

ANNUAL REPORT

2012-2013

ESSENTIAL TO ENSURING
TRUST IN GOVERNMENT



The objectives of the Integrity Commission are to –

- improve the standard of conduct, propriety and ethics in public authorities in Tasmania;
- enhance public confidence that misconduct by public officers will be appropriately investigated and dealt with; and
- enhance the quality of, and commitment to, ethical conduct by adopting a strong, educative, preventative and advisory role.

© Integrity Commission 2013

This report and further information about the Commission can be found on the website

www.integrity.tas.gov.au

GPO Box 822,
Hobart
Tasmania 7001

Phone: 1300 720 289

Email: integritycommission@integrity.tas.gov.au

ISBN: 978-0-9871490-6-0 (printed copy)

ISBN: 978-0-9871490-7-7 (electronic copy)

President
Legislative Council
Parliament House
HOBART TAS

Speaker
House of Assembly
Parliament House
HOBART TAS

Dear Mr President
Dear Mr Speaker

Annual Report for 1 July 2012-30 June 2013

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 2012 to 30 June 2013.

Yours sincerely



The Hon Murray Kellam AO
Chief Commissioner
On behalf of the Board



Diane Merryfull
Chief Executive Officer

October 2013
Copy to Attorney-General

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

Dear Attorney-General

Annual Report for the year ended 30 June 2013

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 2013.

Yours sincerely



Diane Merryfull
Chief Executive Officer

October 2013

CONTENTS

Message from the Chief Commissioner	5
Message from the Chief Executive Officer	8
Report of the Board.....	9
Snapshot	11
Our role.....	11
Key activities.....	11
The Commission's budget.....	11
Our people.....	11
Governance and administrative support.....	11
Parliamentary Joint Standing Committee on Integrity.....	11
The Board of the Integrity Commission.....	12
Board Members	12
Ex-officio members	12
Appointed members.....	13
Board members change.....	13
Integrity Commission Attendance Ordinary Board Meetings 2012-13.....	14
Key Achievements 2012 – 2013.....	15
Reporting against Tasmanian budget initiatives	17
Priorities for the year ahead	17
The Commission's achievements of its strategic goals.....	18
GOAL 1 – Improved standard of propriety and ethics in public authorities	19
'Mapping' the gaps – ethics and integrity in the public sector	20
Ethics and integrity – a training program for the public sector	20
Parliamentary Disclosure of Interests Register	21
Ethical Reference Groups	22
Presentations to groups and conferences	23
Public Officer Training.....	23
Partnerships in Training	24
Good practice, in practice	24
Liaison and consultation with stakeholders	25
Misconduct prevention resources	25
The year ahead – building capacity.....	26

CONTENTS

GOAL 2 – Enhanced public confidence that misconduct will be appropriately investigated and dealt with.....	27
Reporting misconduct	28
Own motion investigations and results	29
Complaints & Statistics.....	29
Oversight of agency internal investigations.....	29
Report to the Coroner.....	29
Liaison and consultation with stakeholders	32
Use of investigative powers.....	32
Misconduct types	33
Interaction with or effect of ED5 investigations.....	33
Notifications.....	35
Report of the Integrity Commission No 1 of 2013.....	35
Tasmania Police	36
GOAL 3 – A best practice agency that is valued by the Community	39
Commencement of CEO	40
Our organisation	40
Monitoring our organisational performance	41
Learning and development.....	41
Development of our investigation expertise	41
Workforce stability.....	42
Information Management	42
Website.....	42
Corporate Services	42
Contracts and consultancies.....	42
Accountability	43
External inspections of Registers	43
Litigation.....	43
<i>West Tamar Council v Leonard</i> [2012] TASSC 68.....	43
The Joint Standing Committee on Integrity.....	43
Report to the JSC on the 3 year review	44
Tabled reports	44
Public Interest Disclosures.....	44
Right to Information.....	44
Legislative Amendments	44
Sharing knowledge and expertise.....	45
Superannuation certificate	46
Financial Contents.....	47
Statement by the Chief Executive Officer	69
Independent Auditor’s Report.....	70
APPENDIX A	72
Reporting requirements	72

MESSAGE FROM THE CHIEF COMMISSIONER



The Hon Murray Kellam AO
Chief Commissioner and Chair of
the Integrity Commission Board

The Integrity Commission is now in its third year of existence. Under section 24 of the *Integrity Commission Act 2009* (the Act) the Joint Standing Committee on Integrity is to review the functions, powers and operations of the Integrity Commission at the expiration of three years from the commencement of the Act.

It is accordingly timely to reflect upon the mandate of the Commission and its achievements during its early years of operation. The mandate of the Commission is set out clearly in the Act. That is that the objectives of the Commission are to improve the standards of conduct, propriety and ethics in public authorities in Tasmania. It is to do this by adopting a strong educative, preventative and advisory role. The role played by the Commission in this regard does not seem to attract media interest and the extensive achievements of the Commission in education and prevention work are not sufficiently known or appreciated by the community. However since its establishment the Commission has:

- delivered face to face training on ethical conduct to hundreds of public officers;
- undertaken the first ever survey of the state of ethics and integrity in the Tasmanian public sector and published findings based upon that survey;
- developed a wide range of evidence based ethics training resources that are used by public sector employers and managers; and
- published a draft code of conduct for Parliamentarians and Ministers.

Real improvement in the standard of conduct and behaviour in the public sector can only occur from within agencies by them developing a culture which values ethical conduct and abhors misconduct. The Integrity Commission cannot make agencies change, but it can – and it does – act as an agent of change. I am grateful for the effective work done by the staff of the Misconduct Education, Prevention and Research Unit of the Commission in this regard. They have worked with state government agencies, local councils and state and council owned businesses in helping those agencies to build their own capacity to resist and prevent misconduct.

The work done by the Commission since its inception has established that the risk of misconduct is multi-faceted. Key factors are a poor culture, gaps in administrative processes, insufficient or unclear policies or procedures and failures of accountability systems.

.....

Understanding these risks and establishing an effective response to them are the keys to cultural change. Throughout the past year there has been public and media attention on the investigatory work of the Commission. In the course of the year the Commission tabled in Parliament a report dealing with two major investigations and an assessment into misconduct in the public sector, which I hope has demonstrated to the general public that the Commission is undertaking effective investigations which have resulted in real and substantive change in the management of relevant public sector agencies, so as to ensure that similar misconduct as revealed does not reoccur in the future. It is, however, necessary to dispel some misconceptions in the media, and elsewhere, as to what the Act permits the Commission to do with information provided to it, and particularly upon completion of an investigation. In this regard it is important to understand the statutory framework and context of the establishment of the Commission. As the Joint Select Committee on Ethical Conduct said in its final report:

‘the protection of reputation is paramount and accordingly, any proposed legislation must provide for the default position for the conduct of investigations to be in private’.

The Act provides for that by s 48. Furthermore the Act does not provide for the Commission to make reports public, outside of reporting to Parliament (unlike for example the Ombudsman who may report publicly in general or on a particular case).

In addition the Commission has no power of sanction, it does not conduct criminal prosecutions nor can it conduct proceedings for a breach of any code of conduct. The Act provides that at the end of any investigation or assessment a complaint may be dismissed or referred to another body.

The above provisions of the Act are consistent with the clear focus of the Act in relation to complaints, which is that Parliament intends for the Commission to investigate misconduct, not that it resolves individual

complaints to the satisfaction of the complainant. The Act does not create a complaint resolution service.

In conducting investigations into misconduct, the Act provides to the Commission significant coercive powers, such as compelling the production of records, including records held by private institutions such as banks. Other powers permit Commission officers to enter public premises and search and seize material and to obtain a warrant to use surveillance devices such as vehicle trackers. With those powers comes a responsibility to ensure that information obtained is dealt with in the utmost propriety.

Those who make complaints to the Commission and those who are the subject of complaints are entitled to expect that the Commission will deal with such information in a manner consistent with their rights of privacy. Accordingly, whilst the Commission is bound to observe confidentiality, complainants are not so bound, unless the Commission places a confidentiality notice upon its correspondence with them. The Commission places such a confidentiality notice only when operationally necessary, as to do so restricts a person’s freedom of speech. This of course means that complainants are free to put material selectively into the public domain in order to advance their own interests. That can put the Commission in an uncomfortable position when media, and others, ask the Commission to respond by the release of information. However, the obligation for the Commission to be responsible and careful with information it gathers is clear. I fully support the principled manner in which the Commission has responded to such issues.

.....

The Commission has been in operation for less than three years. People can forget that similar agencies in other jurisdictions (such as Queensland and New South Wales) have been established for decades and that interstate experience demonstrates that it takes time to establish an organisation with a completely new jurisdiction. In its short period of operation the achievements of the Tasmanian Integrity Commission in its education and prevention work, and its effective investigations work, should be recognised as significant.

I wish to acknowledge the hard work and dedication of each member of the staff of the Commission. I thank particularly the Chief Executive Officer who has established rigorous protocols and procedures for the conduct of the Commission and demonstrated real leadership in a principled manner. I am most appreciative of the support and hard work of each member of the Board and acknowledge the significant contribution made by Mr Frank Ogle as an ex officio member of the board until February 2013 when, by reason of the *State Service Amendment Act 2012*, the position of State Service Commissioner was abolished.

I look forward to engaging with the Joint Standing Committee on Integrity in the process of the forthcoming review of the functions, powers and operations of the Commission.



The Hon Murray Kellam AO
CHIEF COMMISSIONER

Developing a culture of integrity and ethical conduct

MESSAGE FROM THE CHIEF EXECUTIVE OFFICER

.....



Diane Merryfull
Chief Executive Officer

In my message in the last annual report, I said that the Integrity Commission was entering a new phase of operations as it emerged from the challenges of the establishment of a new organisation. This year has seen the Commission deliver a significant number of achievements across all of its areas of operation.

.....

The Commission's public report on finalised investigations demonstrated for the first time the complex work it undertakes investigating misconduct in the public sector. Not only do our investigations bring misconduct to light, they also reveal substantive ways to improve agency systems so that future misconduct is prevented.

Our education and prevention activities this year were highly productive and, again for the first time, information on the state of ethics and integrity in Tasmanian public sector was made publicly available in a Commission report. At the close of the year, the Commission prepared to launch its flagship misconduct education product derived from that report – the Ethics and Integrity Training Program.

The Tasmanian community rightly expects its public sector to operate to the highest standard of ethics and integrity. For all of the Commission's achievements, it cannot by itself be expected to ensure that this standard is met.

All agencies that make up the public sector – government departments and businesses, local councils, parliamentarians, the university – must imbed integrity into the culture of their organisations and give it the most serious attention. Leaders are critically important to setting culture. Without the commitment of those at the highest level of leadership – not just at the bureaucratic but also at the political level – nothing will change, behaviour will not improve and community confidence will not be maintained. The Integrity Commission is working hard to help agencies and their leaders strengthen their ethical culture but those leaders must take the primary responsibility to make this happen. I am pleased to report that the Commission has had a positive response to its engagement with agency leaders in this regard but the work has really only just begun.

All Tasmanians benefit from the work that the Commission is doing to improve the governance of the public sector. I am confident that the community is increasingly recognising and valuing this work. All of the Commission staff are dedicated to this goal and I thank them for their outstanding results this year and look forward to even more in the year to come.

Diane Merryfull
CHIEF EXECUTIVE OFFICER

REPORT OF THE BOARD



The Commission Board (from left): David Hudson, Murray Kellam, Mike Blake, Leon Atkinson-MacEwen, Liz Gillam and Luppo Prins.

The *Integrity Commission Act 2009* (the Act) provides that the role of the Board of the Integrity Commission is to:

- a. ensure that the Chief Executive Officer and the staff of the Integrity Commission perform their functions and exercise their powers in accordance with sound public administration practice and principles of procedural fairness and the objectives of this Act; and
- b. promote an understanding of good practice and systems in public authorities in order to develop a culture of integrity, propriety and ethical conduct in those public authorities and their capacity to deal with allegations of misconduct; and
- c. monitor and report to the Minister or Joint Committee or both the Minister and Joint Committee on the operation and effectiveness of this Act and other legislation relating to the operations of integrity entities in Tasmania.

Also under the Act, the Board has specific functions in relation to commencing own motion investigations and determining the outcomes of investigations.

This year was a productive one for the Board. In August, the Board welcomed the new CEO of the Commission, Ms Diane Merryfull, at a Board strategic planning

meeting. This two day meeting allowed the Board and the CEO to reflect on the activities of the Commission to that time, set broad strategic priorities for the coming year and agree on an appropriate interaction protocol.

