

# ANNUAL REPORT

## 2011-2012

Improving the integrity of government  
and public authorities in Tasmania

INTEGRITY  
COMMISSION





GPO Box 822, Hobart Tas 7001  
Level 2, 199 Macquarie St, Hobart  
Ph: 1300 720 289  
Fax: (03) 6233 7215  
[integritycommission@integrity.tas.gov.au](mailto:integritycommission@integrity.tas.gov.au)  
[www.integrity.tas.gov.au](http://www.integrity.tas.gov.au)

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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 the year ended 30 June 2012**

The Integrity Commission Annual Report is presented to Parliament in accordance with the *Integrity Commission Act 2009*, sections 11(1) and 11(2). The report covers the Commission's activities and financial statements from 1 July 2011 – 30 June 2012.

Yours sincerely



The Hon. Murray Kellam AO  
Chief Commissioner

October 2012  
Copy to Attorney-General

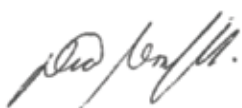
The Hon. Brian Wightman  
Attorney-General  
Minister for Justice  
Parliament House  
HOBART TAS

Dear Attorney-General

**Annual Report for the year ended 30 June 2012**

In accordance with section 36 of the *State Service Act 2000* and section 27 of the *Financial Management and Audit Act 1990*, I am pleased to present the Integrity Commission Annual Report for the financial year ending 30 June 2012.

Yours sincerely



Diane Merryfull  
Chief Executive Officer

October 2012

# MESSAGE FROM THE CHIEF COMMISSIONER

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The past year has seen the Integrity Commission send a strong signal to the Tasmanian public sector about the need to adopt a process of continual improvement in raising standards of integrity across State and local government bodies and develop increasingly robust integrity frameworks.

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The Commission has begun implementing a multi-faceted process to embed integrity practices across the full gamut of the public sector, from elected members to officers who work in high risk areas. The Commission has been working collaboratively with public sector bodies to determine integrity training and professional development needs.

It has been particularly pleasing to see Tasmanian Members of Parliament, Mayors and Aldermen participate in workshops and forums focused on integrity and ethics. Their involvement shows their recognition that leadership at the highest level is critical in establishing and maintaining expectations of standards and behaviour across the public sector.

As part of meeting obligations under its legislation, the Commission organised the first 'Integrity in Office' workshop for Tasmanian Parliamentarians in April this year. The workshop was designed for new MPs but all were invited to participate.

Contrary to the experience elsewhere in Australia and internationally, where there has been little success in engaging Parliamentarians in integrity activities, the Commission had a strong response to the session and a follow-up dinner and discussion.

Its program for local government, developed in conjunction with the Local Government Association of Tasmania, has also included sessions for elected members, with a positive response.

Another example of the Commission's innovation is a series of capacity-building forums around the State, providing the opportunity for public sector leaders and officers to meet regularly to discuss ethical issues and share best practice solutions, as well as measures to prevent misconduct.

The Commission has also continued its important work in dealing with complaints. The number of complaints received has reduced after the initial influx pre-dating its establishment in 2010.

The subject of the Commission's powers was debated in the media earlier this year. As I have indicated previously, the Commission is working effectively in accordance with its role and purpose as established by the Tasmanian Parliament and enshrined in the *Integrity Commission Act 2009*.

It is appropriate that the Parliamentary Joint Standing Committee on Integrity and the wider Parliament give careful consideration to any policy changes that intrinsically affect the intent for the Commission. The Board of the Integrity Commission will provide a range of recommendations to the Joint Standing Committee, to assist the three-year review it is required to undertake after October next year.

A number of important procedural amendments have already been made, most recently in mid-2012 when the Commission's jurisdiction was extended to include the University of Tasmania as a public authority.

With the departure of the inaugural CEO in late 2011, a comprehensive recruitment process for a replacement was undertaken earlier this year. I am delighted to welcome the new CEO, Diane Merryfull, who took up her role in August 2012 after working in a senior position in the Office of the Commonwealth Ombudsman.

I express my appreciation to the Commission's management team and all staff for ensuring that the Commission continued to work productively and effectively in the period leading up to the appointment of the new CEO.

With the Commission's systems now in place, including a new electronic case management system tailored to the organisation's needs and implemented in January this year, it now has a solid foundation for its next phase of important work.

I look forward to a productive and rewarding year and to seeing the Commission develop further public sector partnerships and programs that add value for Tasmania, as well as contributing substantially to practices that demonstrate integrity and people who are committed to 'living it'.

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

The Hon. Murray Kellam AO  
CHIEF COMMISSIONER AND CHAIR OF  
THE INTEGRITY COMMISSION BOARD

# MESSAGE FROM THE CHIEF EXECUTIVE OFFICER

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While my appointment began after the 2011–2012 reporting period, I take this opportunity to say how excited I am to be part of an organisation that, although relatively new, is already making progress in influencing public sector understanding and practices in relation to integrity.

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The Commission has now largely completed its start-up requirements, including the implementation of systems that support its work, the ongoing delivery of a comprehensive program of training and capacity-building, and the consolidation of complaint handling and investigation processes.

This marks the start of a new phase for the Commission as it emerges from the establishment challenges that are part of setting up a new body.

Organisations such as the Integrity Commission are now recognised as a vital part of the framework necessary for effective, trustworthy and transparent administration in government.

The three-year review by the Parliamentary Joint Standing Committee on Integrity, expected to occur after October next year, will provide an important opportunity to ensure that the Commission's contribution to the quality of public life in Tasmania provides the greatest value possible.

My team and I look forward to working effectively with stakeholders at State and local government levels for the benefit of all Tasmanians.

A handwritten signature in black ink, appearing to read 'Diane Merryfull'.

Diane Merryfull  
CHIEF EXECUTIVE OFFICER





value

Daily Equity Trading Frequency

Table 12: Treasury Inflation-Protected Securities (TIPS) Issuance by Maturity



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# SNAPSHOT

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## 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 and conducts investigations.

## 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 2012, the Commission employed 17.2 full-time equivalent staff, including the Chief Commissioner, Acting CEO, A/Deputy CEO and General Counsel, misconduct prevention officers, complaints handling and investigation officers, communications manager, business and financial support staff, and a graduate. See Appendix B for the organisation chart.

## GOVERNANCE AND ADMINISTRATIVE SUPPORT

The Integrity Commission is independent of government and is led by its Chief Executive Officer, 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 Commission provides administrative support to the independent role of Parliamentary Standards Commissioner, currently occupied by Rev. Prof. Michael Tate AO.

## PARLIAMENTARY JOINT STANDING COMMITTEE ON INTEGRITY

Members of the Parliamentary Joint Standing Committee on Integrity are: Legislative Council, Hon. Jim Wilkinson (Chair), Dr Vanessa Goodwin, Hon. Ivan Dean, House of Assembly, Kim Booth (Deputy Chair), Rene Hidding, Rebecca White. While the Committee can refer matters to the Commission for investigation or advice, it does not involve itself in any complaints, or investigations arising from complaints dealt with by the Commission. The Committee will review the Commission's functions, powers and activities at the end of its first three years in operation, after October 2013.

# 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.

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It contributes to an understanding of good practice and systems in public authorities in order 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.

## BOARD MEMBERS RETIRE

Two ex-officio Board members retired during the reporting period. Ombudsman, Simon Allston, stepped down from the Board after resigning from his role in February 2012. Acting State Service Commissioner, Iain Frawley, retired in late June.

"I would like to express my appreciation to Simon and Iain for their support as part of the inaugural Integrity Commission Board during the important start-up phase for the organisation," Chief Commissioner, Hon. Murray Kellam AO, said.

## CHIEF COMMISSIONER



A former justice of the Supreme Court of Victoria, Murray Kellam has had 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.

# THE BOARD

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## EX-OFFICIO MEMBERS



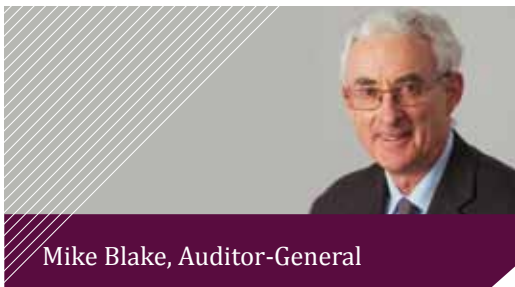
**Frank Ogle, State Service Commissioner**

Frank is State Service Commissioner and also the Director of the Public Sector Management Office. He has been Director PSMO since 2007. He was previously Director of Corporate Services for the Department of Police and Emergency Management and undertook this role and other human relations and industrial relations roles from 1988–2007. He is a Fellow of the Australian Human Resources Institute.



**Leon Atkinson-MacEwen, Ombudsman**

Leon was appointed Tasmanian Ombudsman in March 2012. He has a range of experience in public administration, having worked for a number of Commonwealth and State agencies, including the Department of Defence, National Crime Authority, Australian Broadcasting Authority, Australian Antarctic Division and the Tasmanian Department of Treasury and Finance.



**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 a member of the Auditing and Assurance Standards Board from 2006–2011.

## APPOINTED MEMBERS



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.



With a career in the State Public Service spanning 30 years, David Hudson held senior roles in government 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.

## CHIEF EXECUTIVE OFFICER



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



A former Senior Assistant Ombudsman in the Office of the Commonwealth Ombudsman, Diane took up her appointment as CEO of the Integrity Commission on 20 August. She holds a Bachelor of Arts and a Bachelor of Laws from the University of New South Wales and has wide-ranging experience in senior management roles in the Commonwealth government.

## INTEGRITY COMMISSION BOARD ATTENDANCE 2011-12

Meeting dates	No. in attendance	Absent	Attendance rate
<b>2011</b>			
28 July	7		100 %
1 September	7		100 %
29 September	7		100 %
27 October	7		100 %
24 November	7		100 %
<b>2012</b>			
5 January	7		100 %
2 February	6	Murray Kellam	86 %
1 March	7		100 %
5 April	6	David Hudson	86 %
3 May	7		100 %
7 June	6	Liz Gillam	86 %
<b>Total meetings</b>	<b>11</b>		<b>96 %</b>



## OUR VISION

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

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## 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.

# HIGHLIGHTS

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During 2011-2012, the Integrity Commission:

- continued to strengthen its education and misconduct prevention focus, delivering tailored training sessions to public officers;
- provided the first 'Integrity in Office' workshop for Tasmanian Parliamentarians, as well as training for elected members of councils as part of a wider local government program;
- established regular, ongoing capacity-building forums in Hobart and Launceston for public sector leaders;
- dealt with more than 100 complaints, many of which involved multiple allegations; and
- launched a new website that includes a range of misconduct prevention resources and training tools.

