Commissioner of Police in directing that it take place.

INTERNAL REVIEW POLICY

An internal review policy has been adopted and outlines the process followed when a complainant requests a review of the assessment decision relating to their complaint. Complainants can request a review by writing to the Commission's Chief Executive Officer.

CHARTER OF SERVICE

The Commission has adopted a Charter of Service that outlines what complainants can expect from the organisation and how they can assist the Commission in dealing efficiently and effectively with a complaint.

CASE STUDY 1

Conflict of Interest Complaint

.....

The Commission received a complaint from an anonymous source concerning the recent acquisition of a residential property by a Government business.

.....

The allegation asserted that the Government business had purchased the property at an inflated price in circumstances where a former senior officer had a personal association with the vendor. The property had been purchased by the business at a price more than seven times that paid by the vendor when the property had been acquired five years earlier.

The complaint contained a significant level of detail, which suggested that the complainant was well-informed.

The information raised a reasonable suspicion that the former senior officer had failed to declare the association with the vendor, and that a level of impropriety may therefore have occurred in relation to the property acquisition. The matter clearly required investigation. It was determined that, in the first instance, the complaint should be referred to the Chairman of the Board of the Government business. He was considered, in the particular circumstances of the case, to be qualified and suitable to deal with the matter.

After liaison with the Commission, the Chairman engaged external auditors and devised a means by which to make discreet inquiries in respect of the

matter. Subsequent inquiries undertaken by the external auditors confirmed the circumstances of the transaction. It was established that the former senior officer, who was shown to have been involved throughout the acquisition process, did have a personal association with the vendor which, although declared to some levels of management, had not been declared to the Board.

Because the investigation had otherwise confirmed the legitimacy of the acquisition process, and because the senior officer was no longer a public officer, the Commission was satisfied that no further action was necessary. In coming to this view, the Commission noted that the Chairman of the Board proposed that all staff of the Government business were to be reminded of conflict of interest and related policy requirements.

The investigation was completed within three months of being referred to the Government business. It was undertaken efficiently, thoroughly, and discreetly. No misconduct warranting disciplinary action was established, and because the Commission was not directly involved in the investigation, embarrassment for both the business and its staff was avoided. Crucially, deficiencies were identified and appropriate managerial action taken to reinforce business procedures for the future.

GOAL 3: DEVELOP A POSITIVE OPERATING CLIMATE IN TASMANIA FOR THE WORK OF THE INTEGRITY COMMISSION

ENGAGEMENT AND COMMUNICATIONS

The Integrity Commission began an engagement and communications program soon after it was established.

A public perceptions poll commissioned in March and conducted by Enterprise Marketing and Research Services – before the Commission's regional outreach program had started – showed that even at such an early stage in the organisation's life, about a third of Tasmanians were aware of the Commission's existence.

Highlights of the program have included:

- 44 presentations and speaking engagements by the CEO and staff from the Misconduct Prevention, Education and Research Unit to more than 2,000 people, including representatives of professional associations, unions, magistrates, academics, and community groups;
- a Hobart lunch-time forum on 9 December 2010 to mark International Anti-Corruption Day, attended by more than 130 people. It was chaired by former ABC TV journalist and presenter, Judy Tierney, with four panel members: *Mercury* newspaper journalist, Sue Neales; Greens Leader, Nick McKim; former Attorney-General, John Bennett; and University of Tasmania lecturer, Tom Baxter;
- the Commission's first regional outreach program, including public information events in Burnie, Launceston and Queenstown during April-May. As part of the program, Chief Commissioner Murray Kellam, conducted sessions for Year 11 and 12 students in Burnie and Launceston;
- in conjunction with the visits, State and local government leaders and representatives of community groups participated in breakfast events addressed by the Chief Commissioner;
- Burnie, Launceston and Queenstown visits also included Complaints Clinics for locals who wished to talk to officers about potential complaints;

- a southern local government leaders' breakfast in Hobart on 15 June was hosted by the Chief Commissioner and provided the opportunity to update elected members and senior officers on the Commission's role in regard to local government;
- establishment of an interim website, www.integrity.tas.gov.au, with a more user-friendly version in development;
- distribution of information brochures Statewide through Service Tasmania's 27 shops;
- development of a media kit distributed to all Tasmanian media outlets to provide background information on the Commission; and
- a publicity schedule that has included media releases resulting in radio, newspaper and television coverage, articles contributed to magazines and on-line newsletters, and promotion and advertising of events through State Government, local government and community publicity channels.

PARLIAMENTARY STANDARDS COMMISSIONER

The role of the Parliamentary Standards Commissioner is independent of the Integrity Commission.

Its purpose is to provide confidential advice to Members of Parliament and advice to the Integrity Commission about the conduct, propriety and ethics of Parliamentarians.

Former Federal Minister for Justice, Rev Prof Michael Tate AO was appointed to the statutory officer position in November 2010, following consultation with the Parliamentary Joint Standing Committee on Integrity.

The Commission has provided support to the role. The Parliamentary Standards Commissioner assisted the Commission in its development of the *Codes of Conduct for Members of Parliament, Ministers and Ministerial Staff in Tasmania* report, tabled in Parliament in June.

GOAL 4: BE AN EFFICIENT, EFFECTIVE AND ETHICAL ORGANISATION

LEGISLATIVE AMENDMENTS

The Minister for Justice has responsibility for administration of the *Integrity Commission Act 2009*, while the Parliamentary Joint Standing Committee on Integrity – as established by the legislation – has responsibility for monitoring and reviewing the performance of functions of the Commission, as well as reporting to both Houses of Parliament on matters relevant to the performance of the Commission's functions or the exercise of its powers. In addition, the committee has specific responsibility for reviewing the functions, powers and operations of the Commission three years after commencement.

Since the Commission started operating, there has been an opportunity to test the new Act and as is often the case with new legislation, a range of issues have been identified and will need to be addressed.

The Commission has developed a schedule of amendments to clarify the Commission's powers and enhance its capacity to fulfill statutory objectives. The schedule has been submitted to the Attorney-General and to the Parliamentary Joint Standing Committee on Integrity.

A key issue is the lack of clarity in the legislation regarding the Commission's role in oversight and monitoring of Tasmania Police processes in instances of significant public interest, such as death or serious injury in custody.

Other issues include the lack of cohesion between the Act and other relevant legislation, such as the *Local Government Act 1993* and the *Local Government (General) Regulations 2005*, which were not amended consequent to the establishment of the Commission; and drafting inconsistencies such as the need for clarity in relation to some definitions.

IMPLEMENTATION OF SYSTEMS

An important administrative step for the Commission was the introduction in May of an electronic Total Records and Information Management system, known as TRIM, following work to configure it to suit the organisation's needs.

TRIM will assist in meeting archival, oversight and audit requirements, as well as being a vital tool in managing the Commission's business efficiently and effectively. It enables the Commission to meet its obligations under the *Tasmanian Archives Act 1983* and the Australian Standard for Records Management.

Policies, procedures and user guides, as well as tools that direct the use of the system and ensure the business needs of the organisation are met, have been developed as part of implementation. All staff were trained in the use of TRIM and are now using it to capture, manage and retain records.

The Commission is also well-advanced with the process of introducing an electronic case management system. Tenders were called in December 2010 and the successful tenderer has been appointed, with implementation expected to be completed by November 2011.