In terms of the administration of the Commission, this year the Board approved new delegations of its powers and functions to the CEO, consistent with her responsibility for the general administration, management and operations of the Commission. The Board also endorsed a new strategic plan for the Commission and an approach to the three year review of the Act due to be commenced by the Joint Standing Committee on Integrity in October 2013.

From 4 February 2013, the board membership was decreased by one (to six) when the position of State Service Commissioner (an ex-officio member) was abolished by the *State Service Amendment Act 2012*. The Chief Commissioner wrote to the Minister for Justice noting the desirability of there being a member of the Board 'with experience in public administration and public sector and/or industrial relations'. The Minister advised that an amendment to the Act to that effect would be included in a future omnibus bill but that this was unlikely to be finalised until late 2013.

.....

The Board performed its functions under s 58 of the Act, making determinations in respect of three investigation reports in 2013. Two of those investigation reports were summarised in the Commission's first report to Parliament under s 11(3) of the Act. In authorising the public reporting of these investigations, the Board was conscious of the importance of balancing the need for the community to be more fully informed about the Commission's effective work dealing with misconduct, with the need to protect the privacy of individuals involved – particularly pending any further action being taken by appropriate authorities.

Members of the Board met with the Joint Standing Committee in March to discuss its approach to the forthcoming three year review of the operation of the Act and to provide general information on the operations of the Commission.

In April, the Board produced its first report to the Minister and the Standing Committee under s 13(c) of the Act about the operation and effectiveness of

the Act. This report detailed a significant number of amendments which the Commission had identified as technical in nature but important to improve the effectiveness of the Commission's operation. In making this report to the Minister and the Committee, the Board was cognisant of the impending three year review. The Board considered that that review would be an appropriate forum to canvass amendments to the Act of a policy nature (for example examining the adequacy of the Commission's powers, if necessary). However, the Board did not consider that there was any benefit in waiting for the review before the technical issues were dealt with. The Minister responded to the Board's report by advising that the amendments would be 'considered in liaison with the Joint Standing Committee'.



The Hon Murray Kellam AO
CHIEF COMMISSIONER
On behalf of the Board

SNAPSHOT

OUR ROLE

The Integrity Commission is an independent body established under the *Integrity Commission Act 2009* with the following objectives to:

- improve the standard of conduct, propriety and ethics in public authorities in Tasmania;
- enhance public confidence that misconduct by public officers will be appropriately investigated and dealt with; and
- enhance the quality of, and commitment to, ethical conduct by adopting a strong, educative, preventative and advisory role.

KEY ACTIVITIES

The primary focus of the Commission is misconduct prevention. It does this by educating public officers and the public about integrity and assisting public authorities, including the State Government, local government, the University of Tasmania, government businesses and other public sector authorities deal with misconduct. The Commission also conducts investigations into allegations of misconduct and makes findings and recommendations aimed at preventing misconduct recurring.

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 2013, the Commission employed 14.8 full-time equivalent staff members, including the Chief Commissioner, Chief Executive Officer and Deputy CEO, misconduct prevention officers, investigation officers, a lawyer, communications advisor, and corporate services staff.

GOVERNANCE AND ADMINISTRATIVE SUPPORT

The Integrity Commission is independent of government and is led by its Chief Commissioner and the five (at 30 June 2013) member Board he chairs. The Chief Executive Officer is responsible for the operations of the Commission and the Commission 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 assistance through a service level agreement.

The Commission also provides limited administrative support to the independent role of the 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. Dr Vanessa Goodwin, Chair (elected on June 19)
Hon. Ivan Dean
Hon. Craig Farrell (taking up his position in June 2013)

House of Assembly

Mr. Kim Booth (Deputy Chair)
Mr. Rene Hidding
Ms. Rebecca White

The Hon. Jim Wilkinson finished his term as Chair on 3 May 2013.

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

The committee will review the Commission's functions, powers and activities at the end of its first three years in operation, after 1 October 2013. The Committee also provides guidance and oversight to other State integrity entities, such as the Ombudsman.

While the Joint Standing 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 BOARD OF THE INTEGRITY COMMISSION

CHIEF COMMISSIONER



Hon Murray Kellam AO
Chief Commissioner

A former justice of the Supreme Court of Victoria, Murray 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.

EX-OFFICIO MEMBERS



Mike Blake
Auditor-General

Mike was appointed Tasmanian Auditor-General on 10 May 2004. He was previously Auditor-General for the Northern Territory and has been active in setting standards in accounting and auditing in Australia. He was made a member of the Public Sector Accounting Standards Board in 1999, was a member of the Urgent Issues Group representing Auditor-Generals from 2003 to 2005, and a member of the Auditing and Assurance Standards Board from 2006–2011.



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.

APPOINTED MEMBERS



Luppo Prins, APM

A former Assistant Police Commissioner who was awarded the National Police Medal, the Australian Police Medal (APM) for Outstanding Service and the Commissioner's Integrity Medal, Luppo 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.



Liz Gillam

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



David Hudson

With a career in the State Public Service spanning 35 years, David held senior roles including Deputy Secretary of the Department of Primary Industries, Parks, Water and Environment before leaving the service in 2010. 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. He is on the board of Hockey Tasmania and is involved in other not-for-profit organisations.

BOARD MEMBERS CHANGE

One ex-officio Board member retired during the reporting period. Frank Ogle, State Services Commissioner, was a member of the board between 19 July 2012 and 7 December 2012. The retirement was a consequence of the role of the State Services Commissioner being removed following amendments to the *State Services Act 2000*, effective 4 February 2013.

.....

INTEGRITY COMMISSION ATTENDANCE ORDINARY BOARD MEETINGS 2012-13

Meeting dates	No. in attendance	Absent	Attendance rate
2012			
5 Jul	6	Luppo Prins	86%
2 Aug	7		100%
6 Sep	5	Leon Atkinson-MacEwen, David Hudson	71%
1 Oct	5	David Hudson, Frank Ogle	71%
1 Nov	6	Leon Atkinson-MacEwen	86%
6 Dec	5	Mike Blake, Murray Kellam	71%
2013			
7 Feb	6		100%
4 Apr	5	Murray Kellam	83%
22 May	5	David Hudson	83%
19 Jun	5	David Hudson	83%

Investigating
and dealing
with
misconduct

KEY ACHIEVEMENTS 2012–2013

COMMENCEMENT OF THE NEW CEO, MS DIANE MERRYFULL

Ms Merryfull commenced as the CEO of the Commission on 20 August 2012 and in her first months met with Heads of all State Service agencies and many GBEs. Under Ms Merryfull, the Commission has reviewed its strategic plan and established three goals consistent with its legislative objectives.

EXECUTIVE SUMMARY: REPORT ON ETHICS AND INTEGRITY IN THE PUBLIC SECTOR

Between November 2012 and January 2013, the Commission conducted a detailed survey of the integrity frameworks of State departments and government businesses. The Commission combined the information it had gathered from all sources, and from the survey, to produce the first 'map' of the gaps in ethics and integrity policies and practices in these agencies. The information provides the evidence base for ongoing misconduct prevention work of the Commission. An Executive Summary of the Report was released on 13 June 2013.

JOINT REVIEW OF THE TASMANIA POLICE GRADUATED MANAGEMENT MODEL

The Commission has commenced a joint review with Tasmania Police of the internal complaint handling methodology utilised by Tasmania Police for complaints against Police – the Graduated Management Model. The final joint report of the review is expected to be delivered in October 2013.

FIRST AUDIT OF TASMANIA POLICE COMPLAINTS AS COMPLETED IN 2012

The Commission has undertaken its first comprehensive audit of complaint handling in a public authority. It has audited all complaints against Tasmania Police officers which were concluded in the calendar year 2012. The report of the audit is expected to be finalised in September 2013.

INVESTIGATION REPORT NO. 1 OF 2013

On 25 June 2013, the Commission tabled its first investigation report in both Houses of Parliament. The Report was a major step by the Commission to explain to the community the effective and essential investigative work that it does. The report summarised (in a de-identified manner) three complaints it had finalised this year which resulted in one public sector employee losing their job, another resigning, and recommendations being made to improve procedures at the Risdon Prison Complex.

PARLIAMENTARY DISCLOSURE OF INTEREST REGISTER

In January 2013, the CEO, through the Commission, conducted the second examination of the Parliamentary Registers, monitoring the 2012 returns. Suggestions by the CEO to improve compliance were taken up by the Premier who has commenced a process to review and amend the forms by which members declare their interests.

MISCONDUCT PREVENTION – TRAINING ACTIVITIES AND ETHICAL REFERENCE GROUPS

Throughout the year, the Commission continued its misconduct prevention activities. During the reporting period the Misconduct Prevention and Research Unit conducted training for more than 700 public officers and continued to conduct Ethical Reference Groups for targeted sectors, across the State.

DEVELOPMENT OF THE ETHICS AND INTEGRITY TRAINING PROGRAM

The Commission used the outcomes of the evidence gathered for the Report on Ethics and Integrity in the Public Sector to develop a series of educational modules and associated resources to address areas of misconduct risk within the public sector. The program is designed to allow agencies to deliver training in-house to staff. The program was launched in July 2013.

WEST TAMAR COUNCIL V LEONARD **[2012] TASSC 68**

On 19 October 2012 the Supreme Court of Tasmania delivered its decision in proceedings commenced by the West Tamar Council against the Commission and an investigator of the Commission. Judgment was made for the Commission with an order that the Council pay the Commission's costs of the action, and a declaration that the Notice issued to the Council, pursuant to s 47(1) (c) of the Act was valid.

REPORT OF THE BOARD, SECTION 13(C) OF THE INTEGRITY COMMISSION ACT 2009

In April 2013 the Board made a report, in accordance with s 13(c) of the Act, to both the Minister and the Joint Standing Committee on suggested technical amendments which impact on both the operation and effectiveness of the *Integrity Commission Act 2009*.

‘ I have been working with the Commission as a member of its Lead Agency Ethical Reference Group. This group was unanimous that better training and education was needed to help staff identify risks to integrity and apply solutions. The Commission has responded positively to this need and its training program will help agencies build their own capacity to improve ethical culture. The Training Consortium as part of State Service Management Office, which has also been engaged in the development of the program, will be a willing partner to help agencies and other members, including local councils, to deliver for those members that don't have in-house programs.’

Frank Ogle
Director, State Service Management Office

REPORTING AGAINST TASMANIAN BUDGET INITIATIVES

The Integrity Commission's key initiatives in the 2012-2013 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 1-3 of this report.

PRIORITIES FOR THE YEAR AHEAD

The Commission has identified the following priorities for 2013-2014 to continue its essential work assisting in improving the integrity of government and public authorities in Tasmania:

- launch of the Ethics and Integrity Training Program and the associated modules 1-14. One of the modules will be a comprehensive suite of templates and policies to assist public authorities to effectively deal with conflicts of interest;
- deliver its report on the functions, powers and operations of the Commission after three years of operation to the Joint Standing Committee on Integrity;
- complete the final report on the Joint Review of the Tasmania Graduated Management Model for complaints against Police;

- release the report of the first audit of Tasmania Police complaints;
- deliver training on ethics and integrity to new members of Parliament as soon as possible after the next state election;
- prepare and deliver a training program for newly elected local members following the 2014 local government elections.

THE COMMISSION’S ACHIEVEMENTS OF ITS STRATEGIC GOALS

.....

The Integrity Commission has identified three key goals in its Strategic Plan for 2013–2015. Each of the goals reflects our legislative objectives to:

.....

- improve the standard of conduct, propriety and ethics in public authorities in Tasmania;
- enhance public confidence that misconduct by public officers will be appropriately investigated and dealt with; and
- enhance the quality of, and commitment to, ethical conduct by adopting a strong, educative, preventative and advisory role.

Our progress against the goals is outlined in the following pages.

PROGRESS TO DATE

GOAL ONE

IMPROVED STANDARD OF PROPRIETY
AND ETHICS IN PUBLIC AUTHORITIES

GOAL 1

IMPROVED STANDARD OF PROPRIETY AND ETHICS IN PUBLIC AUTHORITIES

‘MAPPING’ THE GAPS – ETHICS AND INTEGRITY IN THE PUBLIC SECTOR

Between November 2012 and January 2013, the Commission conducted a detailed survey of integrity mechanisms in State departments and government businesses. The total staff within the agencies which were surveyed amounted to about 31,000. Additional intelligence was gathered by the Commission via training participant surveys, post training evaluation surveys, Ethical Reference Group information, incoming complaints and media analysis. The Commission combined the information it had gathered from all sources to produce the first ‘map’ of the gaps in ethics and integrity policies and practices in these agencies.

This map, the *Executive Summary – Report on Ethics and Integrity in the Tasmanian Public Sector 2013*, provided valuable insight into the key areas of misconduct risk.