# REPORTING AGAINST TASMANIAN BUDGET INITIATIVES

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The Integrity Commission's key initiatives in the 2011-2012 Tasmanian Budget were:

- working with the public and key stakeholders to enhance trust and confidence in public authorities within Tasmania;
- working cooperatively with public authorities, other integrity entities and the Parliamentary Standards Commissioner to prevent misconduct and enhance capacity-building in dealing with misconduct;
- educating public authorities and the public about integrity and ethical conduct; and
- dealing with misconduct issues in a timely, effective and fair way in accordance with the public interest.

The Commission reports against these initiatives in Goals 1-5 of this report.

# MAKING A DIFFERENCE FOR TASMANIA

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At the end of its first full year of operation, the Integrity Commission has achieved greater clarity about its operating environment and those areas where it can best direct resources to make a difference for Tasmania in improving the integrity of government at State and local government levels.

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**‘ The days of thinking that the answer lies in rooting out a bad apple from the barrel are gone. Experience in Australia and elsewhere shows that focusing on education, culture change, and improving standards is what prevents misconduct.’**

*Chief Commissioner, Hon. Murray Kellam AO*

The Commission has had the opportunity to test the legislation under which it operates and had the support of the Tasmanian Parliament in achieving important amendments to the *Integrity Commission Act 2009*. It has also gained a better understanding of public sector needs in building more robust integrity frameworks and raising the standards of individual behaviour in public life, and has developed tailored programs for this purpose.

As with similar integrity bodies elsewhere, it is vital that the Commission targets its resources and activities to those areas that will most make a difference for Tasmania. It does this by working with public sector bodies to determine training needs for misconduct prevention and complaint handling, mapping complaint trends to identify key areas for improvement, and focusing investigation resources appropriately.

The legislation requires the Parliamentary Joint Standing Committee on Integrity to review the functions, powers and operations of the Commission at the end of its first three years, after 1 October 2013. Following the review, the Joint Standing Committee is required to table in both Houses of Parliament a report regarding any action that should be taken in relation to the Act or the functions, powers and operation of the Commission.



▲ Chief Commissioner, Hon. Murray Kellam (left) with Hon. Harry Jenkins and workshop facilitators from the University of Tasmania, Prof. Richard Herr and Dr Peter Patmore.



▲ Newly-elected local government members participate in an integrity session conducted by the Commission in conjunction with the Local Government Association of Tasmania.

This will be a vital opportunity to ensure that the Commission is fulfilling its functions as the Tasmanian Parliament intended and that it is making progress in raising standards of integrity in the public sector.

The Commission has a range of investigative powers under its legislation, including the capacity to require or direct individuals to provide information, to attend and give evidence, or to produce material to the Commission. It also gives power to an investigator to enter premises of a public authority in certain circumstances and to apply for a search warrant.

However, the Commission's coercive powers are limited by the protection of privileges accorded by common law, including privilege against self-incrimination. The Tasmanian Parliament clearly intended, in passing the legislation in 2009, that this would be the case as a means of balancing the rights and liberties of individuals with the broader public interest. The Commission's existing powers and any need for additional powers will be given careful consideration as a policy matter as part of the three-year review.

During 2011–2012, the Commission contributed significantly to the ongoing improvement of standards of integrity in Tasmania, using its education and complaint handling functions and partnerships with the public sector to strengthen integrity systems, identify issues, and apply a best practice approach to misconduct prevention.

Research and experience in Australia and internationally shows that the most effective way to improve standards and develop resistance to misconduct is through embedding integrity into the way that public sector bodies conduct their business and through influencing the attitudes and behaviour of public sector officers.

Culture and environment are key factors affecting misconduct and will continue to be an important focus for the Commission in its work.



- ▲ Guests at the dinner for Members of Parliament, held in conjunction with a workshop for elected members at Parliament House, are (from left): Hon. Sue Smith, President of the Legislative Council; Hon. Michael Polley, Speaker in the House of Assembly; Hon. Harry Jenkins, former Speaker in the House of Representatives; Russell Pearce, Integrity Commission Acting CEO; and Rev. Prof. Michael Tate, Parliamentary Standards Commissioner.



- ▲ State public servants participate in one of a series of 'Integrity in Public Office' workshops conducted by the Integrity Commission.

# GOAL 1

## ORGANISATIONAL AND CULTURAL REFORM

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The Integrity Commission has identified five key goals in its current Strategic Plan. Our progress against the goals is outlined as follows.

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### ELECTED MEMBERS

#### Tasmanian parliament

During 2011-2012, the Commission developed and implemented a program to engage elected members at State and local government levels to increase their awareness of integrity issues and the need for leadership at the highest levels in setting high standards of conduct in public life.

The Commission developed an 'Integrity in Office' workshop and follow-up dinner in April, targeted to new Members of Parliament but with an invitation for other MPs to participate.

Given the experience of integrity bodies elsewhere, where there has been limited success in engaging Parliamentarians in education activities, the Commission determined that it would achieve the best outcomes through the use of facilitators who had an understanding of and experience with the ethical dilemmas MPs were likely to confront.

The Commission sought expressions of interest from relevant providers in Tasmania and interstate and engaged a University of Tasmania facilitation team, Professor Richard Herr and former Attorney-General, Dr Peter Patmore.

The Commission had a strong response, with more than half of Tasmania's sitting members attending. Twenty-two Parliamentarians participated in the workshop and 18 attended the follow-up dinner addressed by the former Speaker in the House of Representatives, the Hon. Harry Jenkins.

The Chief Commissioner addressed the workshop and, along with members of the Integrity Commission Board, senior Commission officers and the Parliamentary Standards Commissioner, Rev. Prof. Michael Tate, participated in informal discussions on integrity and ethics at the dinner.

#### Local government

The Commission also developed and delivered integrity training for local government elected members.

Staff provided training in ethical obligations of office at a weekend workshop hosted by the Local Government Association of Tasmania for new aldermen, following statewide council elections in October.

In addition, training was provided for all aldermen at each of six of the State's largest councils: Hobart, Clarence, Devonport, Glenorchy and Launceston city councils, as well as Kingborough Council. The same program has been provided on request to Huon Valley, Sorell and Tasman councils, with sessions for other regional councils to be scheduled.

#### PUBLIC OFFICER TRAINING

The Commission primarily focussed its public officer training during 2011-2012 on support for senior managers and officers working in identified risk areas for decision-makers, such as procurement, planning and permit approval.

At the request of Launceston General Hospital, the Commission designed and delivered a training program for public sector health workers, who comprise more than a third of State sector workers in Tasmania.

As part of working with public sector leaders who recognise areas of risk in their organisations and have identified the need for training, the Commission developed tailored training for transport inspectors in the Department of Infrastructure, Energy and Resources. The one-day training at Campbell Town included integrity theory and practical application of integrity tests and tools in the officers' operating environment.

The Commission also continued its wider training program for State sector employees, offered in partnership with the Tasmanian Training Consortium. The program delivered a range of awareness-raising sessions as well as half-day interactive workshops to provide more extensive analysis of misconduct, risk areas and prevention methods.

The local government program included training for senior managers and those in areas of high complaint risk, recognising that councils have a high degree of interaction with members of the public in providing

services and high levels of discretion in some decision-making. There are particular challenges for local government in managing standards of ethical conduct and in developing misconduct prevention systems, given the wide range of services they provide and the fact that council elected members and officers work closely with their communities.

### **Tools and resources**

A range of training tools and resources were developed, in conjunction with public sector bodies, to assist employees in dealing appropriately with integrity issues, from conflict of interest, to release of information, gifts and benefits, and processes for identifying and dealing with ethical challenges. Many of these resources are available online.

### **EDUCATION AND TRAINING IN BRIEF**

The Misconduct Prevention, Education and Research unit during 2011–2012 undertook:

- training for 440 public officers across the State Service and Government Business Enterprises;
- training for 352 local government elected members and council staff;
- presentations to 137 CEOs and members of executive teams to raise awareness of public officer responsibilities under the *Integrity Commission Act 2009* and identify ongoing training needs for principal officers; and
- 58 presentations and speaking engagements.

### **CODE OF CONDUCT FOR MEMBERS OF PARLIAMENT, MINISTERS AND MINISTERIAL STAFF**

The Premier, Hon. Lara Giddings, in May issued a new Code of Conduct for Ministers that, with some modifications, reflected the model code outlined in the Integrity Commission's 2011 report, *Codes of Conduct for Members of Parliament, Ministers and Ministerial Staff in Tasmania*.

The Commission's report, based on extensive national and international best practice research, was Australia's first complete comparative analysis of 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.



# CASE STUDY

## SHAPING INTEGRITY ACTION

The State's transport inspectors participated in a one-day workshop to study risk areas in their work environment by reference to two high-profile investigations from other jurisdictions, as well as Integrity Commission complaint trends. They considered how to meet their own obligations under the State Service Code of Conduct and the Department of Infrastructure, Energy and Resources service charter, Will and the Way, which is the Department's charter for providing leadership that is underpinned by its workplace values.

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After a session on integrity and ethics systems and theory, officers participated in discussion of nominated case studies with reference to issues particularly relevant to their work.

Successful outcomes reported include:

- a greater awareness of, and peer support for, high standards of behaviour when on duty and in uniform off duty;
- development of a specific induction package for new transport inspectors, targeted to integrity and ethical standards;
- leaders to support a culture of integrity through actions such as raising ethics and integrity at regional briefings; and
- evidence that transport inspectors are more frequently seeking advice on ethical issues and thinking in more detail about actions.

# GOAL 2

## PREVENT, DETECT AND ADDRESS MISCONDUCT

### PREVENTION AND CAPACITY-BUILDING

#### Working with public authorities

The Misconduct Prevention, Education and Research unit introduced regular capacity-building forums for managers and senior officers at State and local government levels during 2011. The forums provide a confidential environment for the sharing of best practice initiatives in misconduct resistance and prevention and for discussion of issues relating to ethics and integrity.

These Ethical Reference Groups are held quarterly in Hobart and half-yearly in Launceston and have proven valuable in supporting participants to develop robust integrity frameworks within their organisations through peer sharing and advice from Commission staff. They also provide an opportunity for the Integrity Commission to identify, develop and test tools, resources and training programs.

#### Monitoring

Monitoring of trends in complaints to develop targeted misconduct prevention training and strategies has continued. This has been made more efficient through the introduction of the electronic case management system.

In addition, the Commission assesses trends emerging in other states through the work of other similar integrity agencies, media issues, and key information providers to identify case studies and scenarios for use in training and misconduct prevention activities.

Monitoring also enables the Commission to identify public sector bodies that may require assistance to deal with allegations of misconduct in an appropriate manner.

### MISCONDUCT MATTERS

The Commission recorded a total of 216 misconduct matters during the financial year. They comprised:

- 108 complaints (compared to 131 the previous year) involving 263 allegations (compared to 203 the previous year);
- 52 notifications from agencies (compared to 19 the previous year);
- 43 inquiries (compared to 33 for May-June the previous year, covering the period when statistics were gathered for this purpose) – inquiries that did not lead to the lodging of a complaint; and

- 13 information reports (compared to 7 the previous year) – instances of information submitted to the Commission that did not constitute a complaint or potential complaint.