ASSISTANCE FROM OTHER INTEGRITY AGENCIES

The Commission has drawn on the experience and expertise of integrity agencies in other states, including the Office of Police Integrity in Victoria, the Corruption and Crime Commission in Western Australia, the Crime and Misconduct Commission in Queensland, and the Independent Commission Against Corruption in New South Wales.

This has included a number of short-term staff engagements, which have been particularly valuable during the start-up phase. Interstate integrity agencies have also generously provided access to policy documents and insight into procedures, which have assisted the Commission in developing frameworks relevant to Tasmanian requirements.

CASE STUDY 2

Positive Outcome from Co-operation

.....

Following media reports questioning why a police officer was not jointly charged with others in respect of a criminal offence, the Commission audited the Tasmania Police internal investigation.

.....

Following media reports questioning why a police officer was not jointly charged with others in respect of a criminal offence – but instead dealt with as part of the internal Police disciplinary process – the Integrity Commission determined it should audit the internal investigation conducted by Tasmania Police. (The internal investigation had sustained allegations against the police officer, and the officer had been disciplined.)

Having requested and been provided with the Tasmania Police internal investigation file, the Commission received advice from the Solicitor-General raising doubts as to the Commission's ability to access telephone interception material which had been central to the initial criminal investigation and the subsequent internal investigation.

In light of the Solicitor-General's advice, the Commission invited the Commissioner of Police to conduct his own review of the adequacy of the internal investigation, including the process by which the disciplinary proceedings against the subject officer had been finalised. The Commission pointed out that 'the lenient manner in which the subject officer appears to have been dealt with remains a concern'. The Commissioner of Police subsequently undertook

a review of the matter, and confirmed that there were deficiencies in the internal investigation report which had formed the basis for the original recommendation that disciplinary action only was warranted.

The review concluded that there was sufficient evidence to establish that the subject officer had misled internal investigators, and had given incorrect advice to the victim of the crime.

While the Commissioner of Police also acknowledged that the disciplinary sanction imposed upon the police officer had been at the '*bottom end of the range*'; as a matter of law, the Commissioner is unable to change the disciplinary outcome. However, the Commissioner has committed to take action to address the systemic deficiencies identified by the review.

This matter demonstrates how the Commission and Tasmania Police work collaboratively to ensure transparency in the investigation of alleged police misconduct. It also illustrates that there can be confidence in the capacity and willingness of Tasmania Police to promote the highest standards of professional conduct.

CORPORATE SERVICES

The Integrity Commission has a Service Level Agreement with the Department of Justice for provision of specialist financial and accounting services, as well as human resources services and information technology support.

Commission staff members have access via the Department's intranet to guidelines and information on policies and practices in relation to staff recruitment and selection consistent with the *State Service Act 2000*.

The Commission has a Code of Conduct for its staff and internal grievance procedures in the event of a dispute arising. It has also developed policies in relation to staff induction, gifts and benefits, corporate travel, motor vehicle usage, and records management.

RECORDS MANAGEMENT

The Commission is working towards meeting its records management obligations under the *Tasmanian Archives Act 1983* and associated guidelines issued by the Tasmanian Archives Office, and meeting *Australian Standard AS ISO 15489.1: Information and documentation – Records Management*.

To date, the following outcomes have been achieved in addition to the introduction of TRIM:

- development and endorsement of a Records Management Policy;
- creation of a Business Classification Scheme to organise and classify records;
- application of the Disposal Schedule for Common Administrative Functions (DA 2157) to records in TRIM; and
- development of procedures to ensure standards are complied with, and internal training and support for staff to assist them in meeting their obligations.

PROFESSIONAL DEVELOPMENT

The Commission is committed to ongoing professional development for its staff, who have undertaken training that has included courses on procurement and managing government contracts, compliance with Archives Office requirements, communicating with people with disabilities, and first aid training. Staff also attended conferences relevant to the organisation.

RIGHT TO INFORMATION

Although the Integrity Commission is generally exempt from the *Right to Information Act 2009*, a person may make a request for information that relates to the administration of the Integrity Commission. The Commission received one request for information during the relevant reporting period. General Counsel, as the Commission's delegated authorised officer, assessed the information requested as being exempt.

PUBLIC INTEREST DISCLOSURES

During the relevant reporting period, no referrals to the Commission under section 29B of the *Public Interest Disclosures Act 2002* have been made by the Ombudsman or other public bodies. Additionally, no specific disclosures under the Act have been made to the Commission and therefore relevant for referral to either the Ombudsman or another public body, in accordance with s29A.



COMMUNITY CONTRIBUTIONS

Charity donations

Integrity Commission staff donated \$229.40 to Medecins Sans Frontieres in the first six months of 2011. The proceeds were from casual clothes days.

CEO Sleepout

The Chief Executive Officer, Mrs Barbara Etter, raised \$605 for St Vincent de Paul Society's homeless services as part of the Tasmanian component of the national CEO Sleepout, held in Launceston in June.

GOAL 5: BE A RESPECTED LEADER IN OUR FIELD

CONTRIBUTION TO BEST PRACTICE

The Commission completed its first major research project in June, with the tabling in Parliament of its report on *Codes of Conduct for Members of Parliament, Ministers and Ministerial Staff*. The project identified best practice nationally and overseas in relation to the codes and has attracted widespread interest.

Along with other integrity agencies, the Commission has contributed through the Advisory Committee for the University of Wollongong's new Graduate Certificate in Integrity Studies. The Chief Executive Officer also delivered guest lectures during March.

The CEO was a keynote speaker at the Australian Association for Professional and Applied Ethics conference in Hobart during June, while staff gave presentations on "Australian Integrity Agencies: A Comparative Analysis of Models From the Inside" and on the Commission's research project on *Codes of Conduct for Members of Parliament, Ministers and Ministerial Staff in Tasmania*.

The CEO also spoke at a range of conferences and participated in expert forums, such as a forum on Deaths Associated With Police Contact, hosted by the Victorian Office of Police Integrity in Melbourne during May, and representation on an ethics panel at an Australia New Zealand School of Government conference.

KNOWLEDGE SHARING

The Commission contributed to knowledge sharing and integrity initiatives locally and nationally.

Members of the Western Australian Parliamentary Joint Standing Committee on the Corruption and Crime Commission met the CEO and staff in November to discuss the Tasmanian integrity model.

Representatives from Victorian and South Australian bodies met with the Commission for discussions about the Tasmanian integrity model as part of considerations for integrity bodies in their respective states.

The Integrity Commissioner with the Australian Commission for Law Enforcement Integrity, Philip Moss, also visited to gain an understanding of the Tasmanian integrity legislation and framework.

The Commission provided support to the International Program Manager with the Commonwealth Ombudsman, Carolyn Langley, and the Director Leadership, Papua New Guinea Ombudsman Commission, Matthew Damaru, in a visit to gain insight into the Commission's regional outreach program.

The CEO, along with the Manager Misconduct Prevention Education and Research, delivered lectures on executive leadership and ethics and probity to the Inspector's course at the Tasmania Police Academy.

AUSTRALIAN PUBLIC SECTOR ANTI-CORRUPTION CONFERENCE

The Commission is a sponsor for the third national Australian Public Sector Anti-Corruption Conference in Fremantle in November 2011 and staff will present in two sessions, as well as participate as delegates.