The mapping revealed that:

- while most agencies provided some training in ethical issues at induction of staff, there was lack of follow up training or awareness-raising after that;
- of the public sector staff who undertook Integrity Commission training in 2012 and 2013 the majority said that they had not attended any previous ethics or integrity training at all;
- there was concern amongst public sector staff about conflicts of interest, recruitment procedures, nepotism and patronage;
- there was room for improvement in keeping records of complaints – in particular maintaining information to track systemic issues or trends;
- there was also a need to keep better records of the training that staff undertake and their levels of understanding of ethics and risk areas.

The main integrity risks that these deficiencies give rise to include:

- employees not knowing their ethical obligations and so being at risk of engaging in misconduct;
- managers not knowing how to address misconduct;
- employees not understanding their agency’s key values;
- lack of training records making follow-up disciplinary action difficult to substantiate;
- lack of a co-ordinated complaints process resulting in trends and risks not being identified.

The Commission is using this information to develop training, research and misconduct prevention activities (products) to ensure that the work of the Commission is directed towards the areas of highest misconduct risk and that its products are most effective in helping agencies to reduce that risk. This work will also assist agency heads to meet their obligations under section 32 of the *Integrity Commission Act 2009* to provide training to staff on ethics and integrity.

There has been a positive response from the public sector to the information provided in the mapping report.

The [Executive Summary – Report on Ethics and Integrity in the Tasmanian Public Sector 2013](#) is available on the Commission’s website at www.integrity.tas.gov.au

ETHICS AND INTEGRITY – A TRAINING PROGRAM FOR THE PUBLIC SECTOR

During 2012-13 the Commission commenced development of a range of educational resources on the basis of intelligence gathered through training participant feedback, training surveys and the mapping survey. The information gained through these sources provided guidance for the Commission on the future direction of product development for the public sector (including entities, such as state and local government, government businesses, council-owned companies, statutory authorities, State-owned companies and the University of Tasmania).

.....

It was clear that agencies needed to have training resources that could be delivered in-house. Accordingly, the Commission undertook development of educational modules and related training resources for use by agencies. The products have been combined into the *Ethics and Integrity Training Program*, designed to assist principal officers (as defined in the *Integrity Commission Act 2009*) meet their statutory obligation to provide such training under s 32. The program was launched in July 2013.

The training program has 14 modules planned for development and release in the order of highest demand by agencies. The program has been designed with the expectation that principal officers or their delegates will deliver modules 1 and 2, then assess the level of risk of misconduct within their agency and deliver any one or more of modules 3 to 14 onwards, if needed.

The modules to be available from the Commission within the program will include:

1. the role of the Commission and making the best ethical decisions;
2. transparency and accountability;
3. conflict of interest, gifts and benefits;
4. misconduct risk management: a manager's guide;
5. compliance with multiple codes or conflicting priorities;
6. investigation basics: meeting high level requirements and mapping essential steps;
7. improving ethical climates: a guide for leaders and managers;
8. use of work resources;
9. respect for customers, contractors and partners;
10. use of work information: confidentiality and security;
11. internet and social media use;
12. procurement and stock control;
13. ethics in outsourced service delivery; and
14. board and elected member interactions.

Through this program the Commission is meeting one of its key objectives – to improve the standard of conduct, propriety and ethics in the public sector.

PARLIAMENTARY DISCLOSURE OF INTERESTS REGISTER

Under s 30 of the Act, the CEO of the Commission is required to monitor the operation of the registers of interests held in respect of members of each house of Parliament.

The Act provides no greater specificity for the CEO's role other than to 'monitor' and our practice is to inspect each member's annual return and note if the information disclosed complies with the applicable requirements of the *Parliamentary (Disclosure of Interests) Act 1996* (the Disclosure Act). The inspection does not seek to verify the accuracy of the information provided nor that it constitutes a full disclosure.

Our 2011 and 2012 inspections noted a number of errors in the completion of the forms. Some errors were substantive (failure to provide a postal address for real property as prescribed by the Disclosure Act; failure to specify the nature of an interest in real property). Other errors were more procedural (leaving fields blank, instead of writing 'nil').

After the 2011 inspection, the then Acting CEO of the Integrity Commission wrote to the Clerks and Presiding Officers of both Houses of Parliament drawing the errors to their attention and suggesting that some form of additional guidance be provided through the Clerks' offices to assist members to accurately complete the forms. The Presiding Officers did not believe that it was appropriate for the Clerks to provide any additional guidance to members, although the Clerk of the House of Assembly did undertake to circulate a memorandum to MHA's informing them of the errors noted by the Commission. However, the 2012 inspection disclosed further errors in the forms.

The Commission engaged consultants to deliver training to members of Parliament on integrity and ethical obligations of office (on 16 and 17 April 2012) and they addressed these issues to the members that attended.

It appeared that many of the errors observed might have been avoided if clearer or further guidance was provided to members within each field of the form.

.....

The CEO wrote to the Premier to suggest that amendment of the form seemed to be the only available avenue to improve compliance by members. The CEO offered to assist officers of the Premier's Department in any re-drafting of the form. The Premier responded positively to this suggestion and in May the CEO and the Manager of Misconduct Prevention and Research met with an officer of the Department to discuss possible changes to the form.

ETHICAL REFERENCE GROUPS

The Commission has continued to facilitate and build on the work of the Ethical Reference Groups (ERGs) established in early 2012, to directly engage with public authorities on ethical issues. Groups in three sectors – lead agencies within the state public sector, local councils and GBE/ SOCs – have been maintained.

The purpose of the ERGs is to enhance understanding of integrity and ethical practice in the public sector and share best practice among group members. This is achieved through members meeting regularly to discuss ethical issues of concern and possible means to address these.

The groups have been effective in enabling the Commission to engage with key stakeholders, build relationships of trust and explore avenues to deliver products in the most effective and efficient ways as well as testing before product development and release.

The ERGs have enabled the Commission and for the group members to see the degree of similarity in risk subject areas. Consequently, that information has allowed tailored prevention products to be developed, which focus on specific, defined areas of greatest need. Meetings were held during 2012-13 as follows:

- Lead Agency – 22 August 2012 and 13 November 2012;
- Northern Agencies – 26 July 2012 and 8 November 2012;
- Local Government – 21 August 2012 and 14 November 2012;
- Government Business Enterprises – 23 August 2012 and 23 November 2012.

CASE STUDY

MISCONDUCT PREVENTION

.....

During 2012, the Commission designed, delivered and critically assessed training for 422 senior managers in the:

- Southern Area Health Services Group (Royal Hobart Hospital) – 243 participants;
- Northern Area Health Services Group (Launceston General Hospital) – 110 participants; and
- North West Area Health Services Group (Ulverstone, Burnie and Latrobe) – 69 participants.

The program was directed at senior managers so that that they would, in turn, train their team members, by providing them the written materials, explaining the issues, showing them the power point slides and instituting a continuing dialogue about ethical standards, at team meetings or other appropriate venues.

The program contained certain core elements, but varied in content for different work areas due to the diversity of work within a hospital. It was impossible to cater for risks generally as the broad ethical requirements had to be 'operationalised' in order to manage risk effectively. This required a considerable level of research, consultation and analysis of risks and requirements in the following diverse areas:

- professional services to vulnerable patients;
- procurement of complex IT or medical equipment;
- procurement of food and services to deliver up to 20,000 meals per week;
- logistical contracts to manage hotel services;
- finance and human resources;
- community care of terminally ill patients;
- management of outsourced service providers;
- research and training; and
- executive management.

At the end of 2012, the Commission had recorded a number of issues raised by members. This is valuable data on trends and emerging risks. Examples of the most significant issues for participating members included:

- code of conduct issues;
- treatment and release of confidential information;
- budget cuts resulting in compliance and back-office 'checking' staff being overworked, which increased misconduct risk;
- perceived failure of agencies to obtain appropriate legal advice giving rise to a risk that government interests were not properly/adequately protected;
- inconsistent asset management, especially for exiting staff;
- administrative controls, or lack thereof, on cash payment systems;
- increased personal computer and social media use at work;
- internal management of investigations about misconduct by agencies;
- monitoring staff – for example travel, telephone, CCTV etc.; and
- conflict of interest, particularly with respect to tenders.

The Commission plans to improve processes for ERGs over the next reporting period and develop additional forums or focus groups appropriate to specific misconduct risk areas within each sector, as required.

PRESENTATIONS TO GROUPS AND CONFERENCES

During the year, the CEO met with the principal officers of State Service agencies and other public authorities, to discuss the work of the Commission and how it can assist the public sector to deal with and prevent misconduct.

The Commission participated in the Local Government Association of Tasmania (LGAT) Annual Conference in July 2012. Commission staff provided information and written resources and the Manager for the Misconduct Prevention Unit gave a presentation titled *Engaging with Integrity: Social Media, Risks and Opportunities* in conjunction with senior partner Mr David Morris from law firm Simmons Wolfhagen.

PUBLIC OFFICER TRAINING

In 2012-13 the Commission's misconduct prevention activities focused on general training, delivered through The Training Consortium to mixed groups from across the public sector, with a focus on state public servants. Tailored training is also delivered to specific agencies to address their identified ethical risk areas. The following table summarises the direct educational activities undertaken by the Commission for each area within the public sector in 2012-13 with participant numbers.

Following all training delivered by the Commission, participants are requested to complete feedback sheets. Feedback topics have varied over time, but since January 2013 the Commission has consistently focussed on several key areas:

PUBLIC OFFICER TRAINING 2012/13

2012-13	Elected Members	State Sector staff	Other	TOTAL
General Program	–	104	–	104
Tailored training	35	503	–	538
Conferences and Forums	–	–	81	81
TOTAL Participants	35	607	81	723
TOTAL Activities	3	47	1	51

- whether the public officer has gained a good understanding of integrity and ethical behaviour as a result of the training; and
- what previous public sector training on integrity or ethics they have personally attended before the session.

Understanding of integrity and ethical behaviour post training

Just over 90% of training participants returned feedback sheets.

- In response to the question asking whether respondents gained a good understanding of integrity and ethical behaviour from Commission training, 531 of 558 indicated yes, (definitely or moderately).
- This represents over 95% of survey respondents.

Previous training on integrity or ethics in the public sector

From January 2013 participants were asked in feedback forms whether they had received previous training on integrity or ethics in the public sector.

- Of 136 responses received to this question, 83 stated they had not received any previous training on integrity or ethics in the public sector.
- This represents 61% of survey respondents.

On 1 November 2012 we sent an evaluation survey to 188 people who were trained before that, and included the question about previous training.

- 69% of those who responded said they had never had previous training.

PARTNERSHIPS IN TRAINING

During 2012-13 the Commission took part in a number of joint/consultative events and meetings including:

- Local Government Managers Association (Tasmanian division) (LGMA) meeting of Human Resource Managers;

- Police Recruit Training development;
- Police Professional Standards Advisory Group;
- Institute of Chartered Accountants Australia and the Accounting and Finance Association of Australia and New Zealand Thought Leadership Forum;
- Academic Panel Event (Ethics in Accounting) for Institute of Chartered Accountants;
- Police (State sector employees) Training development;
- Investigation Toolbox working party (Public Sector Management Office).

GOOD PRACTICE, IN PRACTICE

As part of the Commission's agency mapping project, there were a number of activities, resources and programs identified within a small proportion of agencies surveyed (mostly government businesses) which serve as good practice examples of ethics and integrity.

1. Education

- Use of online training tools
- Agencies establishing a compliance officer position conducting monthly compliance training
- Toolbox talks on the code of conduct/ethical issues
- Regular internal emails and newsletters about ethical issues
- Refresher training on ethics and the code of conduct
- Regular discussions on the code of conduct with staff.

2. Managing misconduct

- The code of conduct forms part of the contract of engagement and induction for contractors.

3. Client Services

- Service agreements made with customers containing dispute resolution procedures.
- Undertaking a customer service survey.

4. Risk assessment

- Discussion regarding the service charter is included in the performance review process.
- A register of issues and opportunities identifies opportunities for improvement and assesses risk.

The Commission has drawn on these good practice examples when developing products and training for the public sector.