#### Complaints

Of the total 108 complaints received during 2011–2012, about half (55.4%) were dismissed after triage for reasons including lack of evidence to support the complaint; complaints that were outside the Commission's jurisdiction; the time that had elapsed and associated difficulties with availability of evidence or witness accounts; and unlikelihood that the matter could be productively investigated.

A total of 36.4% were referred to the public agency from which the complaint had emanated, in accordance with the legislation. When the Commission does this, it also has the power to seek progress reports and monitor the way the public authority deals with the matter and can also audit the outcome. Referral of complaints is an important part of capacity-building, requiring public authorities to appropriately manage their misconduct risk.

Of the complaints received for the year, 8.2% were under consideration or subject to assessment or investigation at the end of 2011–2012.

State Government agencies and businesses generated the highest percentage of complaints overall at 73%, followed by councils at 17.6%. As expected, State Government agencies with high levels of public contact were subject to the highest proportion of complaints – the Department of Police and Emergency Management (34.3%); Department of Justice (12%); Department of Infrastructure; Energy and Resources (8.3%); Department of Health and Human Services (4.6%); and the Department of Education (3.7%).

The total number of allegations made by complainants was 263. The highest percentage related to failure to act (16%); followed by improper association (12.5%); stealing and theft (7.6%); fraud or falsification (7.2%); and inappropriate behaviour (6%).

See Appendix A for full complaint statistics.

## Notifications

The Commission received 52 notifications – instances of public authorities notifying the Commission about complaints of misconduct. Public authorities are encouraged to notify the Commission so that it can work with them to improve their complaint handling processes and ensure that issues are adequately dealt with at the earliest opportunity.

It also enables the Commission to identify specific education or training needs.

## Inquiries

Forty-three inquiries were received that did not lead to the lodging of a complaint. These inquiries included discussions with potential complainants as well as phone and email inquiries.

The Commission has developed an online and print version of a *Guide to Reporting Misconduct* to assist the public in deciding if a complaint fits within the Commission's jurisdiction and to provide step-by-step guidance in preparing and lodging a complaint.

## Information reports

The number of information reports received was almost double the Commission's first year of operation, with a total of 13. These are instances of information submitted by members of the public and public authorities and officers to bring matters to the Commission's attention. Although they do not constitute a complaint or the basis of a potential complaint, they can be valuable in bringing the Commission's attention to important matters.

## INVESTIGATIONS

The Integrity Commission applies its own investigative resources to the most serious matters or those where it is in the public interest that the Commission be involved in or conducts the investigation.

Many misconduct matters, as provided in the legislation, will be referred to the public authority from which they emanate, with the Commission retaining the power to oversight or audit the subsequent internal investigation.

Investigations undertaken by the Commission are generally complex and therefore prolonged. It is not the practice of the Commission to release information concerning those investigations while they are under way.

## Pulp mill complaints

The Commission, from its commencement in October 2010, received a range of complaints relating to the proposed construction of a pulp mill at Bell Bay. The complaints contained allegations that fell into six broad categories and were subjected to an extensive assessment process by the Commission.

Complainants and other parties affected by the complaints were advised in April 2012 of the outcomes of the assessment process. All complaints were dismissed for detailed reasons, with the key grounds including:

- in relation to some allegations, there was no reasonable suspicion of misconduct within the meaning of the *Integrity Commission Act 2009*;
- the necessity to uphold the primacy of Parliament and its proceedings; and
- the extent to which the Commission's powers enabled it to investigate.

While the Commission did not publicly release the complaint assessment report, it found its way into the public domain and was the subject of media coverage.

## MATTERS INVOLVING TASMANIA POLICE

As in other jurisdictions, police matters provide a relatively high proportion of those coming before the Commission. This is not unexpected, due to the nature of policing and the interaction that police officers have with the public.

The Commission has a productive working relationship with Tasmania Police and has undertaken a number of investigations either jointly or co-operatively. It continues to operate, however, without direct access to Tasmania Police information systems.

While this issue has been raised by the Chief Commissioner for consideration as a policy matter by the Parliamentary Joint Standing Committee on Integrity, the following three examples demonstrate some of the issues that have arisen in the Commission's work in relation to policing.

*Example 1.*

*Serious injury caused by collision with a police vehicle*

In December 2010, a police vehicle collided with a youth on Hobart's eastern shore, and resulted in the youth sustaining fractures to both legs. The youth had allegedly been a passenger in a stolen motor vehicle that had been pursued by the police vehicle. The incident occurred after the vehicle had been brought to a stop and allegedly while its occupants had been attempting to flee.

The Integrity Commission did not receive a complaint about the matter but in September 2011, after information was brought to its attention, it sought access to the Tasmania Police file in respect of the internal investigation of the incident. The file was not provided and the Commission was told by Tasmania Police there had been no internal investigation as the incident had been treated as a traffic matter.

The Tasmania Police file was subsequently obtained by the Commission applying under the *Right to Information Act 2009*.

While the Commission does not suggest the incident was a consequence of police misconduct, it is in the interests of Tasmania Police and the public that such an incident is adequately investigated, and seen to be adequately investigated.

This matter also highlights the fact that the Commission's ability to assess and deal with misconduct is dependent on receipt of a complaint, whether anonymous or otherwise. While the Commission has the ability to carry out an own motion investigation, this power is appropriately directed to matters of the most serious nature.

*Example 2.*

*Strip search of 12-year-old*

In early 2012, it emerged that Tasmania Police had conducted two strip searches of a 12-year-old girl in the course of executing a search warrant as part of a drug-related investigation. No drugs were located on the girl during either strip search. The incident was the subject of media and public comment and the Deputy Commissioner of Police announced that he would conduct a review of the incident.

As the matter was reviewed, as opposed to being made the subject of an internal investigation, it did not fall within the Integrity Commission's jurisdiction. A complaint was later made to the Integrity Commission about the incident and has been accepted for assessment.

This is another illustration of the Commission's jurisdiction being dependent on the receipt of a complaint of misconduct.

*Example 3.*

*Complaint of serious police misconduct*

The Integrity Commission received a complaint involving allegations of police involvement in ongoing, serious criminal offending and has ascertained that further inquiries are necessary. To gain access to Tasmania Police systems, the Commission needed to enlist the assistance of the officer commanding the Tasmania Police Professional Standards Unit.

Such an approach has the potential to adversely affect the Commission's investigative process as it must reveal its investigative purpose to Tasmania Police to access the information it needs.

## INVESTIGATION OF SENIOR EXECUTIVE OFFICER

The investigation of a senior executive officer, arising from a complaint has raised an anomaly in relation to the obligation of holders of a Statutory Office to respond to a complaint of misconduct.

The matter involved an allegation that confidential documents had been improperly disseminated, leading to their publication in the public domain. The misconduct alleged was by an individual whose manager was a particular Statutory Office holder.

The Commission's investigation identified that the holder of the Statutory Office had no obligation to respond in a meaningful way to the allegation of misconduct against their officer. This would appear to be an irregularity in terms of the application of the *State Service Act 2000*, particularly the State Service Principles.

In effect, while a 'Head of Agency' must uphold, promote and comply with State Service Principles, the same obligation does not apply to the holder of a Statutory Office where the Statutory Office holder is not also Head of Agency for all purposes.

The Commission considers that, insofar as they are appropriate, the State Service Principles should apply to all holders of a Statutory Office, who should be obliged to uphold and promote the principles in dealing with officers under their supervision.

Accordingly, a recommendation has been made to the Premier as the Minister responsible for the *State Service Act 2000*.

## CASE STUDY

### REVIEW OF TASMANIA POLICE INTERNAL INVESTIGATION INTO SINKING OF THE *PV KARIAE*

.....

The Integrity Commission in 2011 conducted an audit of the internal investigation conducted by Tasmania Police in respect of the sinking of its vessel, *PV Kariae*, after the vessel struck rocks off Waterhouse Island in May 2010.

In November 2011, Tasmania Police was advised of the outcome of the audit process, including the fact that the Commission had identified six areas of concern in relation to the adequacy of the final investigation report.

While the six areas of concern did not detract from the ultimate disciplinary outcome, which was significant for one police officer, the Commission considered them to be important matters and part of transparent, sound disciplinary processes. In response to the Commission raising the issues, the Deputy Commissioner of Police facilitated an opportunity for the senior officer who had conducted the internal investigation to discuss the matters with the Commission's Acting CEO.

## GOAL 3

# DEVELOP A POSITIVE OPERATING CLIMATE IN TASMANIA FOR THE WORK OF THE INTEGRITY COMMISSION

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### **PUBLIC ENGAGEMENT AND COMMUNICATIONS**

The Commission launched a new website in February and has subsequently augmented the site with the development of online complaint reporting.

It actively promoted its role and activities in stakeholder publications and through stakeholder and community networks. It has also maintained an arrangement with Service Tasmania for distribution of brochures for the general public in its shops statewide. A *Guide to Reporting Misconduct* was developed in late 2011 to assist complainants.

Commission staff spoke to more than 2,000 individuals and schoolchildren at Agfest in May as part of a shared booth with other integrity entities, including the Ombudsman's Office and the Office of the Anti-Discrimination Commissioner.

### **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.

He participated in informal discussions on integrity and ethics at the dinner event held subsequent to the 'Integrity in Office' workshop for Members of Parliament in April.



# GOAL 4

## BE AN EFFICIENT, EFFECTIVE AND ETHICAL ORGANISATION

### LEGISLATIVE AMENDMENTS

The *Integrity Commission Amendment Act 2011* which commenced in December corrected anomalies and clarified the operation of the Act.

The main amendments effected by the Bill were to:

- ensure that the definition of “investigator” (s4) included investigators appointed under any of the sections providing for their appointment (s45 – own motion investigations) and for the purposes of s88 (take-over of police misconduct investigations) and s89 (own motion investigations of police officers);
- clarify that the powers of investigators and of an Integrity Tribunal in relation to the investigation of complaints apply also to own motion investigations and other matters the Tribunal may investigate;
- ensure provisions relating to the reporting back by investigators to the CEO or the CEO to the Board include appropriate recommendations in relation to own motion investigations;
- ensure that persons who are or become the subject of own motion investigations have the same rights as those subject to complaint investigations;
- align s45 (1) and (2) to match the scope of investigations to the decisions of the Board;
- amend s58, which covers outcomes of investigations, to cover the CEO’s recommendation under s35(1)(d) prior to investigation;
- ensure that the non-disclosure provisions of s98 that apply to notices and other matters under various sections are effective and also apply to persons to whom the information may have been passed; and
- allow anonymous complaints to be accepted for assessment and possible investigation. In particular, there was also substantial amendment to s98 in regard to making certain notices under the Act confidential.

Ancillary changes were also made to the *Ombudsman Act 1978* and the *Audit Act 2008*, clarifying the position of the Ombudsman and the Auditor-General regarding sharing of information with the Commission.