The biennial conference is the nation's leading anti-corruption conference with this year's theme *A Global Compass - Navigating Public Sector Corruption*. It is a joint initiative of three of the nation's leading anti-corruption agencies, Western Australia's Corruption and Crime Commission, Queensland's Crime and Misconduct Commission, and New South Wales' Independent Commission Against Corruption.

OTHER REPORTING

ESTABLISHMENT COSTS

Costs associated with establishing the Integrity Commission during 2010–11 were \$819,479. They included building fit-out and related building works, furniture and equipment, information technology expenses, recruitment of staff, and communications costs such as printing of stationery and brochures.

CONTRACTS AND CONSULTANCIES

The Integrity Commission followed procurement processes for two contracts greater than \$50,000 for 2010–11, as indicated below. Contracts for office fit-out were managed by the Department of Justice prior to the Commission starting its operations on 1 October 2010 and are covered in the Department's annual report. There were no consultancies with a value of more than \$50,000.

Name of contractor	Location	Purpose	Contract period	Value
ISS Facility Services Australia	Port Melbourne, Victoria	Office cleaning	Five years	\$ 63,265
Jade Software Corporation Ltd	Christchurch, New Zealand	Electronic case management system	3–4 months	\$123,300

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Superannuation certificate

I, Barbara Etter, Chief Executive Officer of the Integrity Commission, hereby certify that the Integrity Commission has met its obligations under the Commonwealth *Superannuation Guarantee (Administration) Act 1992* in respect of those employees of the Commission who are members of complying superannuation schemes to which the Commission, through the Department of Justice under a Service Level Agreement, makes employer superannuation contributions.

Yours sincerely



Barbara Etter APM
Chief Executive Officer
Integrity Commission
1 July 2011



FINANCIALS

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STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2011

	Notes	2011 Budget \$'000	2011 Actual \$'000
Continuing operations			
Revenue and other income from transactions			
Revenue from Government			
Appropriation revenue - recurrent	1.7(a), 4.1	2 909	2 608
Other revenue from Government	1.7(a), 4.1	-	509
Other revenue	1.7(b), 4.2	-	82
Total revenue and other income from transactions		2 909	3 199
Expenses from transactions			
Employee benefits	1.8(a), 5.1	1 951	1 794
Depreciation and amortisation	5.2	33	24
Supplies and consumables	5.3	633	717
Other expenses	5.4	356	311
Total expenses from transactions		2 973	2 846
Net result from transactions (net operating balance)		(64)	353
Other economic flows included in net result		-	-
Other economic flows – other non-owner changes in equity		-	-
Comprehensive result		(64)	353

This Statement of Comprehensive Income should be read in conjunction with the accompanying notes. Budget information refers to original estimates and has not been subject to audit. Explanations of material variances between budget and actual outcomes are provided in Note 2 of the accompanying notes.

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2011

	Notes	2011 Budget \$'000	2011 Actual \$'000
Assets			
<i>Financial assets</i>			
Cash and deposits	1.9(a), 10.1	-	(6)
Receivables	1.9(b), 6.1	-	15
<i>Non-financial assets</i>			
Leasehold improvements and equipment	1.9(c), 6.2	434	576
Intangible assets	1.9(d), 6.3	-	38
Other assets	1.9(e), 6.4	-	19
Total assets		434	642
Liabilities			
Payables	1.10(a), 7.1	20	96
Employee benefits	1.10(b), 7.2	283	187
Other liabilities	1.10(d), 7.3	34	11
Total liabilities		337	294
Net assets		97	348
Equity			
Accumulated funds		97	348
Total equity		97	348

This Statement of Financial Position should be read in conjunction with the accompanying notes. Budget information refers to original estimates and has not been subject to audit. Explanations of material variances between budget and actual outcomes are provided in Note 2 of the accompanying notes.

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2011

	Notes	2011 Budget \$'000	2011 Actual \$'000
		Inflows (Outflows)	Inflows (Outflows)
Cash flows from operating activities			
Cash inflows			
Appropriation receipts - recurrent		2 909	2 608
GST receipts		-	159
Other cash receipts		-	1
Total cash inflows		2 909	2 768
Cash outflows			
Employee benefits		(1 920)	(1 597)
GST payments		-	(174)
Supplies and consumables		(633)	(698)
Other cash payments		(356)	(295)
Total cash outflows		(2 909)	(2 764)
Net cash from (used by) operating activities	10.2	-	4
Cash flows from investing activities			
Cash inflows			
Reimbursement for acquisition of non-financial assets		-	81
Cash inflow as a result of administrative restructure		-	509
Total cash inflows		-	590
Cash outflows			
Payments for acquisition of non-financial assets		-	(600)
Total cash outflows		-	(600)
Net cash from (used by) investing activities		-	(10)
Net increase/(decrease) in cash held and cash equivalents		-	(6)
Cash and deposits at the beginning of the reporting period		-	-
Cash and deposits at the end of the reporting period	10.1	-	(6)

This Statement of Cash Flows should be read in conjunction with the accompanying notes.

Budget information refers to original estimates and has not been subject to audit.

Explanations of material variances between budget and actual outcomes are provided in Note 2 of the accompanying notes.

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2011

	Notes	Accumulated surplus / deficit \$'000	Total equity \$'000
Balance as at 1 July 2010		-	-
Transactions with owners in their capacity as owners:			
Administrative restructure – net assets transferred from the Department of Justice	1.6, 9.1	(5)	(5)
Total comprehensive result		353	353
Total		348	348
Balance as at 30 June 2011		348	348

This Statement of Changes in Equity should be read in conjunction with the accompanying notes.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

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NOTE 1: SIGNIFICANT ACCOUNTING POLICIES

1.1 Objectives and Funding

The Integrity Commission (the Commission) was established by the *Integrity Commission Act 2009* and started operation on 1 October 2010 with its start-up phase being from June 2010. The Commission's role is to improve the standard of conduct, propriety and ethics in the public sector through:

- Education and training to prevent misconduct and develop resistance to misconduct;
- Building the capacity of the public sector to prevent and address misconduct;
- Providing an effective mechanism for misconduct complaints to be addressed; and
- Promoting integrity by providing advice on issues of integrity and ethical conduct across the public sector and developing codes of conduct.

The Commission's primary focus, under its legislation, is on education, advice and prevention of public officer misconduct to strengthen the confidence of Tasmanians in the capacity of the State's public authorities to operate ethically and with propriety.

The Commission also deals with complaints of misconduct which, in some instances, may lead to investigations, and has the power to monitor and audit internal investigation processes conducted by public authorities.

The Commission is overseen by a Board that includes the Chief Commissioner, the Ombudsman, the Auditor-General and the State Service Commissioner, and three other members, with specialist expertise.

The Commission's activities are classified as controlled as they involve the use of assets, liabilities, revenues and expenses controlled or incurred by the Commission in its own right.

The Commission is predominantly funded through Parliamentary appropriations. The financial report encompasses all funds through which the Commission controls resources to carry on its functions.