LIAISON AND CONSULTATION WITH STAKEHOLDERS

The Commission liaises with a range of stakeholders to seek feedback on products and identify and address misconduct risk areas. These include:

- Local Government Association of Tasmania – training for local councils and contributions at conferences;
- Local Government Managers Australia – interaction with council HR managers;
- Department of Police and Emergency Management – development and implementation of State service and police recruit training;
- Police Professional Standards Advisory Group – this group was formed by Tasmania Police as a vehicle for the exchange of information between members and to inform strategic policy relating to ethical and professional conduct within Tasmania Police. Current members include the Deputy Commissioner of Police, a representative from the University of Tasmania (School of Philosophy), a representative from the Integrity Commission, the Commander, Human Resources and the Commander Professional Standards, with other persons invited to attend meetings and contribute on a needs basis. The Commission has attended the group to advise about best practice, training and capacity building;
- State Service Management Office – for development of an investigation toolkit and input into the State service agency surveys;
- the Training Consortium – feedback and consultation on the Ethics and Integrity Training Program;

- the Department of Education– pilot run of Module 1 of the Ethics and Integrity Training Program;
- THO South, THO North and THO North West – tailored training to senior hospital staff;
- Department of Treasury and Finance – development of training resources in relation to procurement; and
- Department of Infrastructure, Energy and Resources – delivery of tailored training and identification of key risk areas.

A strategic approach is used for misconduct prevention in stakeholder engagement activities. This includes intelligence-gathering, tailored training and misconduct prevention products designed to best suit public officers in various sectors. This strategic approach also assists capacity-building within public authorities.

MISCONDUCT PREVENTION RESOURCES

A bank of resources is being developed by the Commission to assist the public sector understand issues and individual and organisational obligations about integrity and ethics. These include:

- the Ethics and Integrity Training Program, including a Facilitator's Overview, Facilitator's Guidelines, a Factsheet and Resource Book, presentation materials and feedback sheets;
- case studies and scenarios to complement the training modules;
- various guides including a Gift Guide, sample forms, decision-making models, Ethical Decision Making guides, ethical self-assessment guides and case-conferencing guides; and
- a series of articles and information resources on misconduct risks, available on the Commission website.

Articles are published in external professional journals of key stakeholders, such as the Local Government Association of Tasmania. Articles published in LGAT news in 2012/13 include *Dealing with misconduct: What the Integrity Commission expects*, by Diane Merryfull, Chief Executive Officer (March 2013 edition).

.....

The Glenorchy City Council and the Department of Justice newsletter JustNews, each published articles in relation to proper use of work resources.

As the articles are often topical and reach a wide audience, the Commission intends to pursue ongoing publication of relevant articles, as and when opportunities arise. The following have been provided to agencies in the reporting period:

Conflict of Interest: Eliminate, avoid or manage?

Custodian, not owner

Releasing official documents and information

Don't lie, don't cheat, don't steal

Let's talk about it: "reasonable personal use"

Off to a good start!

Simple, isn't it?

Raising the standard of ethical behaviour in the public sector

THE YEAR AHEAD - BUILDING CAPACITY

The focus for 2013-14 with respect to misconduct prevention is on capacity building within agencies to train and educate their staff. While there is always a role for direct training by the Commission (particularly in a 'train the trainer' context) agencies need to develop their own capabilities and be responsible for building their own culture of integrity.

The role of the Commission in this is to assist agencies. We will do this by:

- continuing to develop a range of ethical and integrity training products that can be easily adapted and used by the agencies themselves, through the *Ethics and Integrity Training Program*;
- monitoring how well agencies are meeting the obligations under s 32 of the Act;
- maintaining its strong networks with senior agency staff via the Ethical Reference Groups and other liaison groups;
- providing advice, support and guidance to agencies and individuals on how to meet their ethical obligations.

The Commission will also continue to collect and analyse intelligence to inform its product development. With the State election due sometime during the next reporting period, the Commission will again deliver its Member of Parliament training program and explore with stakeholders the feasibility of training for Ministerial Advisors.

The local government elections are due in 2014 and will provide a further opportunity for the Commission to deliver training on ethics and integrity to re-elected and newly-elected local government members.

PROGRESS TO DATE

GOAL TWO

ENHANCED PUBLIC CONFIDENCE
THAT MISCONDUCT WILL BE
APPROPRIATELY INVESTIGATED
AND DEALT WITH

GOAL 2

ENHANCED PUBLIC CONFIDENCE THAT MISCONDUCT WILL BE APPROPRIATELY INVESTIGATED AND DEALT WITH

.....

REPORTING MISCONDUCT

It is a function of the Commission to 'receive and assess complaints or information involving allegations of misconduct'.

The Commission receives complaints in the mail as well as on-line through its website. The complaint form can be downloaded from our website or completed online. In 2012-13 over 57% of complaints received by the Commission were received electronically.

Complaints may be made anonymously. All complaints received by the Commission are registered in its electronic case management system.

It is only on the receipt of a written complaint that the Commission is able to use its powers or investigate allegations. This requirement impacts on the capacity of the Commission to respond to allegations brought to its attention other than by way of a complaint.

In addition to receiving complaints, the Commission is notified of possible or suspected misconduct by some public authorities, and receives information and reports about misconduct from varied sources, including the public. So far as these notifications or reports of information are concerned, the Commission is not able to use its powers to deal with the information, no matter how strong the suspicion that misconduct has occurred or is likely to occur. To take any action, the information must be put into a formal complaint, or the Board must determine to commence an 'own motion investigation' in accordance with the legislation.

Fundamentally there are three stages to a complaint, where it is retained to be dealt with by the Commission:

- a triage process – where the complaint is initially considered;
- an assessment process – where preliminary inquiries are made;
- an investigation – following which a report is submitted to the Board.

The Act is prescriptive in the way the Commission is to deal with allegations of misconduct. The Commission is able to:

- receive and assess complaints or information relating to misconduct;
- refer complaints or potential breaches of the law to other agencies and authorities;
- investigate any complaint by itself or in cooperation with other agencies and authorities;
- monitor or audit how public authority has dealt with a misconduct matter.

Every complaint of misconduct received by the Commission is submitted to the triage process. However, it is not the Commission's function to resolve complaints, and it has been the Commission's experience that most complaints are likely to be referred to other agencies to be dealt with, or dismissed. Only a small number of complaints will result in an investigation by the Commission itself.

This is not surprising and is in keeping with the experience of similar bodies operating in other jurisdictions. It is consistent with Parliament's intent that primary responsibility for the management of misconduct in a public authority should vest with that authority, and that the Commission should focus its limited investigative resources upon the most serious or sensitive of matters, or where a complaint involves a designated public officer. The Commission does have specific functions where the allegations of misconduct are about designated public officers and with respect to police misconduct. Where a complaint involves a designated public officer, the Commission will deal with it itself and will only refer after a determination of the Board following investigation.

Where complaints involve Tasmania police, the Commission may provide advice to the Commissioner of Police about the conduct of an investigation by police into police misconduct and can audit particular complaints or classes of complaints.

As a general proposition, the Commission will not duplicate or interfere with work that the Commission considers has been or is being undertaken appropriately by a public authority.

OWN MOTION INVESTIGATIONS AND RESULTS

The Board of the Integrity Commission may, of its own motion, determine that the Commission should conduct an investigation¹. This power is exercised sparingly. During the reporting period the Board commenced 2 own motion investigations.

COMPLAINTS AND STATISTICS

Over the course of the reporting period 2012-13, the Commission received 357 separate allegations of misconduct, or serious misconduct involving 66 complaints.

Consistent with previous years, the majority of complaints received were not accepted or were dismissed by the Commission following the initial triage. This occurs for a variety of reasons including whether the complaint relates to the functions of the Commission, whether the complaint lacks substance or credibility, or whether it is in the public interest to investigate.

Outcomes	2012/13	%
Not accepted/ dismissed after Triage	41	62.1
Referred s 35(1)(c)	16	24.2
Referred s 38(1)	1	1.5
Dismissed s 38	2	3.0
Currently under consideration, assessment or investigation ²	6	9.0
Total	66	100

1. Board has power under sections 45 and 89 to determine to conduct an investigation of its own motion.
2. As at 30 June 2013

CASE STUDY

AN OWN MOTION INVESTIGATION

The investigation concerned a local government council, and involved allegations that had previously been the subject of a complaint to the Commission. The original complaint had been referred by the Commission to the Mayor of the relevant council to be dealt with.³

The Mayor reported to the Commission that he was satisfied no act of misconduct had been committed. When informed of the outcome of the Mayor's inquiries, the complainant asserted that the Commission had been misled – claiming that a key witness had not been interviewed by the Mayor, and suggesting that the Mayor had misrepresented the complaint.

The original complaint was reconsidered by the Commission. As the original complaint had been referred to the council, the Board was required to determine to commence an own motion investigation to enable the Commission to use its powers.⁴

Council officers and other persons who had been party to relevant meetings and discussions were interviewed by the investigator. Two of those interviews were conducted under s 47 Notices⁵. Additionally, two s 47 Notices requiring production of documents were served – one to gain access to the Ombudsman's records, and the other to secure access to documents held by the council.

The Commission's investigation established that a document to which the complainant had sought access by means of the provisions of the *Right to Information Act 2009* had been altered by a Council officer, and that the alterations had occurred at some point in time before the document was provided to the Ombudsman. On the available evidence, it was open to find that while the document produced to the Ombudsman was misleading, no public officer had committed any act of misconduct with respect to the making of alterations to that document.

The Board referred the investigation report to the Ombudsman for such action as he considered appropriate, and to the Mayor of the council, with a recommendation that the council ensure staff receive adequate training about RTI obligations.

3. The CEO may refer a complaint to an appropriate person for action: s 35 (1) (c). In this case, the Commission considered the Mayor of the Council was an appropriate person.
4. Section 45 of the *Integrity Commission Act 2009* empowers the Board of the Integrity Commission to determine to conduct an investigation on its own motion in respect of any matter that is relevant to the achievement of the objectives of the Act in relation to misconduct.
5. An investigator (or assessor) may, by written notice to a person, require or direct that person to provide information (s 47 (1) (a)), to attend and give evidence (s 47 (1) (b)), or to produce information or material (s 47 (1) (c)).

CASE STUDY

AN AUDIT LEADS TO FURTHER INVESTIGATION

OVERSIGHT OF AGENCY INTERNAL INVESTIGATIONS

Approximately 24% of the complaints received were referred to a public agency to deal with. The Commission is able to audit the way agencies deal with a complaint once it is referred to the agency. It will seek to conduct an audit when and if a particular matter is thought to warrant further consideration. The nature of the 'audit' will depend upon the matter, and can take the form of an examination, inspection, review or investigation.

ANONYMOUS COMPLAINTS

A small but consistent proportion of complaints received by the Commission are anonymous. Generally the anonymous complainant is concerned about reprisals. Anonymous complaints are often from someone within an agency. In the reporting period 1% of the complaints received by the Commission were from anonymous complainants.

The majority of complaints received are from the south of Tasmania. The numbers of complaints received has been consistently increasing since January 2013.

REPORT TO THE CORONER

In March 2012, the Coroner invited the Commission to make submissions concerning an investigation to assist the Coroner discharge his duties under the *Coroners Act 1995*, following a fatal police shooting at Westbury. The Commission had been assisted in the conduct of its original review of the early investigation by officers from Victoria's then Office of Police Integrity.

In October 2012, the Commission reported to the Counsel Assisting the Coroner and provided observations about the adequacy of the investigation process. However, the Commission's ability to comment was limited because it did not have full access to the investigation report, including transcripts of interviews conducted with the various interested parties and witnesses.

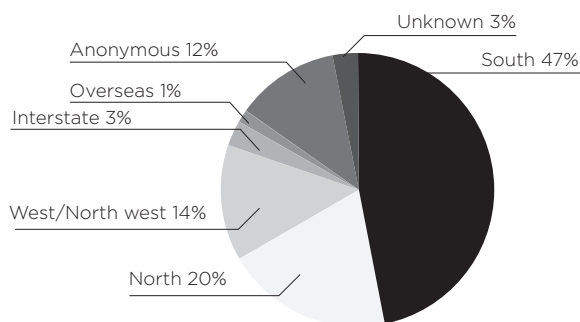
The Coroner has now completed an inquest into the circumstances of the shooting.

In late 2012 the Commission received an anonymous complaint alleging misconduct relating to recruitment practices. The complaint was referred back to the agency for investigation. The anonymous complainant did not name the officer involved in the alleged misconduct. On referral the relevant agency undertook an internal audit of the recruitment of various staff.