A further *Justice Miscellaneous Amendment Bill* came into effect on 30 May 2012, which changed s6 to include the University of Tasmania within the jurisdiction of the Integrity Commission, changed the reporting timeframes in s11 to bring the reporting periods into alignment with other State legislation, and changed s62 to clarify the make-up of an Integrity Tribunal.

### CASE MANAGEMENT SYSTEM

The *Integrity Commission Act 2009* requires the Commission to maintain a register of complaints.

A case management system was successfully implemented in January, after extensive development to ensure it was tailored to the Commission’s needs, assisting staff to meet legislative requirements for reporting and accountability, as well as improving efficiency.

The *Investigator* system allows the staff to record and manage complaints, referrals and notifications of varying complexity, as well as manage own motion investigations and inquiries. In addition, it provides for recording and linking of relevant information to support the Commission’s intelligence gathering function. Staff have been trained in the use of the system.

The process of customising the reporting capability is under way.

### 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. The Commission is responsible for all internal reporting and management of budget processes.

Commission staff members have access via the Department’s intranet to its guidelines, policies and procedures. The Commission has formally adopted a number of internal departmental policies that are relevant to staff as State Service employees, including occupational health and safety policies and strategies. The Commission is continuing to review policies and procedures and develop those specific

to its requirements. Policies have been developed in relation to staff induction, gifts and benefits, records management, and procurement. The Commission has a Code of Conduct for its staff that aligns with the State Service Code of Conduct.

The Commission has adopted the Department's performance management system. The performance management process is in the final stages of being rolled out, with Commission staff attending a briefing on the process. Initial performance management and development reviews were conducted for the majority of staff during the reporting period.

An external survey, commissioned by the Public Sector Management Office, included measurement of employee understanding of, and confidence in, the performance management system. Sixty-five percent of Commission staff responded to the survey. Although the system was newly implemented, 56% of respondents indicated that the performance management system was effective and made a positive difference to overall organisational productivity, 76% of staff said the system was easy to use and understand, and 83% indicated that they understood how performance management was linked to organisational objectives.

During the reporting period, 69% of Commission staff had received performance reviews and 95% had attended at least one training and development activity.

## RECORDS MANAGEMENT

The Commission has continued to develop its records management systems to meet obligations under the *Tasmanian Archives Act 1983* and associated guidelines issued by the Tasmanian Archives and Heritage Office, and to meet *Australian Standard AS ISO 15489.1: Information and documentation – Records Management*.

While the Commission's focus in its first year was on the development of processes for maintaining records and implementation of key electronic record-keeping systems – TRIM and the Investigator case management system – the current reporting period has seen the beginning of an audit to review current compliance and identify any gaps in processes. The Commission has

welcomed advice from the Tasmanian Audit Office as part of the audit.

Audit progress so far includes:

- a records appraisal to determine record type, location, retention and security classification;
- a review currently under way for the Business Classification Scheme; and
- liaison with the Tasmanian Archives Office to ensure progress towards development of a disposal schedule.

## RIGHT TO INFORMATION

The Integrity Commission is committed to ensuring that its administrative information is available to the public. However, under s6 of the *Right to Information Act 2009*, other information, such as records relating to complaint assessment, is exempt.

The Commission received two requests for information during the reporting period. General Counsel, as the Commission's delegated authorised officer, assessed each request as being partly exempt.

## PUBLIC INTEREST DISCLOSURES

No referrals were made to the Commission by the Ombudsman or other public bodies under s29B of the *Public Interest Disclosures Act 2002*. Additionally, no other disclosures under the Act – and therefore relevant for referral to either the Ombudsman or another public body, in accordance with s29A – were made to the Commission.

## GOAL 5

# BE A RESPECTED LEADER IN OUR FIELD

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### CONTRIBUTION TO BEST PRACTICE

A series of Ethical Reference Groups have been established to promote the exchange of best practice approaches and the sharing of information. Groups meet regularly in Hobart and Launceston and attract State sector and local government managers and senior officers from around Tasmania.

The Chief Commissioner, Hon. Murray Kellam AO, promoted best practice in "*Identifying and Dealing With Conflict of Interest*" as guest speaker at an Institute of Public Administration Australia (Tasmania Division) forum in Hobart on 29 February. About 200 public sector managers and officers attended.

The Chief Commissioner also delivered a paper on "*The Necessity for Codes of Conduct*" to participants in the Parliament Law, Practice and Procedure Course for the Australian and New Zealand Association of Clerks-at-the-Table. The course was conducted in Hobart in July.

### AUSTRALIAN PUBLIC SECTOR ANTI-CORRUPTION CONFERENCE

The Commission was a sponsor for the third national Australian Public Sector Anti-Corruption Conference in Fremantle in November 2011, supporting the three anti-corruption agencies that instigated the biennial conference – Western Australia's Corruption and Crime Commission, Queensland's Crime and Misconduct Commission, and New South Wales' Independent Commission Against Corruption.

The Chief Commissioner and Integrity Commission staff gave presentations, as well as participating as delegates.

### KNOWLEDGE SHARING

Commission staff participated in a range of integrity forums interstate, bringing new approaches to Tasmania to share with public sector agencies.

The Misconduct Prevention Education and Research unit delivered a paper on 'Engaging With Integrity', at the Local Government Association of Tasmania annual conference. It also participated in a panel discussion hosted by the Institute of Chartered Accountants panel on 'Ethics in Accounting'.

## OTHER REPORTING

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### MEMBERS OF PARLIAMENT REGISTER OF INTERESTS

As part of fulfilling the Commission's statutory requirement to audit the Member of Parliament Register of Interests, Commission officers examined the registers for both Houses of Parliament. Clerks were advised of minor anomalies in some entries. Corrections were subsequently made by the relevant MPs and education on aspects of the register was incorporated into a Commission workshop conducted in April for MPs.

### LITIGATION

Former CEO, Barbara Etter, began proceedings against the State of Tasmania in November 2011. The matter is before the Supreme Court.

Proceedings were also under way at the end of the reporting period in the Supreme Court in relation to a notice served by the Integrity Commission requiring specific records to be produced, as part of dealing with a complaint.

### CONTRACTS AND CONSULTANCIES

The Integrity Commission issued no new contracts worth more than \$50,000 during 2011-2012 but has one ongoing contract with a value of more than \$50,000, as part of a five-year contract for cleaning services. 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	Four years remaining	\$ 51,466

## SUPERANNUATION CERTIFICATE

I, Diane Merryfull, 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.



Diane Merryfull  
Chief Executive Officer  
Integrity Commission  
24 August 2012



1/18/2013

1/19/2013

2/17/2013

2/18/2013

2/19/2013

2/20/2013

2/21/2013

2/22/2013

2/23/2013

2/24/2013

2/25/2013

2/26/2013



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## STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2012

	Notes	2012 Budget \$'000	2012 Actual \$'000	2011 Actual \$'000
<b>Continuing operations</b>				
<b>Revenue and other income from transactions</b>				
Revenue from Government				
Appropriation revenue – recurrent	1.7(a), 4.1	3 284	3 156	2 608
Other revenue from Government	1.7(a), 4.1	–	–	509
Other revenue	1.7(b), 4.2	–	26	82
<b>Total revenue and other income from transactions</b>		<b>3 284</b>	<b>3 182</b>	<b>3 199</b>
<b>Expenses from transactions</b>				
Employee benefits	1.8(a), 5.1	2 000	1 771	1 794
Depreciation and amortisation	1.8(b), 5.2	68	78	24
Supplies and consumables	5.3	775	785	717
Other expenses	1.8(c), 5.4	365	335	311
<b>Total expenses from transactions</b>		<b>3 208</b>	<b>2 969</b>	<b>2 846</b>
<b>Net result from transactions (net operating balance)</b>		<b>76</b>	<b>213</b>	<b>353</b>
<b>Other economic flows included in net result</b>		<b>–</b>	<b>–</b>	<b>–</b>
<b>Other economic flows – other non-owner changes in equity</b>		<b>–</b>	<b>–</b>	<b>–</b>
<b>Comprehensive result</b>		<b>76</b>	<b>213</b>	<b>353</b>

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 2012

	Notes	2012 Budget \$'000	2012 Actual \$'000	2011 Actual \$'000
<b>Assets</b>				
<i>Financial assets</i>				
Cash and deposits	1.9(a), 10.1	-	72	(6)
Receivables	1.9(b), 6.1	-	28	15
<i>Non-financial assets</i>				
Leasehold improvements and equipment	1.9(c), 6.2	401	539	576
Intangible assets	1.9(d), 6.3	140	216	38
Other assets	1.9(e), 6.4	-	28	19
<b>Total assets</b>		<b>541</b>	<b>883</b>	<b>642</b>
<b>Liabilities</b>				
Payables	1.10(a), 7.1	20	24	96
Employee benefits	1.10(b), 7.2	318	225	187
Other liabilities	1.10(d), 7.3	35	73	11
<b>Total liabilities</b>		<b>373</b>	<b>322</b>	<b>294</b>
<b>Net assets</b>		<b>168</b>	<b>561</b>	<b>348</b>
<b>Equity</b>				
Accumulated funds		168	561	348
<b>Total equity</b>		<b>168</b>	<b>561</b>	<b>348</b>

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 2012

	Notes	2012 Budget \$'000	2012 Actual \$'000	2011 Actual \$'000
		Inflows (Outflows)	Inflows (Outflows)	Inflows (Outflows)
<b>Cash flows from operating activities</b>				
<b>Cash inflows</b>				
Appropriation receipts - recurrent		3 284	3 226	2 608
GST receipts		-	127	159
Other cash receipts		-	25	1
<b>Total cash inflows</b>		<b>3 284</b>	<b>3 378</b>	<b>2 768</b>
<b>Cash outflows</b>				
Employee benefits		(1 969)	(1 740)	(1 597)
GST payments		-	(139)	(174)
Supplies and consumables		(775)	(818)	(698)
Other cash payments		(365)	(346)	(295)
<b>Total cash outflows</b>		<b>(3 109)</b>	<b>(3 043)</b>	<b>(2 764)</b>
<b>Net cash from (used by) operating activities</b>	10.2	<b>175</b>	<b>335</b>	<b>4</b>
<b>Cash flows from investing activities</b>				
<b>Cash inflows</b>				
Reimbursement for acquisition of non-financial assets		-	-	81
Cash inflow as a result of administrative restructure	9.1	-	-	509
<b>Total cash inflows</b>		<b>-</b>	<b>-</b>	<b>590</b>
<b>Cash outflows</b>				
Payments for acquisition of non-financial assets		(175)	(257)	(600)
<b>Total cash outflows</b>		<b>(175)</b>	<b>(257)</b>	<b>(600)</b>
<b>Net cash from (used by) investing activities</b>		<b>(175)</b>	<b>(257)</b>	<b>(10)</b>
<b>Net increase/(decrease) in cash held and cash equivalents</b>		<b>-</b>	<b>78</b>	<b>(6)</b>
<b>Cash and deposits at the beginning of the reporting period</b>		<b>-</b>	<b>(6)</b>	<b>-</b>
<b>Cash and deposits at the end of the reporting period</b>	10.1	<b>-</b>	<b>72</b>	<b>(6)</b>

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 2012

	Notes	Accumulated surplus / deficit \$'000	Total equity \$'000
<b>Balance as at 1 July 2011</b>		348	348
Total comprehensive result		213	213
<b>Total</b>		<b>213</b>	<b>213</b>
<b>Balance as at 30 June 2012</b>		<b>561</b>	<b>561</b>
<b>Balance as at 1 July 2010</b>		-	-
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
<b>Total</b>		<b>348</b>	<b>348</b>
<b>Balance as at 30 June 2011</b>		<b>348</b>	<b>348</b>

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

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## Note 1: Significant Accounting Policies

### 1.1 Objectives and Funding

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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

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The Financial Statements were approved by the Board and signed by the Acting Chief Executive Officer and Chief Commissioner on 13th August 2012.