1.2 Basis of Accounting

As the Commission only began its start-up phase in June 2010, these Financial Statements are the first to be prepared for the Commission. The Financial Statements are a general purpose financial report and have been prepared in accordance with:

- Australian Accounting Standards (AAS) and Interpretations issued by the Australian Accounting Standards Board (AASB); and
- The Treasurer's Instructions issued under the provisions of the *Financial Management and Audit Act 1990*.

The Financial Statements were signed by the Chief Executive Officer and Chief Commissioner on 11 August 2011.

Compliance with the AAS may not result in compliance with International Financial Reporting Standards (IFRS), as the AAS include requirements and options available to not-for-profit organisations that are inconsistent with

IFRS. The Commission is considered to be not-for-profit and has adopted some accounting policies under the AAS that do not comply with IFRS.

The Financial Statements have been prepared on an accrual basis and, except where stated, are in accordance with the historical cost convention.

The Financial Statements have been prepared on the basis that the Commission is a going concern. The continued existence of the Commission in its present form, undertaking its current activities, is dependent on Government policy and on continuing appropriations by Parliament for the Commission's administration and activities.

1.3 Reporting Entity

The Financial Statements include all the controlled activities of the Commission.

1.4 Functional and Presentation Currency

These Financial Statements are presented in Australian dollars, which is the Commission's functional currency.

1.5 Changes in Accounting Policies

(a) Impact of new and revised Accounting Standards

In the current year, the Commission has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board that are relevant to its operations and effective for the current annual reporting period. These include:

- AASB 2008-3 *Amendments to Australian Accounting Standards arising from AASB 3 and AASB 127* – This Standard introduces some minor terminology changes. There is no expected financial impact of applying these changes.
- AASB 2009-5 *Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project* – This Standard introduces small disclosure and classification changes. There is no expected financial impact of applying these changes.

(b) Impact of new and revised Accounting Standards yet to be applied

The following applicable Standards have been issued by the AASB and are yet to be applied:

- AASB 2009-11 *Amendments to Australian Accounting Standards arising from AASB 9* – The amendments require modification to the disclosure of categories of financial assets. It is not anticipated that there will be any financial impact.
- AASB 1053 *Application of Tiers of Australian Accounting Standards* – This Standard establishes a differential financial reporting framework consisting of two tiers of reporting requirements for preparing general purpose financial statements. The Standard does not have any financial impact on the

Commission. However, it may affect disclosures if reduced disclosure requirements apply.

- AASB 2010-2 *Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements* – This Standard makes amendments to introduce reduced disclosure requirements for certain types of entities. There is no expected financial impact of applying these changes, as the Commission is likely to be considered a Tier 1 entity.
- AASB 2010-6 *Amendments to Australian Accounting Standards – Disclosures on Transfers of Financial Assets* – This Standard includes additional presentation and disclosure requirements for financial assets. It is not expected to have a financial impact.
- AASB 2010-7 *Amendments to Australian Accounting Standards arising from AASB 9* – This Standard makes minor revisions, however it is not expected to have a financial impact.
- AASB 2009-12 *Amendments to Australian Accounting Standards* – This Standard introduces a number of terminology changes. There is no expected financial impact.
- AASB 2010-5 *Amendments to Australian Accounting Standards* – This Standard introduces terminology changes as well as presentation changes, however, there is no expected financial impact from these revisions.
- AASB 1054 *Australian Additional Disclosures* – This standard has arisen as a result of the decision, as part of the Trans-Tasman Convergence Project, to move any requirements (for-profits only) which were over and above IFRS requirements to a separate standard. As the inclusions in this standard are simply sections moved from other standards, currently in operation, there will be no material impact when the standard is applied.

The future adoption of these standards is not expected to have a material impact on the financial statements of the Commission.

1.6 Transactions by the Government as Owner – Restructuring of Administrative Arrangements

Net assets received under a restructuring of administrative arrangements are designated as contributions by owners and adjusted directly against equity. Net assets relinquished are designated as distributions to owners. Net assets transferred are initially recognised at the amounts at which they were recognised by the transferring agency immediately prior to the transfer. Details of these transactions are provided in Note 9.1.

1.7 Income from transactions

Income is recognised in the Statement of Comprehensive Income when an increase in future economic benefits related to an increase in an asset or a decrease of a liability has arisen that can be measured reliably.

(a) Revenue from Government

Appropriations, whether recurrent or capital, are recognised as revenues in the period in which the Commission gains control of the appropriated funds.

(b) Other revenue

Revenue from sources other than those identified above are recognised in the Statement of Comprehensive Income when an increase in future economic benefits related to an increase in an asset or a decrease of a liability has arisen that can be measured reliably.

1.8 Expenses from transactions

Expenses are recognised in the Statement of Comprehensive Income when a decrease in future economic benefits related to a decrease in an asset or an increase of a liability has arisen that can be measured reliably.

(a) Employee benefits

Employee benefits include, where applicable, entitlements to wages and salaries, annual leave, sick leave, long service leave, superannuation and any other post-employment benefits.

(b) Depreciation and amortisation

All applicable Non-current assets having a limited useful life are systematically depreciated or amortised over their useful lives in a manner which reflects the consumption of their service potential. Depreciation and amortisation are provided for on a straight line basis, using lives which are reviewed annually. The useful lives of each class of asset are as follows:

Leasehold Improvements	10 years
Equipment	5 years
Intangible Assets (Computer Systems)	5 years

(c) Other expenses

Expenses from activities other than those identified above are recognised in the Statement of Comprehensive Income when a decrease in future economic benefits related to a decrease in an asset or an increase of a liability has arisen that can be measured reliably.

1.9 Assets

Assets are recognised in the Statement of Financial Position when it is probable that the future economic benefits will flow to the Commission and the asset has a cost or value that can be measured reliably.

(a) Cash and deposits

Cash means notes, coins, any deposits held at call with a bank or financial institution, as well as funds held in the Special Deposits and Trust Fund. Deposits are recognised at amortised cost, being their face value.

The Commission has an overdraft facility on its account to allow for the delay in receiving reimbursement for GST payments from the Australian Taxation Office.

(b) Receivables

Receivables are recognised at amortised cost, less any impairment losses, however, due to the short settlement period, receivables are not discounted back to their present value.

The Commission is not yet in an operational position to perform services from which it could raise revenue. The only receivables recognised by the Commission at 30 June 2011 relate to GST receivable from the ATO.

(c) Leasehold improvements and equipment

(i) Valuation basis

All Non-current physical assets are recorded at historic cost less accumulated depreciation.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The costs of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of leasehold improvements and equipment.

(ii) Subsequent costs

The cost of replacing part of an item of leasehold improvements and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Commission and its costs can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of day-to-day servicing of leasehold improvements and equipment are recognised in profit or loss as incurred.

(iii) Asset recognition threshold

The asset capitalisation threshold adopted by the Commission for non-current physical assets is \$10,000. Assets acquired at a cost of less than \$10,000 are charged to the Statement of Comprehensive Income in the year of purchase (other than where they form part of a group of similar items which are material in total).

(d) Intangible assets

(i) Valuation basis

Intangible assets held by the Commission are recorded at cost less any subsequent accumulated amortisation and any subsequent accumulated impairment losses. Intangible assets for the Commission are not revalued due to software having a limited useful life.

(ii) Asset recognition threshold

The asset capitalisation threshold adopted by the Commission for intangible assets is \$10,000.