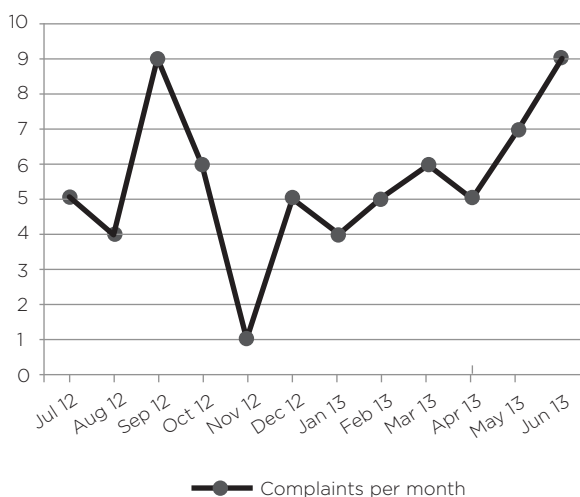
Pursuant to s 35(6)(c) the Commission conducted an audit of the action taken by the agency. In undertaking that audit, the Commission was assisted by an officer made available by the (then) State Service Commissioner and authorised under the Act. At the completion of the audit, the Commission recommended the agency widen the scope of the internal audit; that further investigations needed to be undertaken; and noted that the internal audit had identified serious systemic issues in recruitment practices. The Commission recommended the agency make a complaint to the Commission to enable it to invoke its jurisdiction. This is because the legislation has the effect of exhausting the Commission's jurisdiction with respect to the original complaint, once it has been referred to the agency.

While the agency sought legal advice on its options, the Board considered the audit and determined to conduct an own motion investigation in accordance with s 45(1) of the Act. The own motion investigation is not yet finalised.

COMPLAINTS BY REGION



COMPLAINTS BY MONTH



LIAISON AND CONSULTATION WITH STAKEHOLDERS

The Commission endeavours, wherever appropriate, to engage with public sector agencies when conducting assessments or investigations of complaints.

The Commission assists public authorities in their handling of misconduct on request. The Commission's experience to date is that public authorities frequently seek guidance as to what they should do about the complaint that is referred, and what information should be remitted back to the Commission for a review or audit of their file. The Commission provides guidance on these issues, and intends to develop its work in this area in the future.⁶

Consistent with previous reporting, approximately one third of the complaints received by the Commission are about Tasmania Police. This period has seen a significant increase in complaints about the Department of Health and Human Services, with complaints about local government the next biggest category.

Helping public authorities prevent misconduct

6. See for example, the article 'Dealing with misconduct: What the Integrity Commission expects', LGAT News, March 2013, p 40 - http://www.integrity.tas.gov.au/__data/assets/pdf_file/0018/250083/IC_Merryfull_LGAT_article.pdf

CASE STUDY

ASSESSMENT OF A COMPLAINT ABOUT CERTAIN COUNCIL OFFICERS

Subject of Complaints	2012/13	%
Police and Emergency Management	24	36.4
Justice	6	9.1
Infrastructure, Energy and Resources	1	1.5
Health and Human Services	15	22.7
Education	1	1.5
Treasury and Finance	2	3.0
Premier and Cabinet	1	1.5
Primary Industries, Parks, Water and Environment	1	1.5
Local Government	8	12.1
Government Business Enterprise	1	1.5
State-owned company	1	1.5
University of Tasmania	1	1.5
Parliament	1	1.5
Other	3	4.5
Total	66	100

In May 2013, the Integrity Commission completed an assessment of an anonymous complaint received in April 2011. The assessment was lengthy and complex – the complaint alleging that planning officers of a council had made use of confidential information or knowledge gained by virtue of their office to purchase land that was about to increase in value due to re-zoning, and that the Council's planning processes had been manipulated for the personal gain of those officers.

The complaint concerned a 20 hectare parcel of rural-zoned land on the outskirts of a Tasmanian city. The planning officer employed by the Council acquired an indirect interest in the land in 2002, when the land was purchased. The council officer had immediately disclosed the indirect interest to the Council.

Since 2002, portions of the land have been re-zoned, and sub-divided and substantial sub-division and residential development has occurred. The present value of the land in question is now considerably greater than when the council officer first acquired an interest, and has delivered an (indirect) capital windfall to the officer.

Although the Commission's assessment determined that the available evidence did not support the allegations as they had been identified in the anonymous complaint, it nonetheless identified certain anomalies in the manner in which some planning processes had been undertaken.

In particular, evidence suggested while the Council had implemented steps to outsource the assessment of development applications for the land in which the council officer had an interest, that officer nonetheless appeared to have had some involvement in the assessment process.

The Council has been advised of the outcome of the Commission's assessment, and has itself completed some further internal inquiries into the matter. Council sent a letter to the subject officer suggesting that any future similar action by the officer should only be undertaken outside normal office hours.

USE OF INVESTIGATIVE POWERS

Section 47 of the Act gives an investigator, and an assessor, the ability to compel a person to provide information, or produce documents, or to give evidence. The powers under s 47 can be used during an assessment or an investigation of a complaint, irrespective of whether the complaint is about misconduct or serious misconduct. The s 47 powers can also be used if the Board of the Commission commences an own motion investigation.

The Commission can and does use its powers under s 47 to gather information from witnesses and subject officers, and to compel production of documents. Persons who are served with a s 47 Notice are entitled to be represented by a legal practitioner or other advocate. Anyone who is served with a s 47 notice can make a claim for privilege.

In addition to s 47, the Act also permits an assessor/ investigator to enter into the premises of public authorities, without the need for a warrant. Other premises, or where consent is not forthcoming, can be entered with a warrant under s 51. Section 51 is governed by the requirements of the *Search Warrants Act 1997*.

If there is a complaint which has allegations of serious misconduct, then the Commission may also apply for a warrant under the *Police Powers (Surveillance Devices) Act 2006*.

Without referring to any specific matter, examples of how the Commission has used its powers include:

- compelling the production of records – including records held by private institutions (such as financial information);
- compelling the production of electronic information held by public authorities (emails; computer drives etc);
- entering public premises and searching them; and seizing material from public officers;
- obtaining warrants to use surveillance devices such as a vehicle tracking device;
- compelling persons to come and give evidence (not limited to public employees).

The Commission does receive notifications about misconduct from public authorities, and information from other sources, but its powers can only be used once it has a complaint or the Board has determined to commence an own motion investigation. The Commission maintains certain Registers with respect to its powers.

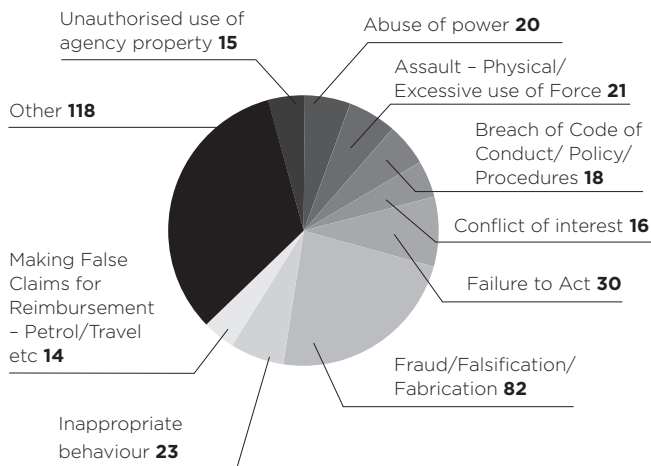
REGISTERS OF POWERS EXERCISED

Register	2012/13
Section 21 Authorisations	4
Section 47 Notices (attend and give evidence or produce documents)	46
Section 50 Power to enter premises	3
Section 51 Search Warrants	0
Section 53 Surveillance Device Warrants	1

MISCONDUCT TYPES

Primarily allegations of misconduct relate to breaches of a code of conduct or other policy or procedure. In the last period, there was a significant increase in allegations concerning fraudulent behaviour. Conflict of interest, although not significantly represented in the allegations received, remains a significant concern as reflected in the information received through the Commission's Misconduct Prevention Education and Research unit.

NUMBER OF ALLEGATIONS IN EACH CATEGORY 2012/13



Allegation Categories	2012/13
Abuse of Power	20
Assault – physical/excessive use of force	21
Assault – sexual/indecent	3
Breach of Code of Conduct/policy procedures	18
Breach of confidentiality/misuse of information/improper disclosure	8
Bullying/harassment/intimidation	12
Conflict of interest	16
Contracts and tendering	4
Corrupt conduct	11
Death in custody	1
Drug related act	4
Failure to Act	30
Failure to declare gifts	1
Failure to declare interest in matter	2
Firearms – misuse of	1
Fraud/falsification/fabrication	82
Improper association	1
Inappropriate behaviour	23
Indecent dealing with a minor	1
Making false claims for reimbursement	14
Making misleading/false statements	6
Medical malpractice	1
Misappropriation of funds	1
Misuse of computer/email/internet	7
Neglect of duty	9
No allegation identified	11
Other	11
Other property related offence	2
Secondary employment – unauthorised	1
Serious crime conduct	7
Sexual harassment	2
Stealing/theft	6
Unauthorised use of agency property	15
Using position for wrong/personal gain	3
Various	2

INTERACTION WITH OR EFFECT OF CODE OF CONDUCT INVESTIGATIONS

One of the functions of the Commission under its Act is, when conducting or monitoring investigations into misconduct, to gather evidence for or ensure evidence is gathered for the prosecution of persons for offences, proceedings to investigate a breach of a code of conduct or proceedings under any other Act.

'Employment Direction No. 5 – Procedures for the Investigation and Determination of whether an employee has breached the Code of Conduct' (ED 5) sets out the procedures that must be followed by an agency head to deal with possible breaches of the code of conduct under the *State Service Act 2000*. This is a principal area for investigations by the Commission.

However, ED 5 does not presently refer to the Integrity Commission or to any action which it may be undertaking, nor the use to which any evidence it gathers can be put in such proceedings. During the reporting year, the Commission discussed this issue at some length with the State Sector Management Office and the Solicitor General to seek to ensure that investigations which the Commission may be undertaking would not be compromised by any ED 5 action by an agency and to also allow any evidence gathered by the Commission to be available for consideration in any ED 5 proceedings.

NOTIFICATIONS

The Commission received 52 notifications (instances of public authorities notifying the Commission about complaints of misconduct) during the year. That figure includes notifications from Tasmania Police. Notifications are not complaints as defined. 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.

Notifications are particularly important in assisting the Commission identify specific misconduct trends. However, unlike other integrity jurisdictions around Australia, public authorities in Tasmania are not required by legislation to report misconduct or serious misconduct to the Commission.

REPORT OF THE INTEGRITY COMMISSION NO 1 OF 2013

On June 25 the Commission tabled a report in Parliament on three matters –one assessment and two investigations – it had finalised in 2012/13.

These three cases provide useful examples of the ways in which misconduct matters come to the Commission, how such cases are dealt with, and how the Commission can assist public sector agencies to deal with misconduct that has occurred and improve practices and systems to reduce the risk of misconduct occurring again.

Each of the matters described in the Report involved officers employed in areas of the Department of Justice. That does not mean that the Department is more or less prone to misconduct than other departments. Partly it reflects the Department's willingness to engage with the Commission to help it deal with misconduct more effectively; two of the matters described were initiated by the Department making a complaint to the Commission.

The first matter arose from an internal investigation by the Department, into allegations that a departmental officer had acted inappropriately towards a client. The officer denied the allegations and their partner made a statutory declaration which provided an alibi for the time of the alleged conduct.

The Department lodged a complaint with the Commission, which assessed it and used its powers to compel the production of records from financial institutions. Those records showed that the officer had not been truthful about the incident and that the statutory declaration of alibi was false.

When confronted by the evidence the officer admitted lying and their employment was terminated by the Department.

The second matter was an investigation of the Risdon Prison Complex store and canteen which revealed numerous breaches of policies relating to procurement, stock control, interaction with inmates, use of computers and failure to declare gifts and benefits.

.....

The investigation did not find evidence clearly indicating that criminal offences had been committed, but the conduct that had been allowed to occur had left these areas of the prison significantly exposed to the risk of criminal conduct.

The Board of the Integrity Commission made a number of recommendations to the Secretary of the Department, which were all accepted.

The third investigation was of allegations that a manager in a small sub-agency of the Department had falsified claims for travel and allowances over a period of many years.

The Commission was able to gather evidence contradicting 50 separate claims lodged between 2001 and 2012, involving a total sum in excess of \$10,000. An additional 26 claims, involving over \$4,600, also appeared suspect.

The manager resigned on becoming aware of the Commission investigation in late 2012. The Commission's investigation report has been referred to Tasmania Police. The Board of the Integrity Commission made a number of recommendations to the Secretary of the Department, which were all accepted.

The Report of the Integrity Commission No 1 of 2013 is available at www.integrity.tas.gov.au

TASMANIA POLICE

Audit of Tasmania Police complaints finalised in 2012

During the year, the Commission conducted the first audit of how Tasmania Police managed its complaints. The audit examined all complaints finalised in 2012. The audit was conducted with the full agreement and co-operation of Tasmania Police and the results will be made publicly available in the next reporting year.