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*.

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

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

### 1.4 Functional and Presentation Currency

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

### 1.5 Changes in Accounting Policies

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#### (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 1054 *Australian Additional Disclosures* – This Standard, in conjunction with AASB 2011-1 Amendments to Australian Accounting Standards arising from the Trans-Tasman Convergence Project, removes disclosure requirements from other Standards and incorporates them in a single Standard to achieve convergence between Australian and New Zealand Accounting Standards. There is no financial impact.
- AASB 2009-12 *Amendments to Australian Accounting Standards* [AASBs 5, 8, 108, 110, 112, 119, 133, 137, 139, 1023 & 1031 and Interpretations 2, 4, 16, 1039 & 1052] – This Standard makes editorial amendments to a range of Australian Accounting Standards and Interpretations. There is no financial impact.
- AASB 2010-4 *Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project* [AASBs 1, 7, 101, & 134 and



Interpretation 13] – This Standard amends a range of Australian Accounting Standards and Interpretations as a consequence of the annual improvements project. There is no financial impact.

- AASB 2010-5 *Amendments to Australian Accounting Standards* [AASBs 1, 3, 4, 5, 101, 107, 112, 118, 119, 121, 132, 133, 134, 137, 139, 140, 1023 & 1038 and Interpretations 112, 115, 127, 132 & 1042] – This Standard makes editorial amendments to a range of Australian Accounting Standards. There is no financial impact.
- AASB 2010-6 *Amendments to Australian Accounting Standards – Disclosures on Transfers of Financial Assets* [AASBs 1 & 7] – This Standard introduces additional disclosure relating to transfers of financial assets in AASB 7. An entity shall disclose all transferred financial assets that are not derecognised and any continuing involvement in a transferred asset, existing at the reporting date, irrespective of when the related transfer transaction occurred. There is no financial impact.
- AASB 2011-1 *Amendments to Australian Accounting Standards arising from the Trans-Tasman Convergence Project* [AASBs 1, 5, 101, 107, 108, 121, 128, 132 & 134 and Interpretations 2, 112 & 113] – This Standard, in conjunction with AASB 1054, removes disclosure requirements from other Standards and incorporates them in a single Standard to achieve convergence between Australian and New Zealand Accounting Standards. There is no financial impact.
- AASB 2011-15 *Amendments to Australian Accounting Standards – Extending Relief from Consolidation, the Equity Method and Proportionate Consolidation* [AASBs 127, 128 & 131] – This Standard extends the relief from consolidation, the equity method and proportionate consolidation by removing the requirement for the consolidated financial statements prepared by the ultimate or any intermediate parent entity to be IFRS compliant, provided that the parent entity, investor or venturer and the ultimate or intermediate parent entity are not-for-profit non-reporting entities that comply with Australian Accounting Standards. There is no financial impact.

#### **(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 9 *Financial Instruments* – This Standard supersedes AASB 139 *Financial Instruments: Recognition and Measurement*, introducing a number of changes to accounting treatments. The Standard was reissued in December 2010. The Commission has not yet determined the potential financial impact of the standard.
- AASB 10 *Consolidated Financial Statements* – This Standard supersedes requirements under AASB 127 *Consolidated and Separate Financial Statements* and Interpretation 112 *Consolidation – Special*

*Purpose Entities*, introducing a number of changes to accounting treatments. The Standard was issued in August 2011. The Commission has not yet determined the application or the potential impact of the Standard.

- AASB 11 *Joint arrangements* – This Standard supersedes AASB 131 *Interest in Joint Ventures*, introducing a number of changes to accounting treatments. The Standard was issued in August 2011. The Commission has not yet determined the application or the potential impact of the Standard.
- AASB 12 *Disclosure of Interests in Other Entities* – This Standard supersedes disclosure requirements under AASB 127 *Consolidated and Separate Financial Statements* and AASB 131 *Interests in Joint Ventures*. The Standard was issued in August 2011. The Commission has not yet determined the application or the potential impact of the Standard.
- AASB 13 *Fair Value Measurement* – This Standard defines fair value, sets out a framework for measuring fair value and requires disclosures about fair value measurements.
- AASB 119 *Employee Benefits* – This Standard supersedes AASB 119 *Employee Benefits*, introducing a number of changes to accounting treatments. The Standard was issued in September 2011. The Commission has not yet determined the application or the potential impact of the Standard.
- AASB 127 *Separate Financial Statements* – This standard supersedes requirements under AASB 127 *Consolidated and Separate Financial Statements*, introducing a number of changes to accounting treatments. The Standard was issued in August 2011. The Commission has not yet determined the application or the potential impact of the Standard.
- AASB 128 *Investments in Associates and Joint Ventures* – This Standard supersedes AASB 128 *Investments in Associates* and introduces a number of changes to accounting treatments. The Standard was issued in August 2011. The Commission has not yet determined the application or the potential impact of the Standard.
- 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* [AASBs 1, 2, 3, 5, 7, 8, 101, 102, 107, 108, 110, 111, 112, 116, 117, 119, 121, 123, 124, 127, 128, 131, 133, 134, 136, 137, 138, 140, 141, 1050, & 1052 and Interpretations 2, 4, 5, 15, 17, 127, 129 & 1052] – This Standard makes amendments to Australian accounting Standards and Interpretations to

introduce reduced disclosure requirements for certain types of entities.

- AASB 2010-7 *Amendments to Australian Accounting Standards arising from AASB 9* (December 2010) [AASBs 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 120, 121, 127, 128, 131, 132, 136, 137, 139, 1023 & 1038 and Interpretations 2, 5, 10, 12, 19 & 127] – This Standard makes consequential amendments to other Australian Accounting Standards and Interpretations as a result of issuing AASB 9 in December 2010.
- AASB 2011-2 *Amendments to Australian Accounting Standards arising from the Trans-Tasman Convergence Project – Reduced Disclosure Requirements* [AASBs 101 & 1054] – 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 a Tier 1 entity.
- AASB 2011-6 *Amendments to Australian Accounting Standards – Extending Relief from Consolidation, the Equity Method and Proportionate Consolidation – Reduced Disclosure Requirements* [AASBs 127, 128 & 131] – This Standard extends relief from consolidation, the equity method and proportionate consolidation by removing the requirement for the consolidated financial statements prepared by the ultimate or any intermediate parent entity to be IFRS compliant, provided that the parent entity, investor or venturer and the ultimate or intermediate parent entity comply with Australian Accounting Standards or Australian Accounting Standards – Reduced Disclosure Requirements.
- AASB 2011-7 *Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards* [AASBs 1, 2, 3, 5, 7, 9, 2009-11, 101, 107, 112, 118, 121, 124, 132, 133, 136, 138, 139, 1023 & 1038 and Interpretations 5, 9, 16 and 17] – This Standard replaces the existing definition and fair value guidance in other Australian Accounting Standards and Interpretations as the result of issuing AASB 13 in September 2011.
- AASB 2011-8 *Amendments to Australian Accounting Standards arising from AASB 13* [AASBs 1, 2, 3, 4, 5, 7, 9, 2009-11, 2010-7, 101, 102, 108, 110, 116, 117, 118, 119, 120, 121, 128, 131, 132, 133, 134, 136, 138, 139, 140, 141, 1004, 1023 & 1038 and Interpretations 2, 4, 12, 13, 14, 17, 19, 131 & 132] – This Standard replaces the existing definition of fair value guidance in other Australian Accounting Standards and Interpretations as the result of issuing AASB 13 in September 2011.
- AASB 2011-9 *Amendments to Australian Accounting Standards – Presentation of Items of Other Comprehensive Income* [AASBs 1, 5, 7, 101, 112, 120, 121, 132, 133, 134, 1039 & 1049] –

This Standard requires items presented in other comprehensive income to be grouped on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments).

- AASB 2011-10 *Amendments to Australian Accounting Standards arising from AASB 119* (September 2011) [AASBs 1, 8, 101, 124, 134, 1049 & 2011-8 and Interpretations 14] – This Standard makes amendments to other Australian Accounting Standards and Interpretation as a result of issuing AASB 119 Employee Benefits in September 2011.
- AASB 2011-11 *Amendments to AASB 119* (September 2011) *arising from Reduced Disclosure Requirements* – This Standard gives effect to Australian Accounting Standards – Reduced Disclosure Requirements for AASB 119 (September 2011).

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

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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:

<i>Leasehold Improvements</i>	<i>10 years</i>
<i>Equipment</i>	<i>5 years</i>

All intangible assets having a limited useful life are systematically amortised over their useful lives reflecting the pattern in which the asset's future economic benefits are expected to be consumed by the Commission. Major amortisation rates are:

<i>Software</i>	<i>5 years</i>
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### (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

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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 only receivables recognised by the Commission at 30 June 2012 relate to GST credits 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

An intangible asset is recognised where:

- it is probable that an expected future benefit attributable to the asset will flow to the Commission; and
- the cost of the asset can be reliably measured.

Intangible assets held by the Commission are valued at fair value less any subsequent accumulated amortisation and any subsequent accumulated impairment losses where an active market exists. Where no active market exists, intangibles are valued at cost less any accumulated amortisation and any accumulated impairment losses.

### (e) Other assets

Other assets comprise prepayments. Prepayments relate to actual transactions that are recorded at cost with the asset at balance date representing the un-utilised component of the prepayment.

## 1.10 Liabilities

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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, 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 schemes

A defined contribution scheme is a post-employment benefit scheme 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 schemes are recognised as an expense when they fall due.

#### (ii) Defined benefit schemes

A defined benefit scheme is a post-employment benefit scheme other than a defined contribution scheme. 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 payroll tax on accrued salaries calculated at 6.1% of accrued salaries as at 30 June 2012. As the Commission will not be required to pay payroll tax from 1 October 2012, it has elected not to calculate a provision for employee on-costs associated with the provisions for annual and long service leave.

## 1.11 Leases

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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

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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 2011-12.

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

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Comparative figures have been adjusted to reflect any changes in accounting policy or the adoption of new standards. Details of the impact of changes in accounting policy on comparative figures are at Note 1.5.