The development costs towards the installation of the TRIM Records Management System are recognised as an intangible asset and are currently valued at cost.

The system went live and the asset was commissioned in late June 2011. Therefore amortisation will not commence until 1 July 2011.

(e) Other assets

Other assets comprise prepayments. Prepayments relate to actual transactions that are recorded at cost.

1.10 Liabilities

Liabilities are recognised in the Statement of Financial Position when it is probable that an outflow of resources embodying economic benefits will result from the settlement of a present obligation and the amount at which the settlement will take place can be measured reliably.

(a) Payables

Payables, including goods received and services incurred but not yet invoiced, are recognised at amortised cost, which due to the short settlement period, equates to face value, when the Commission becomes obliged to make future payments as a result of a purchase of assets or services.

(b) Employee benefits

Liabilities for wages and salaries and annual leave are recognised when an employee becomes entitled to receive a benefit. Those liabilities expected to be realised within 12 months are measured as the amount expected to be paid. Other employee entitlements are measured as the present value of the benefit at 30 June 2011, where the impact of discounting is material, and at the amount expected to be paid if discounting is not material.

A liability for long service leave is recognised, and is measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date.

(c) Superannuation

(i) Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution plans are recognised as an expense when they fall due.

(ii) Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Commission does not recognise a liability for the accruing superannuation benefits of Commission

employees. This liability is held centrally and is recognised within the Finance-General Division of the Department of Treasury and Finance.

(d) Other liabilities

The Commission has separately recognised a liability for the payroll tax on the accruing employee Annual Leave and Long Service Leave entitlements calculated at 6.1% of the outstanding leave provisions.

1.11 Leases

The Commission has entered into a number of operating lease agreements for property and equipment, where the lessors effectively retain all the risks and benefits incidental to ownership of the items leased. Equal instalments of lease payments are charged to the Statement of Comprehensive Income over the lease term, as this is representative of the pattern of benefits to be derived from the leased property.

The Commission is prohibited by Treasurer's Instruction 502 *Leases* from holding finance leases.

1.12 Judgements and Assumptions

In the application of Australian Accounting Standards, the Commission is required to make judgements, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

There were no judgements or estimates made by the Commission that have significant effects on the Financial Statements in 2010-11.

The Commission has made no assumptions concerning the future that may cause a material adjustment to the carrying amounts of assets and liabilities within the next reporting period.

1.13 Comparative Figures

The Commission began its start-up phase in June 2010 at which time costs were being incurred by Department of Justice (Refer to Note 9). Comparative figures are therefore not relevant.

1.14 Budget Information

Budget information refers to original estimates as disclosed in the 2010-11 Budget Papers and is not subject to audit.

1.15 Rounding

All amounts in the Financial Statements have been rounded to the nearest thousand dollars, unless otherwise stated. Where the result of expressing amounts to the nearest thousand dollars would result in an amount of zero, the financial statement will contain a note expressing the amount to the nearest whole dollar.

1.16 Commission Taxation

The Commission is exempt from all forms of taxation except Fringe Benefits Tax, Payroll Tax and is registered for the Goods and Services Tax.

1.17 Goods and Services Tax

Revenue, expenses and assets are recognised net of the amount of Goods and Services Tax (GST), except where the GST incurred is not recoverable from the Australian Taxation Commission (ATO). Receivables and payables are stated inclusive of GST. The net amount recoverable, or payable, to the ATO is recognised as an asset or liability within the Statement of Financial Position.

In the Statement of Cash Flows, the GST component of cash flows arising from operating, investing or financing activities which is recoverable from, or payable to, the ATO is, in accordance with the Australian Accounting Standards, classified as operating cash flows.

NOTE 2: EXPLANATIONS OF MATERIAL VARIANCES BETWEEN BUDGET AND ACTUAL OUTCOMES

The following are brief explanations of material variances between Budget estimates and actual outcomes. Variances are considered material where the variance exceeds the greater of 10 per cent of Budget estimate and \$100,000.

2.1 Statement of Comprehensive Income

	Note	Budget \$'000	Actual \$'000	Variance \$'000	Variance %
Appropriation revenue – recurrent	(a)	2 909	2 608	(301)	(10.3)
Other revenue from Government	(b)	-	509	509	100
Supplies and consumables	(c)	633	717	84	13.3

Notes to Statement of Comprehensive Income variances

- (a) Due to the timing of commencement of operations the Commission did not require its entire Appropriation in 2010-11 and returned excess funds to the Consolidated Fund.
- (b) This variance is due to funds carried forward by the Department of Justice for the set-up of the Commission which were transferred to the Commission when it assumed responsibility for its own management. This was not budgeted.
- (c) The Commission spent more on Supplies and consumables than was budgeted due to associated establishment costs.

2.2 Statement of Financial Position

	Note	Budget \$'000	Actual \$'000	Variance \$'000	Variance %
Leasehold improvements and equipment	(a)	434	576	142	32.7
Intangible assets	(b)	-	38	38	100
Payables	(c)	20	96	76	>100
Employee benefits	(d)	283	187	(96)	(33.9)

Notes to Statement of Financial Position variances

- (a) The costs of the fit out of the Commission offices were greater than budgeted. This results primarily from additional leasehold improvements, the cost of which was reimbursed by the building owner.
- (b) This variance is due to acquisition of the TRIM Records Management System. This was not budgeted.
- (c) The Commission had a number of invoices unpaid at 30 June 2011 due to delayed receipt of invoices.
- (d) Staff long service leave and annual leave liabilities at 30 June 2011 were less than budgeted. This was as a result of the engagement of staff who did not bring with them a large leave liability.

2.3 Statement of Cash Flows

	Note	Budget \$'000	Actual \$'000	Variance \$'000	Variance %
Appropriation revenue – recurrent	(a)	2 909	2 608	(301)	(10.3)
GST receipts	(b)	-	159	159	>100
GST payments	(b)	-	174	174	>100
Other cash receipts	(c)	-	81	81	>100
Payments for acquisition of non-financial assets	(d)	-	600	600	>100
Cash inflow as a result of administrative restructure	(e)	-	509	509	>100

Notes to Statement of Cash Flows variances

- (a) Due to the timing of commencement of operations the Commission did not require its entire Appropriation in 2010-11 and returned excess funds to the Consolidated Fund.
- (b) The payment of GST to and from the Australian Taxation Office was not budgeted.
- (c) This relates to reimbursement by building owner towards office fitout costs.
- (d) This variance is due to funds carried forward by the Department of Justice for the set-up of the Commission which were transferred to the Commission when it became a separate entity. This was not budgeted.
- (e) This relates to the cost of assets purchased, primarily leasehold improvements, by the Commission that were not budgeted (Refer to Note 6.2). Funding for this purpose was in the first instance provided to the Department of Justice (Refer to Note 9.1).

NOTE: 3 EVENTS OCCURRING AFTER BALANCE DATE

There have been no events subsequent to balance date which would have a material effect on the Commission's Financial Statements as at 30 June 2011.

NOTE 4: INCOME FROM TRANSACTIONS

4.1 Revenue from Government

Revenue from Government includes revenue from appropriations and appropriations carried forward under section 8A(2) of the *Public Account Act 1986*.

The Budget information is based on original estimates and has not been subject to audit.