Joint review of the Graduated Police Management Model For Complaints Against Police

Another example of the constructive relationship which Tasmania Police and the Commission have developed is a joint review of the Graduated Management Model For Complaints Against Police – Tasmania Police's internal complaints handling system. The Commission is supplying a research officer to support the review, which is being managed at the Inspector of Police level for Tasmania Police and by the CEO for the Commission. The review is due to report to the Deputy Commissioner of Police in the latter part of the 2013.

Misconduct matters

Complaints about police continue to remain high compared to other public agencies. This is understandable given the role of and functions of the police. Access by the commission to data held by the police also remains an issue which can only be corrected by legislative amendment. Currently the Commission has in place procedures that enable it to access police data at police headquarters on a case by case basis. The Board has raised the issue of legislative amendment with the Joint Standing Committee and the Minister for Justice in its Report under s 13(c) of the Act.

CASE STUDY

A REFERRAL TO TASMANIA POLICE

.....

The Commission received a complaint alleging serious misconduct by a police officer. The complainant was in fear of reprisals and concerned for the safety of family members. Given the serious nature of the allegations, the Commission determined the details of the complainant should be withheld.

The complaint was assessed by the Commission even though the information provided by the complainant was historical in nature. Assessment involved production of documentation and other information under s 47 Notices. On the basis of the information obtained under notice, the Commission was unable to rule out the allegations. The next consideration was whether the allegations should be further investigated, and by what means.

In practical terms, the Commission is unable to request and receive, and then analyse, telecommunications data.

The assessor was of the belief that access to, and the analysis of, such data was necessary in order to conduct a productive investigation of the matter. Accordingly, the assessor considered that the appropriate course was to refer the complaint to the Commissioner of Police in accordance with section 38(1)(e) of the Act.

Following referral the Deputy Commissioner of Police sought details of the complainant to enable the police to progress the referral. The Commission refused that request and remains of the view that the identity of the informant was not necessary to advance the investigation.

The Commission considers the referral was only necessary because it was unable itself to obtain information to determine the validity of the complaint.

PROGRESS TO DATE

GOAL THREE

A BEST PRACTICE AGENCY THAT IS
VALUED BY THE COMMUNITY

GOAL 3

A BEST PRACTICE AGENCY THAT IS VALUED BY THE COMMUNITY

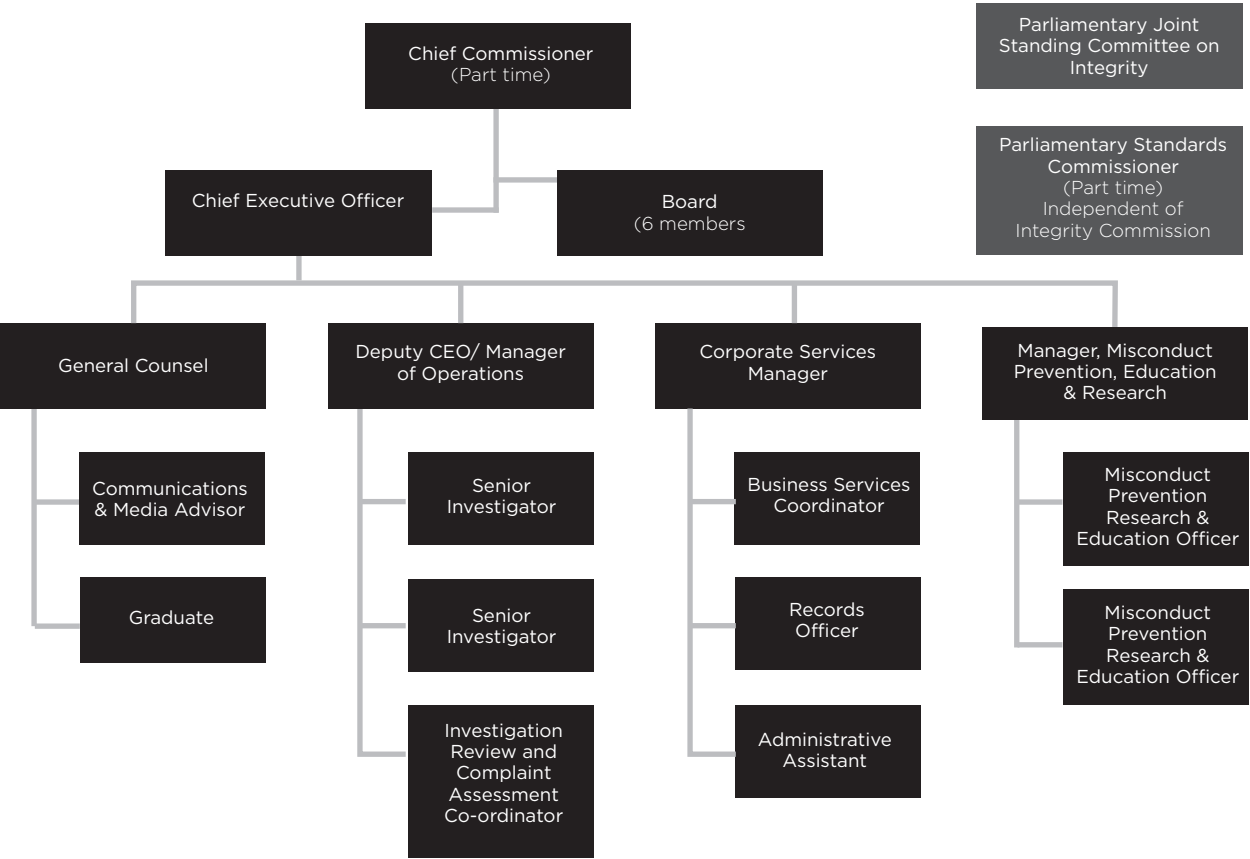
COMMENCEMENT OF CEO

The Commission's CEO, Diane Merryfull, commenced on August 20, 2012 having been appointed for a five year term. The CEO is a Head of Agency for the purposes of the *State Service Act 2000* and is responsible for the operational and business performance of the Commission. The CEO reports directly to the Board.

OUR ORGANISATION

Given the limited resources available to the Commission, some restructure was undertaken in 2012-13. A part-time employee has filled the communications and media advisory role, contract positions were used for specific projects, and the executive assistant (to the CEO and the Chief Commissioner) role was merged with reception role into one administrative assistant role. Consequently during the reporting period FTE's reduced from 15.2 as at 30 June 2012 to 14.8 as at 30 June 2013.

ORGANISATIONAL CHART AS AT 30 JUNE 2013



MONITORING OUR ORGANISATIONAL PERFORMANCE

All Commission staff members are State Service employees and are obliged under the *State Service Act 2000* to comply with the State Service Code of Conduct. In addition, all members of the Commission, including Board members, undertake to comply with a voluntary code of conduct, over and above the State Service Code of Conduct.

In monitoring individual staff performance, the Commission has adopted the performance management system developed and used by the Department of Justice. The Commission participated in a State-Service wide workforce survey, which included questions about employee understanding of, and confidence in the performance management system.

One hundred per cent of staff took part in the survey. Responses included that:

- 93% of respondents understood how their work related to the Commission's goals and objectives;
- 80% of respondents felt that performance management within the Commission reinforces employees' expected behaviours in relation to State Service Principles;
- 87% of respondents understood how the Commission's performance management system works;
- 73% of respondents felt that managers clearly communicate the goals and priorities of the Commission;
- only 20% of respondents felt that there are good systems in place to recognise employees and their achievements;
- 67% of respondents felt that conversations with their managers provided constructive suggestions to improve job performance.

All staff have twice yearly performance management appraisals and have input into their own goals and objectives in line with their team's business and the Commission's strategic plans.

LEARNING AND DEVELOPMENT

The Commission is committed to developing good leaders and employees who are resilient and accountable. Development and training undertaken by the Commission in this reporting period include:

- Commission staff have all undertaken in-house project management training;
- one manager concluded 12 month participation in the Tasmanian Leaders Program, 2012;
- all staff had in-house training from the Office of the Anti-Discrimination Commissioner on 'Discrimination, Harassment and Bullying Awareness';
- the majority of staff had refresher training on Excel and Word.

All staff has attended at least one training and development activity during the relevant period.

DEVELOPMENT OF OUR INVESTIGATION EXPERTISE

The Commission is fortunate to have investigators who have considerable experience in the conduct of misconduct investigations. The investigators maintain liaison with counterparts in integrity bodies in other jurisdictions, and at least one member of the operations team attends the bi-annual Australian Public Sector Anti-Corruption Conference. The next conference is due to be held in November 2013.

Two of the Commission's officers – a senior investigator and the graduate officer – are currently completing a Certificate IV in Government Investigations.

In addition, the Commission makes use of secondments from other Tasmanian agencies and interstate agencies as appropriate to provide additional resources to address spikes in complaints/investigation work flows or to provide specialist expertise (such as forensic accounting).

With the co-operation of Tasmania Police, the Commission utilised two experienced police investigators to assist with an investigation of allegations concerning the operation of aspects of the Risdon Prison.⁷

7. This investigation was summarised in the Report of the Integrity Commission No. 1 of 2013.

WORKFORCE STABILITY

On establishment the Commission employed a number of staff on two year contracts to provide flexibility once the staffing needs of the Commission could be re-assessed after several years of operations. The Commission is seeking to improve workforce stability through increasing the number of permanent positions at the Commission with three previously contract positions made permanent during the reporting period. The restructure of positions noted above, and delays (some unavoidable) in filling staff vacancies has resulted in savings in employee expenses this year. This is not anticipated to be repeated in the next budget cycle.

INFORMATION MANAGEMENT

During the reporting period the Commission has continued working towards developing efficient, effective and compliant information management strategies and processes. There has been a focus on consolidating staff training and awareness of their responsibilities and business processes in place to ensure legislative and other standards are met by the Commission in managing its information resources.

Commission staff worked with the Tasmanian Archives and Heritage Office to ensure our business classification scheme was appropriately scoped to form a workable foundation for the development of a functional disposal authority. Other preparatory work has been undertaken for the development of the disposal authority including the mapping of legislation relevant to the Commission's functions with record management requirements which will impact on the Commission.

Refinements were made to *Investigator* (case management system) to enhance its reporting functionality and alignment to the Commission's business and legislative processes. The reporting year saw a focus on developing user and administrator capacity to ensure Investigator is used effectively by all units of the organisation according to their needs.

WEBSITE

The Commission has continued to develop its online presence. During the reporting period the website was updated to include clearer information on the Commission's functions and powers. The website also features an online complaints-reporting capacity.

CORPORATE SERVICES

The 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. Specifically in relation to Work Health and Safety, the Commission has adopted the Department of Justice Work Health and Safety Strategy as well as other relevant policies and procedures. As with all other government agencies the Commission has a Ministerial Direction to comply with *AS/NZ 4801 WHS Management Systems* by 2016. The Department of Justice is currently undertaking a gap analysis on its Work, Health and Safety policies to determine the level of compliance with AS/NZ 4801. In addition, the Department is working with the State Service Management Office and other larger agencies in developing uniform WHS Management System documentation and training opportunities that smaller agencies such as the Commission will adopt. Whilst this process is continuing, the Commission is also reviewing and developing policies and procedures specific to the Commission in relation to Work, Health and Safety issues.

CONTRACTS AND CONSULTANCIES

The Integrity Commission issued no new contracts greater than \$50,000 during 2012-13 but has one ongoing contract with a value greater than \$50,000 as part of a five-year contract for cleaning services. There were no consultancies greater than \$50,000 during 2012-13.

Name of Contractor	Location	Purpose	Contract period	Value
ISS Facility Services Australia	Port Melbourne Victoria	Office cleaning	3 years remaining	\$39,257

ACCOUNTABILITY

The CEO of the Commission is responsible for the operations, management and general administration of the Commission. The CEO reports on those matters to the Board at each Board meeting.

As all Commission staff are State Service employees, they are bound by the *State Service Act 2000*. Likewise, the Commission is obliged in its activities to comply with all relevant governing legislation and Treasurer's Instructions. Where a complaint is made against Commission staff, the CEO, as head of agency must comply with applicable Employment Directions, as issued from time to time by the Premier. During the reporting period no investigations for a breach of the code of conduct by Commission staff were commenced under the Employment Directions.

EXTERNAL INSPECTIONS OF REGISTERS

The Commission is able to apply for a warrant under the *Police Powers (Surveillance Devices) Act 2006* as if it were a law enforcement agency under that Act. This Act governs the use that a law enforcement agency makes of surveillance devices and the records that it is obliged to keep in respect of each warrant for which it applies. The Ombudsman is the inspection entity for the Act.