Where amounts have been reclassified within the Financial Statements, the comparative statements have been restated.

## 1.14 Budget Information

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Budget information refers to original estimates as disclosed in the 2011-12 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 and 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 or \$100,000.

### 2.1 Statement of Comprehensive Income

	Note	Budget \$'000	Actual \$'000	Variance \$'000	Variance %
Appropriation revenue – recurrent	(a)	3 284	3 156	(128)	(4)
Other revenue	(b)	–	26	26	>100
Employee benefits	(c)	2 000	1 771	229	11
Depreciation and amortisation	(d)	68	78	(10)	(15)

#### Notes to Statement of Comprehensive Income variances

- (a) Due primarily to staff vacancies the Commission did not require its entire appropriation and returned excess funds to the Consolidated Fund.
- (b) Other revenue includes contribution from other agencies towards employee entitlements for staff transferred to the Commission.
- (c) Employee benefits are lower than budgeted due to staff vacancies during the year.
- (d) The variance relates to the acquisition of leasehold improvements, equipment and intangibles at amounts greater than budget in both 2010-11 and 2011-12 resulting in higher depreciation and amortisation.

### 2.2 Statement of Financial Position

	Note	Budget \$'000	Actual \$'000	Variance \$'000	Variance %
Cash and deposits	(a)	–	72	72	>100
Receivables	(b)	–	28	28	>100
Leasehold improvements and equipment	(c)	401	539	138	34
Intangible assets	(d)	140	216	76	54
Other assets	(e)	–	28	28	>100
Payables	(f)	20	24	(4)	(20)
Employee benefits	(g)	318	225	93	29
Other liabilities	(h)	35	73	(38)	(109)

#### Notes to Statement of Financial Position variances

- (a) The variance is primarily due to approved section 8A carry forwards relating to an incomplete special investigation and funds needed to finalise the case management system report functions. Refer note (h) below and note 7.3.

- (b) The variance is GST receivable which was not included in the budget.
- (c) The initial cost of the office fit-out was greater than budgeted. There was also an additional \$10,000 expended on essential security equipment but not allowed for in the budget.
- (d) The variance relates to report customisation for the case management system and web development costs not budgeted.
- (e) The variance relates to prepayments not included in the budget.
- (f) This variance relates to invoices unpaid at 30 June being marginally higher than budget.
- (g) Annual and long service leave were less than budgeted due to staff vacancies and the engagement of staff without large long service leave liabilities.
- (h) This variance relates to \$70,000 for an approved section 8A carry forward refer note (a) above and note 7.3, as well as \$3,000 relating to the current provision for payroll tax not allowed for in the budget.

## 2.3 Statement of Cash Flows

	Note	Budget \$'000	Actual \$'000	Variance \$'000	Variance %
GST receipts	(a)	-	127	127	>100
Other cash receipts	(b)	-	25	25	>100
Employee benefits	(c)	1 969	1 740	229	12
GST payments	(a)	-	139	(139)	(100)

### Notes to Statement of Cash Flows variances

- (a) These two variances arose because the budget did not include GST receipts or payables.
- (b) Other cash receipts includes contribution from other agencies towards employee entitlements for staff transferred to the Commission.
- (c) Employee benefits are lower than budgeted due to staff vacancies during the year.

## 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 2012.

## 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.

	2012 Budget \$'000	2012 Actual \$'000	2011 Actual \$'000
Appropriation revenue - recurrent			
Current year	3 284	3 156	2 608
	<b>3 284</b>	<b>3 156</b>	<b>2 608</b>
Revenue from Government - other			
Appropriation carried forward under section 8A(2) of the <i>Public Account Act 1986</i> taken up as revenue in the current year	-	-	509
<b>Total</b>	<b>-</b>	<b>-</b>	<b>509</b>
<b>Total revenue from Government</b>	<b>3 284</b>	<b>3 156</b>	<b>3 117</b>

Section 8A(2) of the Public Account Act allows for an unexpended balance of an appropriation to be transferred to an account in the Special Deposits and Trust Fund for such purposes and conditions as approved by the Treasurer. In the initial year, the carry forward is recognised as a liability, Revenue Received in Advance. The carry forward from the initial year is recognised as revenue in the reporting year, assuming that the conditions of the carry forward are met and the funds are expended.

## 4.2 Other Revenue

	2012 \$'000	2011 \$'000
Reimbursements relating to the office fitout	–	81
Other revenue	26	1
<b>Total</b>	<b>26</b>	<b>82</b>

## Note 5: Expenses from Transactions

### 5.1 Employee Benefits

	2012 \$'000	2011 \$'000
Wages and salaries	1 571	1 514
Superannuation – defined contribution scheme	142	117
Superannuation – defined benefit scheme	10	8
Other employee expenses	48	155
<b>Total</b>	<b>1 771</b>	<b>1 794</b>

Superannuation expenses relating to defined benefits schemes relate to payments into the Superannuation Provision Account (SPA) 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 contribution schemes 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

	2012 \$'000	2011 \$'000
Leasehold improvements – amortisation	59	23
Equipment – depreciation	6	1
Intangibles – amortisation	13	–
<b>Total depreciation and amortisation</b>	<b>78</b>	<b>24</b>



### 5.3 Supplies and Consumables

	2012 \$'000	2011 \$'000
Audit fees – financial audit	20	5
Operating lease costs	222	229
Consultants	43	41
Property services	108	78
Communications	20	27
Information technology	79	80
Travel and transport	81	62
Advertising and promotion	21	9
Printing	23	31
Personnel expenses	16	33
Plant and equipment	94	60
Office requisites	16	32
Other supplies and consumables	42	30
<b>Total</b>	<b>785</b>	<b>717</b>

### 5.4 Other Expenses

	2012 \$'000	2011 \$'000
Salary on-costs	101	99
Legal costs	45	9
Corporate support provided by the Department of Justice	159	150
Other expenses	30	53
<b>Total</b>	<b>335</b>	<b>311</b>

## Note 6: Assets

### 6.1 Receivables

	2012 \$'000	2011 \$'000
Tax assets	28	15
<b>Total</b>	<b>28</b>	<b>15</b>
Settled within 12 months	28	15
<b>Total</b>	<b>28</b>	<b>15</b>

### 6.2 Leasehold improvements and Equipment

#### (a) Carrying amount

	2012 \$'000	2011 \$'000
<b>Equipment</b>		
At cost	45	17
Less: Accumulated depreciation	(7)	(1)
<b>Total Equipment</b>	<b>38</b>	<b>16</b>
<b>Leasehold improvements</b>		
At cost	583	583
Less: Accumulated amortisation	(82)	(23)
<b>Total leasehold improvements</b>	<b>501</b>	<b>560</b>
<b>Total leasehold improvements and equipment</b>	<b>539</b>	<b>576</b>

## b) Reconciliation of movements

2012	Equipment \$'000	Leasehold Improvements \$'000	Total \$'000
Carrying amount at 1 July	16	560	576
Additions	28	-	28
Depreciation and amortisation expense	(6)	(59)	(65)
Carrying amount at 30 June	38	501	539

2011	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

	2012 \$'000	2011 \$'000
Intangible assets		
At cost	191	38
Accumulated amortisation	(13)	-
	178	38
Work in progress (at cost)	38	-
Total Intangible assets	216	38

### (b) Reconciliation of movements

2012	Intangible Assets \$'000	Total \$'000
Carrying amount at 1 July	38	38
Additions – case management software	153	153
Net movement in work in progress – case management software	38	38
Amortisation expense	(13)	(13)
Carrying amount at 30 June	216	216

2011	Intangible Assets \$'000	Total \$'000
Carrying amount at 1 July	-	-
TRIM Records Management System	38	38
Amortisation expense	-	-
Carrying amount at 30 June	38	38

## 6.4 Other Assets

	2012 \$'000	2011 \$'000
Prepayments	28	19
<b>Total</b>	<b>28</b>	<b>19</b>
Utilised within 12 months	28	19
<b>Total</b>	<b>28</b>	<b>19</b>

## Note 7: Liabilities

### 7.1 Payables

	2012 \$'000	2011 \$'000
Creditors	7	9
Accrued expenses	17	87
<b>Total</b>	<b>24</b>	<b>96</b>
Settled within 12 months	24	96
<b>Total</b>	<b>24</b>	<b>96</b>

Settlement is usually made within 30 days.

### 7.2 Employee Benefits

	2012 \$'000	2011 \$'000
Accrued salaries	45	46
Annual leave	107	74
Long service leave	73	67
<b>Total</b>	<b>225</b>	<b>187</b>
Settled within 12 months	127	113
Settled in more than 12 months	98	74
<b>Total</b>	<b>225</b>	<b>187</b>

### 7.3 Other Liabilities

	2012 \$'000	2011 \$'000
<b>Revenue received in advance</b>		
Appropriation carried forward from current and previous years under section 8A of the <i>Public Account Act 1986</i>	70	-
<b>Other liabilities</b>		
Employee benefits – on-costs	3	11
<b>Total</b>	<b>73</b>	<b>11</b>
Settled within 12 months	73	7
Settled in more than 12 months	-	4
<b>Total</b>	<b>73</b>	<b>11</b>

## Note 8: Commitments and Contingencies

### 8.1 Schedule of Commitments

	2012 \$'000	2011 \$'000
<b>By type</b>		
<i>Lease commitments</i>		
Operating leases	1 004	1 067
<b>Total lease commitments</b>	<b>1 004</b>	<b>1 067</b>
<i>Other commitments</i>		
TRIM Records Management System	-	41
Investigator Case Management System	-	136
Office cleaning contract	50	63
Other contracts	12	-
<b>Total other commitments</b>	<b>62</b>	<b>240</b>
<b>By maturity</b>		
<i>Operating lease commitments</i>		
One year or less	266	293
From one to five years	738	774
<b>Total operating lease commitments</b>	<b>1 004</b>	<b>1 067</b>
<i>Other commitments</i>		
One year or less	26	190
From one to five years	36	50
<b>Total other commitments</b>	<b>62</b>	<b>240</b>
<b>Total</b>	<b>1 066</b>	<b>1 307</b>

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.

	2012 \$'000	2011 \$'000
<b>Quantifiable contingent liabilities</b>		
<i>Contingent claims</i>		
Contingent legal claims	350	-
<b>Total quantifiable contingent liabilities</b>	<b>350</b>	<b>-</b>

At 30 June 2012 the Commission has an interest in two Supreme Court proceedings for which there is a potential financial liability: one matter concerns a claim brought by the Commission's former CEO against the State of Tasmania, and the other involves litigation commenced against the Commission by a local government entity relative to a current Commission investigation.