	2011 Budget \$'000	2011 Actual \$'000
Appropriation revenue - recurrent		
Current year	2 909	2 608
	2 909	2 608
Revenue from Government - other		
Appropriation carried forward under section 8A(2) of the Public Account Act 1986 taken up as revenue in the current year	-	509
Total	-	509
Total revenue from Government	2 909	3 117

4.2 Other revenue

	2011 \$'000
Reimbursements relating to the Office fitout	81
Other revenue	1
Total	82

NOTE 5: EXPENSES FROM TRANSACTIONS

5.1 Employee benefits

	2011 \$'000
Wages and salaries	1 514
Superannuation - defined contribution scheme	117
Superannuation - defined benefit scheme	8
Other employee expenses	155
Total	1 794

Superannuation expenses relating to defined benefits schemes relate to payments into the Superannuation Provision Account held centrally and recognised within the Finance-General Division of the Department of Treasury and Finance. The amount of the payment is based on an employer contribution rate determined by the Treasurer, on the advice of the State Actuary. The current employer contribution is 12.3 per cent of salary.

Superannuation expenses relating to the contribution scheme are paid directly to the relevant superannuation funds at a rate of nine per cent of salary. In addition, the Commission is also required to pay into the SPA a "gap" payment equivalent to 3.3 per cent of salary in respect of employees who are members of contribution schemes.

5.2 Depreciation and amortisation

	2011 \$'000
Leasehold improvements – Amortisation	23
Equipment – Depreciation	1
Total depreciation and amortisation	24

5.3 Supplies and consumables

	2011 \$'000
Audit fees – financial audit	5
Operating lease costs	229
Consultants	41
Property services	78
Communications	27
Information technology	80
Travel and transport	62
Advertising and promotion	9
Printing	31
Personnel expenses	33
Plant and equipment	60
Office requisites	32
Other supplies and consumables	30
Total	717

5.4 Other expenses

	2011 \$'000
Salary on-costs	99
Legal costs	9
Corporate support provided by the Department of Justice	150
Other expenses	53
Total	311

NOTE 6: ASSETS

6.1 Receivables

	2011 \$'000
Tax assets	15
Total	15
Settled within 12 months	15
Total	15

6.2 Leasehold improvements and equipment

(a) Carrying amount

	2011 \$'000
Equipment	
At cost	17
Less: Accumulated depreciation	(1)
Total Equipment	16
Leasehold improvements	
At cost	583
Less: Accumulated amortisation	(23)
Total Leasehold improvements	560

B) Reconciliation of movements

	Equipment \$'000	Leasehold Improvements \$'000	Total \$'000
Carrying amount at 1 July	-	-	-
Additions	17	583	600
Depreciation and amortisation expense	(1)	(23)	(24)
Carrying amount at 30 June	16	560	576

6.3 Intangible Assets

(a) Carrying amount

	2011 \$'000
Intangible assets	
At cost	38
Total Intangible assets	38

(b) Reconciliation of movements

	Intangible Assets \$'000	Total \$'000
Carrying amount at 1 July	-	-
Additions TRIM Records Management System	38	38
Carrying amount at 30 June	38	38

6.4 Other assets

	2011 \$'000
Prepayments	19
Total	19
Settled within 12 months	19
Total	19

NOTE 7: LIABILITIES

7.1 Payables

	2011 \$'000
Creditors	9
Accrued Expenses	87
Total	96
Settled within 12 months	96
Total	96

Settlement is usually made within 30 days.

7.2 Employee benefits

	2011 \$'000
Accrued salaries	46
Annual leave	74
Long service leave	67
Total	187
Settled within 12 months	113
Settled in more than 12 months	74
Total	187

7.3 Other liabilities

	2011 \$'000
Other liabilities	
Employee benefits - on-costs	11
Total	11
Settled within 12 months	7
Settled in more than 12 months	4
Total	11

NOTE 8: COMMITMENTS AND CONTINGENCIES

8.1 Schedule of Commitments

	2011 \$'000
By type	
<i>Lease Commitments</i>	
Operating leases	1 067
<i>Total lease commitments</i>	1 067
<i>Other commitments</i>	
TRIM Records Management System	41
Investigator Case Management System	136
Office cleaning contract	63
<i>Total other commitments</i>	240
By maturity	
<i>Operating lease commitments</i>	
One year or less	293
From one to five years	774
<i>Total operating lease commitments</i>	1 067
<i>Other commitments</i>	
One year or less	190
From one to five years	50
<i>Total other commitments</i>	240
Total	1 307

The Operating Lease commitments include leased accommodation, motor vehicles and information technology equipment leases. All amounts shown are inclusive of GST.

8.2 Contingent Assets and Liabilities

Contingent assets and liabilities are not recognised in the Statement of Financial Position due to uncertainty regarding the amount or timing of the underlying claim or obligation.

(a) Quantifiable contingencies

A quantifiable contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity.

A quantifiable contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity; or a present obligation that arises from past events but is not recognised because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation.

At 30 June 2011 the Commission had no contingent assets or liabilities.

NOTE 9: ADMINISTRATIVE RESTRUCTURING

9.1 Administrative Restructure

As a result of a restructuring of administrative arrangements, the Commission assumed responsibility for its own business activities, which were relinquished by the Department of Justice on 1 July 2010. In respect of activities relinquished, the net book value of assets and liabilities transferred to the Commission from the Department of Justice for no consideration and recognised as at the date of transfer were:

	2011 \$'000
Net assets assumed on restructure	
Cash and Deposits	509
Total assets assumed	509
Net liabilities assumed on restructure	
Payables	1
Employee benefits	4
Other liabilities	509
Total liabilities assumed	514
Net assets (liabilities) assumed on restructure	(5)

Activity: Integrity Commission

	2011 \$'000	2010 \$'000
Revenues		
Recognised by the Department of Justice	-	192
Total revenues	-	192
Expenses		
Recognised by the Department of Justice	-	227
Total expenses	-	227

NOTE 10: CASH FLOW RECONCILIATION

10.1 Cash and deposits

Cash and deposits includes the balance of the Special Deposits and Trust Fund Accounts held by the Commission, and other cash held.

	2011 \$'000
Special Deposits and Trust Fund balance	
T527 Integrity Commission Operating Account	(6)
Total cash and deposits	(6)

10.2 Reconciliation of Net Result to Net Cash from Operating Activities

	2011 \$'000
Net result	353
Depreciation	24
Decrease (increase) in Receivables	(15)
Decrease (increase) in Prepayments	(19)
Decrease (increase) in Intangible assets	(38)
Increase (decrease) in Employee entitlements	183
Increase (decrease) in Payables	95
Increase (decrease) in Other liabilities	11
Reimbursement for acquisition of non-financial assets	(81)
Cash inflow as a result of administrative restructure	(509)
Net cash from (used by) operating activities	4

NOTE 11: FINANCIAL INSTRUMENTS

11.1 Risk exposures

(a) Risk management policies

The Commission has exposure to the following risks from its use of financial instruments:

- credit risk; and
- liquidity risk.

The Chief Executive Officer has overall responsibility for the establishment and oversight of the Commission's risk management framework. Risk management policies are currently being developed by the Commission to identify and analyse risks faced by the Commission, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. As an interim measure, the Commission currently uses policies developed by the Department of Justice.