In the reporting period the Commission applied for one warrant for a surveillance device under this Act in relation to an investigation. The Ombudsman was notified of the application for the warrant. The records maintained by the Commission are scheduled for inspection by the Ombudsman in the next reporting period.

In applying for the warrant, the Commission acknowledges the assistance provided to it by both Tasmania Police and the Ombudsman.

LITIGATION

Proceedings commenced in the Supreme Court of Tasmania by the former Chief Executive Officer, Ms Barbara Etter, against the State of Tasmania, are continuing. The Commission is not a party to those proceedings.

WEST TAMAR COUNCIL V LEONARD [2012] TASSC 68

On 19 October 2012, the Supreme Court of Tasmania delivered its decision in proceedings commenced by the West Tamar Council against the Commission and an investigator of the Commission. West Tamar Council had sought a declaration that a notice to produce, issued to the Council under s 47 of the *Integrity Commission Act 2009* was invalid.

His Honour Justice Evans refused the application by the Council. Judgment was made for the Commission with an order that the Council pay the Commission's costs of the action, and a declaration that the Notice issued to the Council pursuant to s 47(1) (c) was valid.

The Commission was represented by Crown Law in the proceedings and retained Mr Peter Davis SC and Mr B McTaggart as counsel. As at 30 June 2013 costs in the proceedings to be recovered from the Council remained in issue.

SUPREME COURT APPLICATION - LEAVE TO SERVE INTERSTATE

During the reporting period the Commission sought and was granted leave from the Supreme Court of Tasmania, to serve a Notice on a person residing interstate, to attend and give evidence before an investigator, in accordance with s 47(1) (b) of the *Integrity Commission Act 2009*. The application to the court was made in accordance with section 76 of the *Service and Execution of Process Act 1992* (Cth). The notice was successfully served and the person was interviewed by Commission investigators.

THE JOINT STANDING COMMITTEE ON INTEGRITY

In March, members of the Board and the CEO met with the JSC to discuss its forthcoming review of the Integrity Commission under s 24 (1) of the Act. Also, during the year, the Commission began preparing a comprehensive submission on its operations since it commenced, to assist the JSC in its considerations in the review.

As noted in the report of the Board, it provided its first report under s 13(c) of the Act to both the JSC and the Minister for Justice, on technical amendments which would improve the effectiveness of the Commission.

.....

From time to time, the JSC forwards complaints it receives (about misconduct or the Commission itself) to the Commission for any action which the Commission considers appropriate but it does not (nor is it authorised under the Act to) undertake any review of the Commission's decisions in relation to complaints.

REPORT TO THE JSC ON THE 3 YEAR REVIEW

The Commission commenced operations on 1 October 2010. It is a specific function of the Joint Standing Committee on Integrity to monitor and review the performance of the Commission. Pursuant to section 24(1) (e) of the Act, the JSC is required:

'To review the functions, powers and operations of the Integrity Commission at the expiration of the period of 3 years commencing on the commencement of this section and to table in both Houses of Parliament a report regarding any action that should be taken in relation to this Act or the functions, powers and operations of the Integrity Commission.'

The three-year period will expire on 30 September 2013.

The Commission will make a submission to the JSC on the functions, powers and operations of the Commission over the three year period including reporting on any perceived limitations in the Act in addition to those already reported by the Board under s 13(c) in April 2013. Planning for the submission is well advanced and will involve all business units within the Commission.

TABLED REPORTS

The Commission made its first report to Parliament under s 11(3) of the Act: **Report of the Integrity Commission No 1 of 2013**. This report provided information on two major investigations and an assessment which the Commission had finalised during the year. This was an important milestone in the Commission's operations because it will enhance public confidence that misconduct by public officers can be, and is being, appropriately investigated and dealt with – a key objective of the Commission under the Act.

The Commission is not empowered under the Act to report publicly on such matters except by report to the Parliament. This aspect of the legislation generated significant public interest this year and may be further considered by the JSC in its review. The Commission

may table more reports in Parliament, depending on the nature and outcomes of its investigations in the next year.

PUBLIC INTEREST DISCLOSURES

No referrals were made to the Commission by the Ombudsman or other public bodies under s 29B of the *Public Interest Disclosures Act 2002*. No other disclosures under the Act – and therefore relevant for referral to either the Ombudsman or another public body, in accordance with s 29A – were made to the Commission.

RIGHT TO INFORMATION

The Integrity Commission is excluded from the *Right to Information Act 2009* by s 6, unless the information relates to the administration of the Commission. The Commission is committed to ensuring that its administrative information is available to the public, so far as it can, and does this generally through its annual reporting process. Other information, and in particular, information relating to complaints, is exempt.

The Commission received two formal requests under the *Right to Information Act 2009* during the reporting period. One request sought exempt material and was refused. The other request sought a waiver of the applicable fee. The request for fee waiver was refused and a further request was not received.

LEGISLATIVE AMENDMENTS

During the reporting period there has been only one amendment to the *Integrity Commission Act 2009*.

On 4 February 2013 consequential amendments were made to the *Integrity Commission Act 2009* from the *State Service Amendment Act 2012* (No 42 of 2012). Those amendments primarily omitted the State Service Commissioner as an 'integrity entity' and a member of the Board.

In the same amendments, a new s 50A was inserted into the *State Service Act 2000* which states that the Tasmanian Industrial Commission is not empowered to determine a matter under section 51 that is within the jurisdiction of and is being dealt with by the Integrity Commission, (amongst other entities), until the matter has been dealt with.

.....

In 2011 the Commission made an application to become a 'designated agency' under s 5 of the *Anti-Money Laundering and Counter-Terrorism Financing Act 2006* (Cth) (the AML/CTF Act) in order to access Australian Transaction Reports and Analysis Centre information (AUSTRAC).

In 2012, the application was approved by the Commonwealth Attorney-General and legislation effecting the amendment passed the Commonwealth Parliament and commenced in June 2013. AUSTRAC. The Commission will negotiate a Memorandum of Understanding to implement the relevant arrangements, including mutual obligations concerning privacy, security and accountability, particularly with reference to the *Privacy Act 1988* (Cth) and the Office of the Australian Information Commissioner Guidelines.

SHARING KNOWLEDGE AND EXPERTISE

The Commission continues to interact with other integrity agencies interstate on an as-required basis, both with respect to its investigative capacities and building on the knowledge base concerning misconduct prevention.

In development of a range of educational resources, the Commission has sought the assistance of other agencies, including the State Service Authority in Victoria and the Department of Premier and Cabinet in New South Wales. Both agencies showed considerable interest in the module-based training that was under development by the Commission and copies of the resources were later exchanged.

Western Australia

The Commission regularly consults with the Corruption and Crime Commission in Western Australia with respect to information technology issues, as the CCC has the same case management system used by the Commission.

Queensland

The Crime and Misconduct Commission in Queensland has made facilities available to investigators from the Commission, enabling them to conduct interviews under Notice with a Tasmanian witness, now resident in Queensland, in relation to a current investigation.

Victoria

As of 11 February 2013 the former Office of Police Integrity (OPI) in Victoria oversight functions transferred to the Independent Broad-based Anti-corruption Commission (IBAC). The primary purpose of IBAC is to strengthen the integrity of the Victorian public sector, and to enhance community confidence in public sector accountability. IBAC's jurisdiction for identifying and preventing serious corrupt conduct extends across the whole of the Victorian public sector, including members of Parliament, the judiciary, statutory authorities and state and local government.

IBAC also has a broader role in relation to assessing police personnel conduct, and investigating and preventing misconduct by police personnel. The Commission had previously entered into a memorandum of understanding with OPI. The MOU has now transferred across to IBAC. The Commission has provided information and insight to IBAC, particularly with respect to our model and start-up considerations. The Chief Commissioner has toured the new IBAC facilities and met with the new Commissioner, Mr Stephen O'Bryan SC. The Commission is recognised as an integrity body for the purposes of the IBAC legislation, (this allows the IBAC to disclose information to the Commission, for example).

South Australia

In late 2012, South Australia passed the *Independent Commissioner Against Corruption Act 2012*, to establish the Independent Commissioner Against Corruption and the Office for Public Integrity. The Commissioner and Office for Public Integrity will commence operating on 1 September 2013. The Integrity Commission of Tasmania is a 'law enforcement agency' for the purposes of that Act.

With the commencement of ICAC in South Australia, all states will have an integrity agency.

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

August 2013

FINANCIAL CONTENTS

Statement of Comprehensive Income for the year ended 30 June 2013	48
Statement of Financial Position as at 30 June 2013.....	49
Statement of Cash Flows for the year ended 30 June 2013	50
Statement of Changes in Equity for the year ended 30 June 2013	51
Notes to and forming part of the Financial Statements for the year ended 30 June 2013	52

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2013

	Notes	2013 Budget \$'000	2013 Actual \$'000	2012 Actual \$'000 <i>Restated*</i>
Continuing operations				
Revenue and other income from transactions				
Revenue from Government				
Appropriation revenue – recurrent	1.7(a), 4.1	3 026	2 601	3 156
Other revenue from Government	1.7(a), 4.1	–	60	–
Other revenue	1.7(b), 4.2	–	–	26
Total revenue and other income from transactions		3 026	2 661	3 182
Expenses from transactions				
Employee benefits	1.8(a), 5.1	2 022	1 806	1 859
Depreciation and amortisation	1.8(b), 5.2	68	95	78
Supplies and consumables	5.3	736	637	785
Other expenses	1.8(c), 5.4	299	223	335
Total expenses from transactions		3 125	2 761	3 057
Net result from transactions (net operating balance)		(99)	(100)	125
Comprehensive result		(99)	(100)	125

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.

* Certain numbers shown here do not correspond to the 2011-12 financial statements and reflect the adjustments detailed in Note 1.5(c).

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2013

	Notes	2013 Budget \$'000	2013 Actual \$'000	2012 Actual \$'000 <i>Restated*</i>	2011 Actual \$'000
Assets					
<i>Financial assets</i>					
Cash and deposits	1.10(a), 9.1	(6)	28	72	(6)
Receivables	1.10(b), 6.1	15	15	28	15
<i>Non-financial assets</i>					
Leasehold improvements and equipment	1.10(c), 6.2	508	470	539	576
Intangible assets	1.10(d), 6.3	140	221	216	38
Other assets	1.10(e), 6.4	19	40	28	19
Total assets		676	774	883	642
Liabilities					
Payables	1.11(a), 7.1	96	12	24	96
Employee benefits	1.11(b), 7.2	249	369	313	187
Other liabilities	1.11(d), 7.3	11	20	73	11
Total liabilities		356	401	410	294
Net assets		320	373	473	348
Equity					
Accumulated funds		320	373	473	348
Total equity		320	373	473	348

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

* Certain numbers shown here do not correspond to the 2011-12 financial statements and reflect the adjustments detailed in Note 1.5(c). The error does not affect the 2011 numbers in the 2011-12 financial statements; hence these numbers do not need to be restated.

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2013

	Notes	2013 Budget \$'000	2013 Actual \$'000	2012 Actual \$'000
		Inflows (Outflows)	Inflows (Outflows)	Inflows (Outflows)
Cash flows from operating activities				
Cash inflows				
Appropriation receipts - recurrent		3 026	2 621	3 226
GST receipts		-	111	127
Other cash receipts		-	-	25
Total cash inflows		3 026	2 732	3 378
Cash outflows				
Employee benefits		(1 991)	(1 762)	(1 740)
GST payments		-	(98)	(139)
Supplies and consumables		(736)	(646)	(818)
Other cash payments		(299)	(238)	(346)
Total cash outflows		(3026)	(2 744)	(3 043)
Net cash from (used by) operating activities	9.2	-	(12)	335
Cash flows from investing activities				
Cash outflows				
Payments for acquisition of non-financial assets		-	(32)	(257)
Total cash outflows		-	(32)	(257)
Net cash from (used by) investing activities		-	(32)	(257)
Net increase/(decrease) in cash held and cash equivalents		-	(44)	78
Cash and deposits at the beginning of the reporting period		-	72	(6)
Cash and deposits at the end of the reporting period	9.1	-	28	72

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 2013

	Notes	Accumulated funds \$'000	Total equity \$'000
Balance as at 1 July 2012		473	473
Total comprehensive result		(100)	(100)
Total		(100)	(100)
Balance as at 30 June 2013		373	373
Balance as at 1 July 2011		348	348
Total comprehensive result		125	125
Total		125	125
Balance as at 30 June 2012		473	473

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

* The Total comprehensive result shown here does not correspond to the 2011-12 financial statements and reflects the adjustments detailed in Note 1.5(c).