## 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:

	2012 \$'000	2011 \$'000
<b>Net assets assumed on restructure</b>		
Cash and Deposits	-	509
<b>Total assets assumed</b>	<b>-</b>	<b>509</b>
<b>Net liabilities assumed on restructure</b>		
Payables	-	1
Employee benefits	-	4
Other liabilities	-	509
<b>Total liabilities assumed</b>	<b>-</b>	<b>514</b>
<b>Net assets (liabilities) assumed on restructure</b>	<b>-</b>	<b>(5)</b>

## Note 10: Cash Flow Reconciliation

### 10.1 Cash and Deposits

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

	2012 \$'000	2011 \$'000
<b>Special Deposits and Trust Fund balance</b>		
T527 Integrity Commission Operating Account	72	(6)
<b>Total cash and deposits</b>	<b>72</b>	<b>(6)</b>

### 10.2 Reconciliation of Net Result to Net Cash from Operating Activities

	2012 \$'000	2011 \$'000
Net result	213	353
Depreciation and amortisation	78	24
Decrease (increase) in Receivables	(13)	(15)
Decrease (increase) in Prepayments	(9)	(19)
Decrease (increase) in Intangible assets	38	(38)
Increase (decrease) in Employee entitlements	38	183
Increase (decrease) in Payables	(72)	95
Increase (decrease) in Other liabilities	62	11
Reimbursement for acquisition of non-financial assets	-	(81)
Cash inflow as a result of administrative restructure	-	(509)
<b>Net cash from (used by) operating activities</b>	<b>335</b>	<b>4</b>

## 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 continuing to be established to identify and analyse risks faced by the Commission, to set appropriate risk limits and controls, and to monitor risks and adherence to limits.

#### (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)
<b>Financial Assets</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 only receivables recognised by the Commission at 30 June 2012 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 2012 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)
<b>Financial Liabilities</b> 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, the 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:

2012

Maturity analysis for financial liabilities

	1 Year \$'000	Undiscounted Total \$'000	Carrying Amount \$'000
<b>Financial liabilities</b>			
Payables	24	24	24
<b>Total</b>	<b>24</b>	<b>24</b>	<b>24</b>

2011

Maturity analysis for financial liabilities

	1 Year \$'000	Undiscounted Total \$'000	Carrying Amount \$'000
<b>Financial Liabilities</b>			
Payables	96	96	96
<b>Total</b>	<b>96</b>	<b>96</b>	<b>96</b>

## 11.2 Categories of Financial Assets and Liabilities

	2012 \$'000	2011 \$'000
<b>Financial assets</b>		
Cash and deposits	72	(6)
Receivables	28	15
<b>Total</b>	<b>100</b>	<b>9</b>
<b>Financial Liabilities</b>		
Financial liabilities measured at amortised cost	24	96
<b>Total</b>	<b>24</b>	<b>96</b>

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

	Carrying Amount 2012 \$'000	Net Fair Value Total 2012 \$'000	Carrying Amount 2011 \$'000	Net Fair Value Total 2011 \$'000
<b>Financial assets</b>				
Cash in Special Deposits and Trust Fund	72	72	(6)	(6)
Receivables	28	28	15	15
<b>Total financial assets</b>	<b>100</b>	<b>100</b>	<b>9</b>	<b>9</b>
<b>Financial liabilities</b>				
Payables	7	7	9	9
Accrued expenses	17	17	87	87
<b>Total financial liabilities</b>	<b>24</b>	<b>24</b>	<b>96</b>	<b>96</b>

### 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 is 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: key management personnel compensation

The Integrity Commission Board and the Executive Management Group comprise the key management personnel at the Integrity Commission. The Board is chaired by the Chief Commissioner and the members are the Chief Commissioner, three appointed members and three ex officio members. The Executive Management Group (EMG) is chaired by the Chief Executive Officer and includes the Deputy Chief Executive Officer, and four members of senior management.

Details of the office's remuneration arrangements for its key management personnel are as follows:

- The remuneration policy is in line with Senior Executive Service arrangements for the Chief Executive Officer, State Service arrangements for all other Officers in the Executive Management Group and instruments of appointment pursuant to and in accordance with sections 14 and 15 of the *Integrity Commission Act 2009* for the Chief Commissioner and the appointed Board members.
- In the case of the Chief Commissioner and the Chief Executive Officer, contractual arrangements also allow for the provision of a motor vehicle, superannuation contributions and reimbursement of reasonable expenses incurred on official business. The Deputy Chief Executive Officer has use of the car when not required by the Chief Commissioner. All key management personnel receive a base salary and superannuation payments at the rate of 9%. Contractual arrangements allow for reimbursement for appointed Board members of reasonable expenses incurred on official business.
- The Chief Commissioner, Chief Executive Officer and the Executive Management Group all receive access to parking during business hours.
- All the Executive Management Group are provided with an I-pad for business and limited personal use.
- Upon retirement, the Chief Executive Officer and members of the Executive Management Group are paid employee benefit entitlements accrued to the date of retirement. In the event of any redundancy, the Chief Executive Officer and members of the Executive Management Group are paid in line with arrangements in force applying to members of the Senior Executive Service or State Service employees as applicable.
- The ex officio members who do not receive remuneration are:
  - Mike Blake (Auditor-General)
  - Iain Frawley (Acting State Service Commissioner)
  - Leon Atkinson-MacEwen (Ombudsmen) – from 5 April 2012
  - Simon Allston (Ombudsman) – for the period 1 July 2011 to 1 February 2012.

**Table of Benefits and Payments for the Year Ended 30 June 2012**

	Post-Employment Benefits		Long-Term Benefits		Total
	Salary and Leave \$'000	Other* \$'000	Super-annuation \$'000	Long Service Leave \$'000	\$'000
<b>Key Management Personnel</b>					
Hon. Murray Kellam AO (Chief Commissioner)	142	8	13	-	163
Liz Gillam (Board Member)	21	-	2	-	23
David Hudson (Board Member)	21	-	2	-	23
Luppo Prins APM (Board Member)	21	-	2	-	23
Other members of the Executive Management Group	555	18	50	9	632
<b>Total Key Management Personnel</b>	<b>760</b>	<b>26</b>	<b>69</b>	<b>9</b>	<b>864</b>

\*Other includes I-pad, car parking and car benefits.

2011 comparative information has not been included at this level of detail as the Commission was not in operation for the entire year. However, in aggregate, benefits accruing in that period totalled \$610,000.

## Note 13: 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.

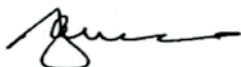
## Note 14: Principal Address and Registered Office

The Integrity Commission is located at:  
Surrey House  
Level 2  
199 Macquarie Street  
Hobart TASMANIA 7000

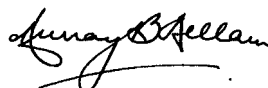
**Statement by Acting Chief Executive Officer and Chief Commissioner**

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 2012 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.



Russell Pearce  
Acting Chief Executive Officer  
13<sup>th</sup> August 2012



Murray Kellam AO  
Chief Commissioner  
13<sup>th</sup> August 2012

## **Independent Auditor's Report**

### **To Members of the Parliament of Tasmania**

### **Integrity Commission**

### **Financial Report for the Year Ended 30 June 2012**

I have audited the accompanying financial report of Integrity Commission (the Commission), which comprises the statement of financial position as at 30 June 2012, the statements of comprehensive income, changes in equity and cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the joint statement by the Acting Chief Executive Officer and Chief Commissioner.

### **Auditor's Opinion**

In my opinion the Commission's financial report:

- (a) presents fairly, in all material respects, its financial position as at 30 June 2012, and its financial performance, cash flows and changes in equity for the year then ended; and
- (b) is in accordance with the *Financial Management and Audit Act 1990* and Australian Accounting Standards.

### ***The Responsibility of the Chief Executive Officer for the Financial Report***

The Chief Executive Officer is responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards and Section 27 (1) of the *Financial Management and Audit Act 1990*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

...1 of 2

## *Auditor's Responsibility*

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

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

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

## **Independence**

In conducting this audit, I have complied with the independence requirements of Australian Auditing Standards and other relevant ethical requirements. The *Audit Act 2008* further promotes independence by:

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

## **Tasmanian Audit Office**



**E R DeSanti**  
**Deputy Auditor General**  
**Delegate of the Auditor-General**

HOBART  
21 August 2012

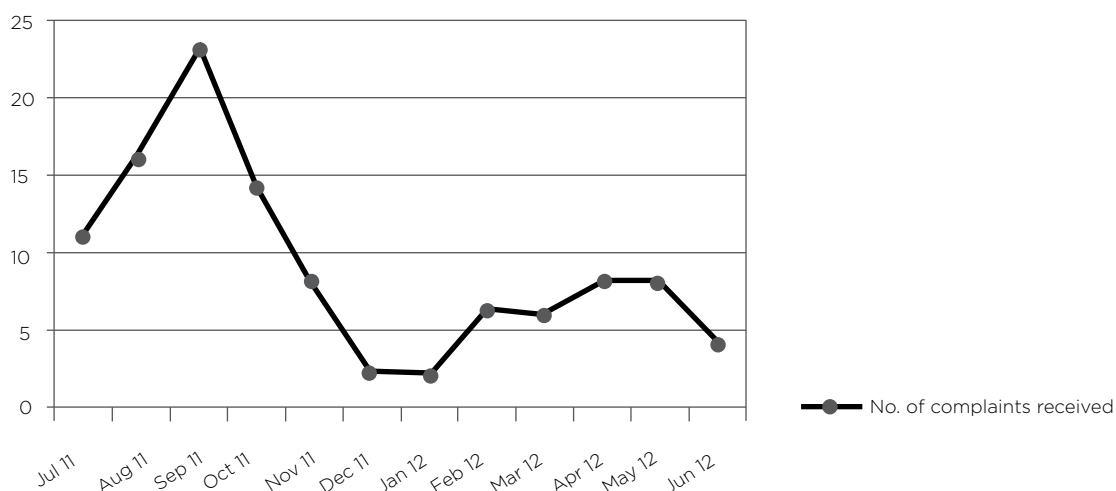
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# APPENDIX A

## COMPLAINTS STATISTICS

### COMPLAINTS RECEIVED SINCE 1 JULY 2011



### OUTCOMES FOR COMPLAINTS

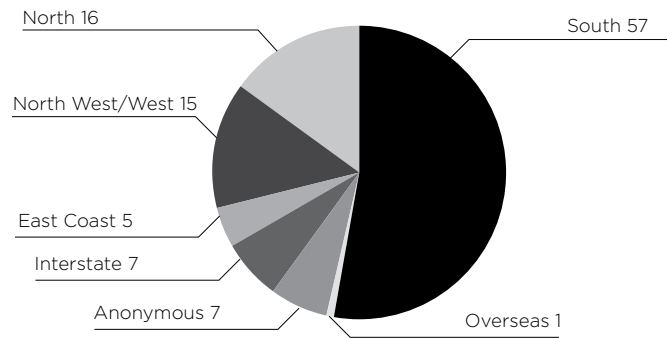
	Nine months from October 2010-2011	2011-2012
Dismissed after triage	62.6 %	55.4 %
Referred to another public authority	23.6 %	36.4%
Referred to another integrity agency	0.08 %	nil
Currently under consideration, assessment or investigation	13.8 %	8.2 %