(b) Credit risk exposures

Credit risk is the risk of financial loss to the Commission if a customer or counterparty to a financial instrument fails to meet its contractual obligations.

Financial Instrument	Accounting and strategic policies (including recognition criteria and measurement basis)	Nature of underlying instrument (including significant terms and conditions affecting the amount. Timing and certainty of cash flows)
Financial Assets Receivables	Receivables are recognised at amortised cost, less any impairment losses, however, due to the short settlement period, receivables are not discounted back to their present value.	The Commission is not yet in an operational position to perform services from which it could raise revenue. The only receivables recognised by the Commission at 30 June 2011 relate to GST receivable from the ATO.
Cash and deposits	Deposits are recognised at amortised cost, being their face value.	Cash means notes, coins, any deposits held at call with a bank or financial institution, as well as funds held in the Special Deposits and Trust Fund. The Commission has an overdraft facility on its account to allow for the delay in receiving reimbursement for GST payments from the ATO.

The Commission had no financial assets that were past due as at 30 June 2011 but not impaired.

(c) Liquidity risk

Liquidity risk is the risk that the Commission will not be able to meet its financial obligations as they fall due. The Commission's approach to managing liquidity is to ensure that it will always have sufficient liquidity to meet its liabilities when they fall due.

Financial Instrument	Accounting and strategic policies (including recognition criteria and measurement basis)	Nature of underlying instrument (including significant terms and conditions affecting the amount. Timing and certainty of cash flows)
Financial Liabilities Payables	Payables are recognised at amortised cost, which due to the short settlement period, equates to face value, when the Commission becomes obliged to make future payments as a result of a purchase of assets or services.	Payables, including goods received and services incurred but not yet invoiced, arise when the Commission becomes obliged to make future payments as a result of a purchase of assets or services. As per Treasurer's Instruction 1125 the Commission pays within suppliers' credit terms. Where there are no credit terms specified Commission's policy is to pay within 30 days.

The following tables detail the undiscounted cash flows payable by the Commission by remaining contractual maturity for its financial liabilities. It should be noted that as these are undiscounted, totals may not reconcile to the carrying amounts presented in the Statement of Financial Position:

2011

Maturity analysis for financial liabilities

	1 Year \$'000	Undiscounted Total \$'000	Carrying Amount \$'000
Financial liabilities			
Payables	96	96	96
Total	96	96	96

11.2 Categories of Financial Assets and Liabilities

	2010 \$'000
Financial assets	
Cash and deposits	(6)
Receivables	15
Total	9
Financial Liabilities	
Financial liabilities measured at amortised cost	96
Total	96

11.3 Comparison between Carrying Amount and Net Fair Values of Financial Assets and Liabilities

2011

	Total Carrying Amount \$'000	Net Fair Value Total \$'000
Financial assets		
Cash in Special Deposits and Trust Fund	(6)	(6)
Loans and receivables	15	15
Total financial assets	9	9
Financial liabilities		
Payables	9	9
Accrued expenses	87	87
Total financial liabilities	96	96

Financial Assets

The net fair values of cash and non-interest bearing monetary financial assets approximate their carrying amounts. The net fair value of receivables are recognised at amortised cost, less any impairment losses, however, due to the short settlement period, receivables are not discounted back to their present value.

Financial Liabilities

The net fair values for trade creditors are approximated by their carrying amounts.

NOTE 12: OUTPUT GROUP INFORMATION

The Commission has a single Output called Integrity Commission which fulfils all of its statutory responsibilities. The summary of budgeted and actual revenues and expenses for this Output are the same as in the Statement of Comprehensive Income. Therefore, the inclusion of a separate Output Schedule is not necessary.

Statement by Chief Executive Officer and Chief Commissioner

The accompanying Financial Statements of the Integrity Commission are in agreement with the relevant accounts and records and have been prepared in compliance with Treasurer's Instructions issued under the provision of the *Financial Management and Audit Act 1990* to present fairly the financial transactions for the year ended 30 June 2011 and the financial position as at the end of the year.

At the date of signing, we are not aware of any circumstances, which would render the particulars included in the financial statements misleading or inaccurate.



Barbara Etter APM
Chief Executive Officer
11 August 2011

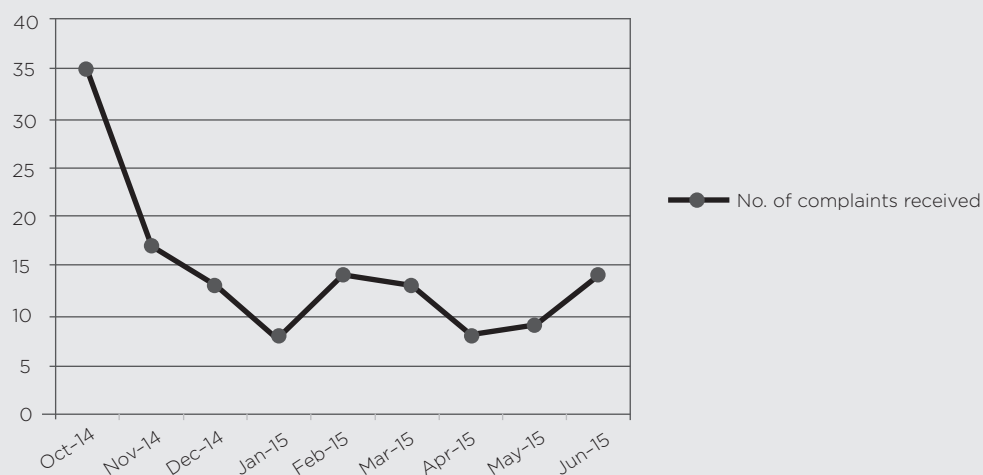


Murray Kellam AO
Chief Commissioner
11 August 2011

APPENDIX A

COMPLAINTS STATISTICS

COMPLAINTS RECEIVED SINCE 1 OCTOBER 2010 (NUMBER BY MONTH AS AT 30 JUNE 2011)



OUTCOMES FOR COMPLAINTS IN 2010-11

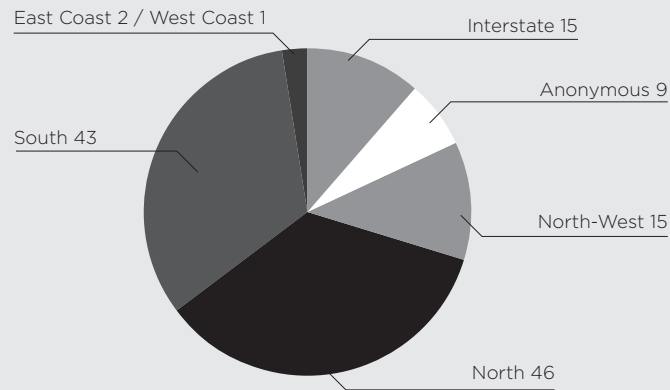
Dismissed after triage	62.6 %
Referred to another public authority	23.6 %
Referred to another integrity agency	0.8 %
Currently under consideration, assessment or investigation	13.8 %

SUBJECT OF COMPLAINTS IN 2010-11

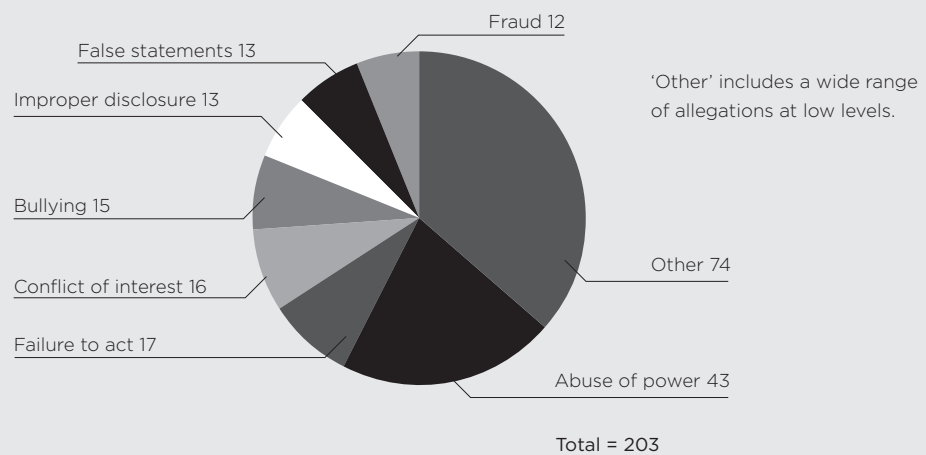
State Government agencies	61.8 %
Tasmania Police	28.2 %
Health and Human Services	9.9 %
Justice Department	6.9 %
Infrastructure, Energy & Resources	5.3 %
Education	3.1 %
Other	8.4 %
Current and former Parliamentarians	35.1 %
Local Government	17.4 %
Other public authorities	16.8 %
Commissions, Government Businesses, Authorities and State Boards	10.7 %
State-owned companies	5.3 %
Out of jurisdiction	5.3 %

Explanatory note: Total percentages exceed 100% as some complaints relate to multiple subjects.

NUMBER OF COMPLAINTS RECEIVED BY REGION



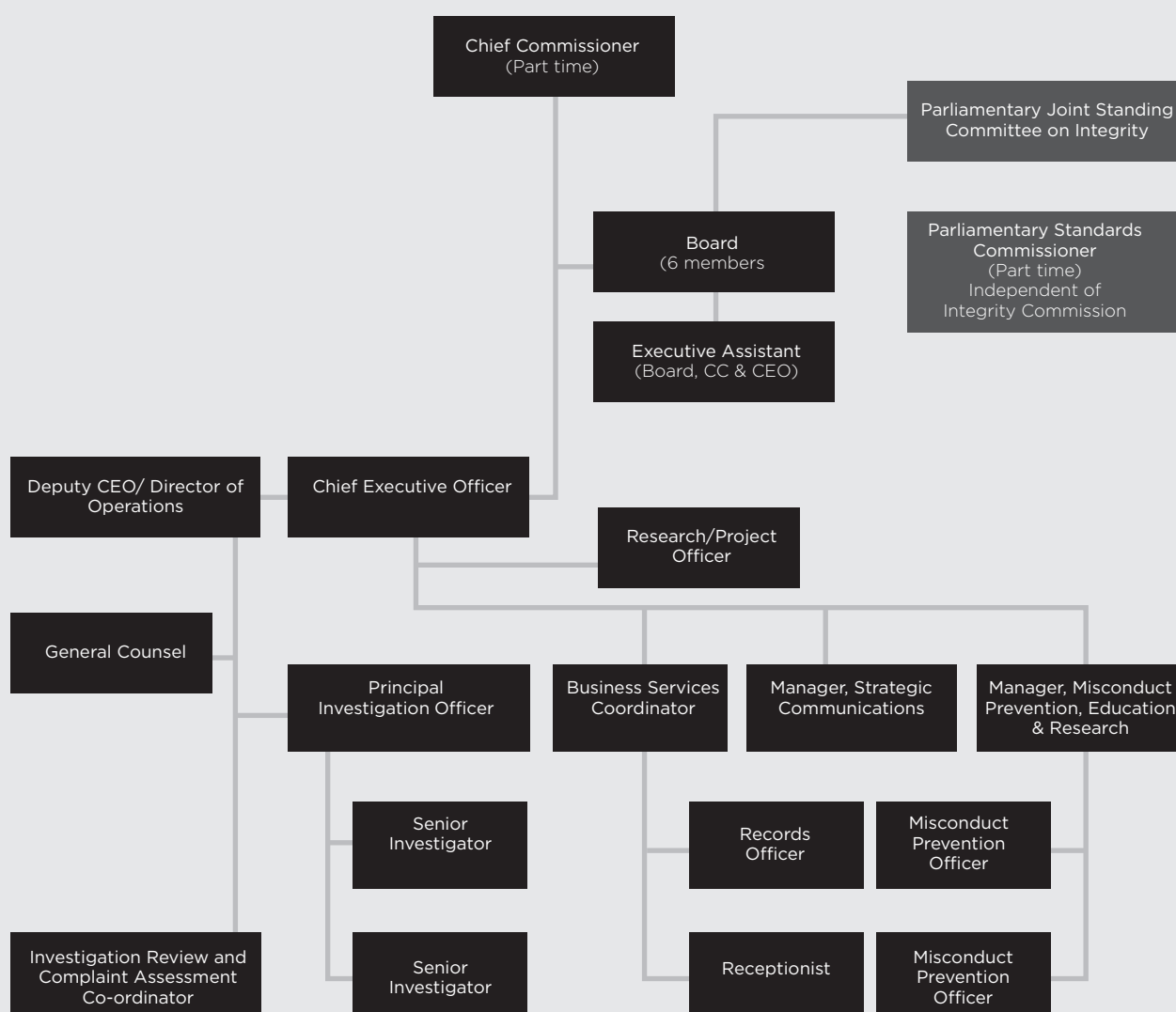
NUMBER AND TYPE OF ALLEGATIONS RECEIVED



APPENDIX B

ORGANISATION CHART

ORGANISATIONAL CHART AS AT AUGUST 2011



APPENDIX C

REPORTING REQUIREMENTS

REPORTING REQUIREMENTS

REQUIREMENT	LEGISLATION	REPORT SECTION
Overview of Strategic Plan	State Service Regulations 2001 s9a(i)	Snapshots, Highlights, Vision and Values
Organisation Chart	SSR s9a (ii)	Appendix B
Major initiatives	SSR s9(v)	Highlights
Employee development	SSR s9b(ii)	Professional Development
Internal grievance procedures	SSR s9(b)(v)	Corporate Services
Occupational health and safety strategies	SSR s9(b)(vi)	Corporate Services
Community awareness, services and publications	SSR s9c(i)	Working With Public Authorities Engagement and Communications
Contact officers and points of public access	SSR s9c(ii)	Inside cover
Relevant legislation	SSR s9(d)	Why Does Tasmania Have an Integrity Commission?
Contracts and consultancies	<i>Financial Management and Audit Act 1990</i>	Contracts and Consultancies
Financial statements	FMA s27(l)(c)	Financial Statements
Public Interest Disclosures	<i>Public Interest Disclosures Act 2002</i> s86	Public Interest Disclosures
Superannuation contributions	<i>Public Sector Superannuation Reform Act 1999</i> s13	Superannuation Certificate



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