### SUBJECT OF COMPLAINTS IN 2011-12

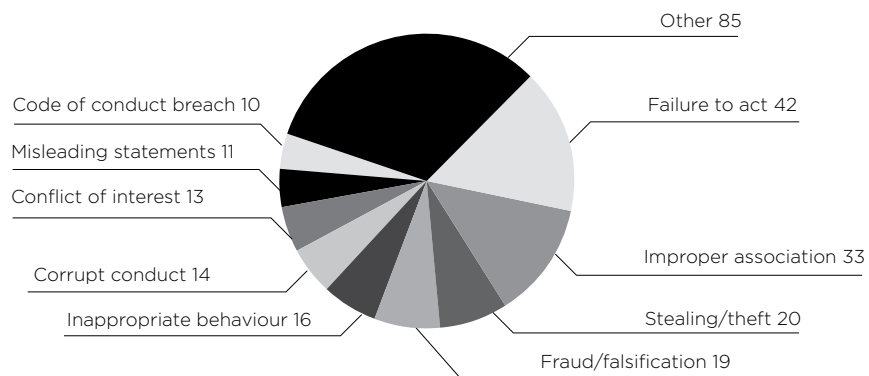
Nine months from October 2010-2011	Nine months from October 2010-2011	2011-2012
State Government agencies	61.8%	73 %
Tasmania Police	28.2 %	34.3 %
Justice Department	6.9 %	12 %
Infrastructure, Energy and Resources	8.3 %	8.3 %
Health and Human Services	9.9 %	4.6 %
Education	3.1 %	3.7 %
Economic Development, Tourism and the Arts		2.8 %
Treasury and Finance		1.8 %
Other	8.4 %	5.5 %
Current and former Parliamentarians	35.1%	3.6 %
Local Government	17.4 %	17.6 %
Other public authorities	16.8 %	nil
Commissions, Government Businesses, Authorities and State Boards	10.7 %	10.2 %
State-owned companies	5.3 %	nil
Out of jurisdiction	5.3 %	6.5 %

*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 2011-2012



Total = 263

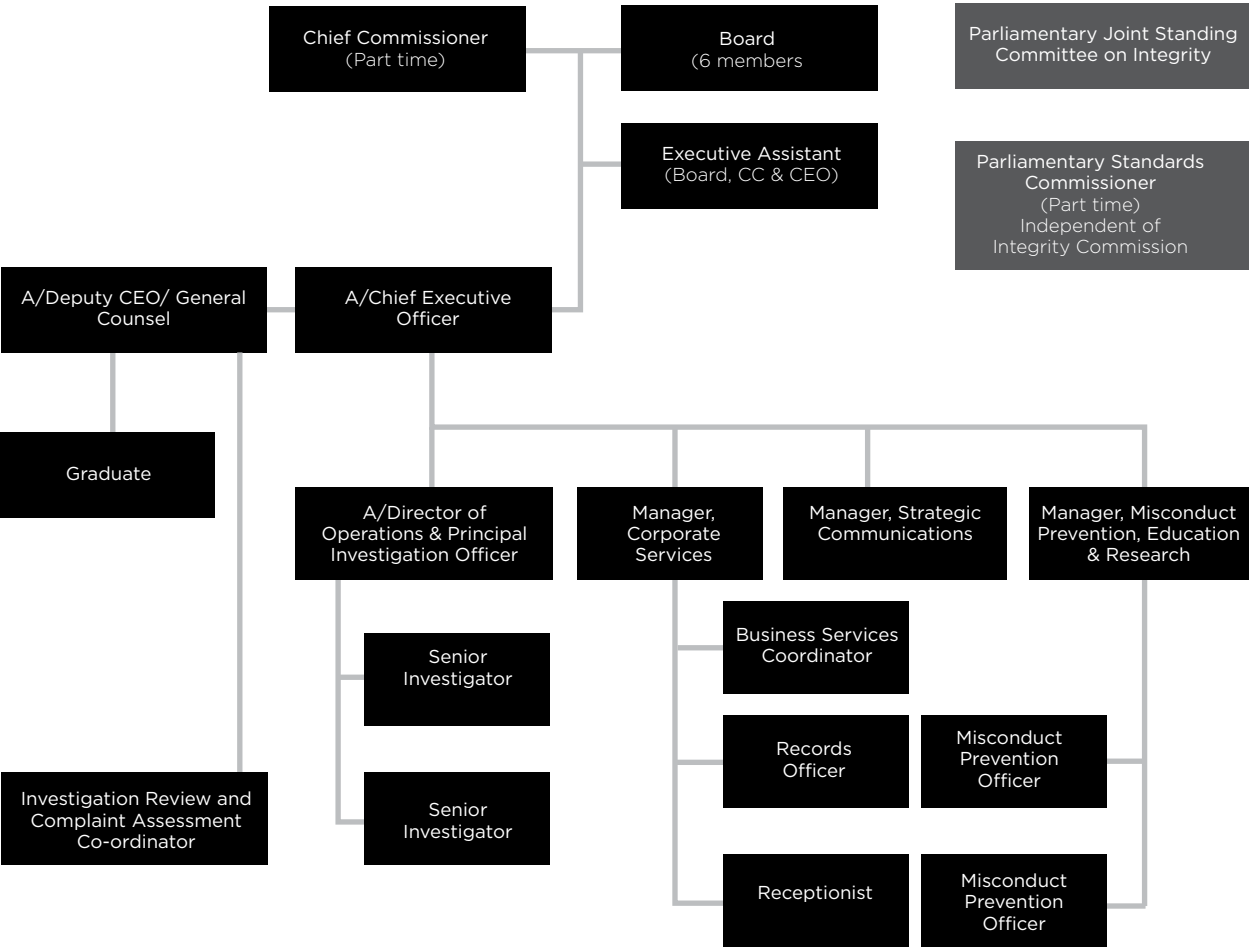
'Other' includes a wide range of allegations at low levels of reporting.



# APPENDIX B

## ORGANISATIONAL CHART

ORGANISATIONAL CHART AS AT 30 JUNE 2012



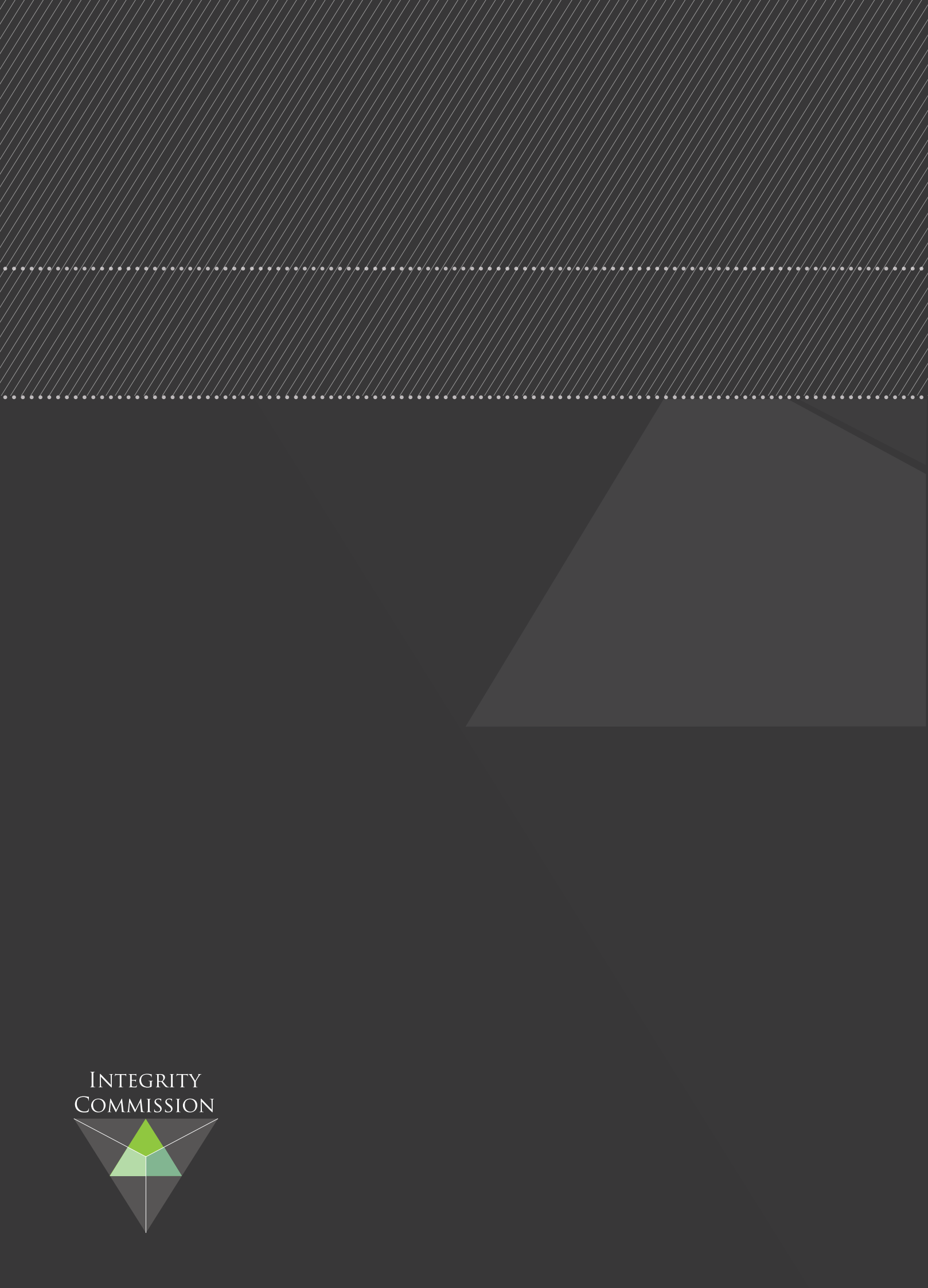
# APPENDIX C

## REPORTING REQUIREMENTS

### LEGISLATIVE REPORTING COMPLIANCE

REQUIREMENT	LEGISLATION	REPORT SECTION
Overview of strategic plan	State Service Regulations 2001 s9a(i)	Snapshot, Highlights, Vision and values, Goals.
Organisation chart	SSR s9a(ii)	Appendix B
Major initiatives	SSR s9(v)	Highlights
Employee development	SSR s9b(ii)	Corporate Services
Internal grievance procedures	SSR s9(b)(v)	Corporate Service
Occupational health and safety strategies	SSR s9(b)(vi)	Corporate Services
Community awareness, services and publications	SSR s9c(i)	Engagement and Communications
Contact officers and points of public access	SSR s9c(ii)	Inside cover
Relevant legislation	SSR s9(d)	Snapshot, Legislative Amendments
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
Right to Information	<i>Right to Information Act 2009</i>	Right to Information
Superannuation contributions	<i>Public Sector Superannuation Reform Act 1999</i> s13	Superannuation Certificate





INTEGRITY  
COMMISSION