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

Note 1	Significant Accounting Policies	53
1.1	Objectives and Funding	
1.2	Basis of Accounting	
1.3	Reporting Entity	
1.4	Functional and Presentation Currency	
1.5	Changes in Accounting Policies	
1.6	Transactions by the Government as Owner – Restructuring of Administrative Arrangements	
1.7	Income from Transactions	
1.8	Expenses from Transactions	
1.9	Other Economic Flows Included in Net Result	
1.10	Assets	
1.11	Liabilities	
1.12	Leases	
1.13	Judgements and Assumptions	
1.14	Foreign Currency	
1.15	Comparative Figures	
1.16	Budget Information	
1.17	Rounding	
1.18	Commission Taxation	
1.19	Goods and Services Tax	
Note 2	Explanations of Material Variances between Budget and Actual Outcomes	57
2.1	Statement of Comprehensive Income	
2.2	Statement of Financial Position	
2.3	Statement of Cash Flows	
Note 3	Events Occurring After Balance Date	58
Note 4	Income from Transactions	59
4.1	Revenue from Government	
4.2	Other Revenue	
Note 5	Expenses from Transactions	59
5.1	Employee Benefits	
5.2	Depreciation and Amortisation	
5.3	Supplies and Consumables	
5.4	Other Expenses	
Note 6	Assets	60
6.1	Receivables	
6.2	Leasehold Improvements and Equipment	
6.3	Intangible Assets	
6.4	Other Assets	
Note 7	Liabilities	62
7.1	Payables	
7.2	Employee Benefits	
7.3	Other Liabilities	
Note 8	Commitments and Contingencies	64
8.1	Schedule of Commitments	
8.2	Contingent Assets and Liabilities	
Note 9	Cash Flow Reconciliation	65
9.1	Cash and Deposits	
9.2	Reconciliation of Net Result to Net Cash from Operating Activities	
Note 10	Financial Instruments	65
10.1	Risk Exposures	
10.2	Categories of Financial Assets and Liabilities	
10.3	Comparison between Carrying Amount and Net Fair Values of Financial Assets and Liabilities	
Note 11	Key Management Personnel Compensation	67
Note 12	Output Group Information	68
Note 13	Principal Address and Registered Office	68

Note 1: Significant Accounting Policies

1.1 Objectives and Funding

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

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

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

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

The Commission is overseen by a Board that includes the Chief Commissioner, the Ombudsman, the Auditor-General and three other members, with specialist expertise. The State Service Commissioner was a member of the Board until 7 December 2012 when membership ceased following changes to the *State Service Act 2000* effective on 4 February 2013.

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 funded through Parliamentary appropriations. The financial statements encompass all funds through which the Commission controls resources to carry on its functions.

1.2 Basis of Accounting

The Financial Statements were signed by the Chief Executive Officer and Corporate Services Manager on 5th September 2013. 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

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

1.4 Functional and Presentation Currency

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

1.5 Changes in Accounting Policies

(a) Impact of new and revised Accounting Standards

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

- AASB 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 Standards to achieve convergence between Australian and New Zealand Accounting Standards. There is no financial impact.
- AASB 2011-9 *Amendments to Australian Accounting Standards – Presentation of Items Other Comprehensive Income [AASB 1, 5, 7, 101, 112, 120, 121, 132, 133, 134, 1039 & 1049]* – This Standard requires to group items presented in other comprehensive income on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments). There is no financial impact.
- AASB 2012-6 *Amendments to Australian Accounting Standards – Mandatory Effective Date of AASB 9 and Transition Disclosures [AASB 9, AASB 2009-11, AASB 2010-7, AASB 2011-7 & AASB 2011-8]* – This Standard amends the mandatory effective date of AASB 9 Financial Instruments so that AASB 9 is required to be applied for annual reporting periods beginning on or after 1 January 2015 instead of 1 January 2013. 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 and again in August 2011 but is not yet available for application by not-for-profit entities. There is no financial impact.

- 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 13 *Fair Value Measurement* sets out a new definition of ‘fair value’ as well as new principles to be applied when determining the fair value of assets and liabilities. The new requirements will apply to all of the Commission’s assets and liabilities (excluding leases), that are measured and/or disclosed at fair value or another measurement based on fair value.

The Commission’s only non-current assets are leasehold improvements, plant and equipment and intangibles which are recognised at cost less depreciation and less impairments if relevant. As a result, AASB 13 will have no impact on the Commission’s Financial Statements.

However, AASB 13 will require an increased amount of information to be disclosed in relation to fair value measurements for both assets and liabilities. To the extent that any fair value measurement for an asset or liability uses data that is not ‘observable’ outside the Commission, the amount of information to be disclosed will be relatively greater. In view of the nature of the Commission’s assets and liabilities, additional disclosure is not anticipated.

- 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 2012. The financial impact has been assessed as not being material. 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 in December 2010. There is no financial impact.
- AASB 2011-8 *Amendments to Australian Accounting Standards arising from AASB 13* [AASB 1, 2, 3, 4, 5, 7, 101, 116, 117, 118, 119, 120, 121, 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 and fair value guidance in other Australian Accounting Standards and Interpretations as the result of issuing AASB 13 in September 2011. There is no financial impact.

- AASB 2011-10 *Amendments to Australian Accounting Standards arising from AASB 119 (September 2011)* [AASB 1, 8, 101, 124, 134, 1049, & 2011-8 and Interpretation 14] – This Standard makes amendments to other Australian Accounting Standards and Interpretations as a result of issuing AASB 119 in September 2011. There is no financial impact.
- AASB 2012-2 *Amendments to Australian Accounting Standards - Disclosures - Offsetting Financial Assets and Financial Liabilities* [AASB 7 & AASB 132] – This Standard amends the required disclosures in AASB 7 to include information that will enable users of an entity’s financial statements to evaluate the effect or potential effect of netting arrangements, including rights of set-off associated with the entity’s recognised financial assets and recognised financial liabilities, on the entity’s financial position. There is no financial impact.
- AASB 2012-3 *Amendments to Australian Accounting Standards - Offsetting Financial Assets and Financial Liabilities* [AASB 132] – This Standard adds application guidance to AASB 132 to address inconsistencies identified in applying some of the offsetting criteria, including clarifying the meaning of “currently has a legally enforceable right of set-off” and that some gross settlement systems may be considered equivalent to net settlement. There is no financial impact.
- AASB 2012-5 *Amendments to Australian Accounting Standards arising from Annual Improvements 2009-2011 Cycle* [AASB 1, AASB 101, AASB 116, AASB 132 & AASB 134 and Interpretation 2] – This Standard makes amendments to the Australian Accounting Standards and Interpretations as a consequence of the annual improvements process. There is no financial impact.
- AASB 2013-1 *Amendments to AASB 1049 - Relocation of Budgetary Reporting Requirements* – This Standard removes the requirements relating to the disclosure of budgetary information from AASB 1049 (without substantive amendment). All budgetary reporting requirements applicable to public sector entities are now located in a single, topic based, Standard AASB 1055 Budgetary Reporting. There is no financial impact.

(c) Correction of error

During 2012-13 it was identified that the long service leave liability was understated in the 2011-12 financial statements by \$88,000. As a result employee expenses were also understated by the same amount. The correct treatment is to adjust the financial statements to reflect the amended figures for long service leave liability and employee benefits. The impact of the correction is as follows:

	2012 \$'000
Statement of Comprehensive Income	
Net result	213
Increase in Employee benefits	(88)
Net result including expected impact	125
Statement of Financial Position	
Net assets (liabilities)	561
Increase in Long service leave	(88)
Net assets (liabilities) including expected impact	473

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. There were no restructuring of administrative arrangements in 2012-13.

1.7 Income from Transactions

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

(a) Revenue from Government

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

(b) Other revenue

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

1.8 Expenses from Transactions

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

(a) Employee benefits

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

(b) Depreciation and amortisation

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

<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>
-----------------	----------------

(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 Other Economic Flows Included in Net Result

Other economic flows measure the change in volume or value of assets or liabilities that do not result from transactions.

(a) Gain/(loss) on sale of non-financial assets

Gains or losses from the sale of Non-financial assets are recognised when control of the assets has passed to the buyer.

(b) Impairment – Financial assets

Financial assets are assessed at each reporting date to determine whether there is any objective evidence that there are any financial assets that are impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss, in respect of a financial asset measured at amortised cost, is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate when it can be reliably measured.

All impairment losses are recognised in the Statement of Comprehensive Income.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost, the reversal is recognised in profit or loss.

(c) Impairment – Non-financial assets

All non-financial assets are assessed to determine whether any impairment exists. Impairment exists when the recoverable amount of an asset is less than its carrying amount. Recoverable amount is the higher of fair value less costs to sell and value in use. The Commission's assets are not used for the purpose of generating cash flows; therefore value in use is based on depreciated replacement cost where the asset would be replaced if deprived of it.

All impairment losses are recognised in Statement of Comprehensive Income.

In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(d) Other gains/(losses) from other economic flows

Other gains/(losses) from other economic flows includes gains or losses from reclassifications of amounts from reserves and/or accumulated surplus to net result, and from the revaluation of the present values of the long service leave liability due to changes in the bond interest rate.

1.10 Assets

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

(a) Cash and deposits

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

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

(b) Receivables

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

The only receivables recognised by the Commission at 30 June 2013 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 and impairments if any.

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.

1.11 Liabilities

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

(a) Payables

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

(b) Employee benefits

Liabilities for wages and salaries and annual leave are recognised when an employee becomes entitled to receive a benefit. Those liabilities expected to be realised within 12 months are measured as the amount expected to be paid. Other employee entitlements are measured as the present value of the benefit at 30 June, 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 as 6.1% of accrued salaries as at 30 June 2012. The Commission ceased to pay payroll tax from 1 October 2012.

1.12 Leases

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

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

1.13 Judgements and Assumptions

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

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

Judgements made by the Commission that have significant effects on the Financial Statements are disclosed in the relevant notes to the Financial Statements. These judgements include:

- Employee benefits 1.11(b), 7.1
- Depreciation and amortisation 1.8(b), 5.2

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.

1.14 Foreign Currency

Transactions denominated in a foreign currency are converted at the exchange rate at the date of the transaction. Foreign currency receivables and payables are translated at the exchange rates current as at balance date.

1.15 Comparative Figures

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.

1.16 Budget Information

Budget information refers to original estimates as disclosed in the 2012-13 Budget Papers and is not subject to audit.

1.17 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.

1.18 Commission Taxation

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

1.19 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)	3 026	2 601	(425)	(14)
Other revenue from Government	(b)	-	60	60	>100
Depreciation and amortisation	(c)	68	95	(27)	(40)
Supplies and consumables	(d)	736	637	99	13
Other expenses	(e)	299	223	76	25

Notes to Statement of Comprehensive Income variances

- (a) The variation in appropriation relates to a reduction in payroll tax of \$81,000 (refer note 2.1(e) below), savings in supplies and consumables (refer note 2.1(d) below), as well as staff vacancies at the Commission. Excess funds were returned to the Consolidated Fund.
- (b) The variance is due to approved section 8A carry forwards relating to a special investigation and to finalise the case management system reporting.
- (c) The variance relates to the acquisition of leasehold improvements equipment and intangibles at amounts greater than budget in both 2010-11 and 2011-12, and intangibles at greater than budget in 2012-13 resulting in higher depreciation and amortisation.

- (d) The material variances in supplies and consumables arose from savings in travel and transport (\$40,000) and printing costs (\$15,000) as well as VoIP (Voice over Internet Protocol) expenditure delayed until 2013-14 (\$20,000).
- (e) The variance primarily relates to payroll tax budgeted for a full year but only paid to 1 October 2012. The reduction in payroll tax paid resulted from a review of payroll tax arrangements which determined that due to budget neutrality, government agencies were no longer required to pay payroll tax.

2.2 Statement of Financial Position

	Note	Budget \$'000	Actual \$'000	Variance \$'000	Variance %
Cash and deposits	(a)	(6)	28	22	366
Intangible assets	(b)	140	221	81	58
Other assets	(c)	19	40	21	110
Payables	(d)	96	12	84	88
Employee benefits	(e)	249	369	(120)	(48)
Other liabilities	(f)	11	20	(9)	(82)

Notes to Statement of Financial Position variances

- (a) The variance is primarily due to an approved section 8A carry forward relating to expenditure for VoIP technology budgeted for installation during the current year but instead carried over to 2013-14. Refer note 2.2(f) below and note 7.3.
- (b) The variance relates to report customisation for the case management system and web development costs incurred in 2011-12 not included in the budget.
- (c) The variance relates to prepayments not included in the budget.
- (d) Accrued expenses were overstated in the budget chapter and subsequently amended to \$17,000.
- (e) The variance in employee benefits is primarily due to higher than budget long service leave balances, as a result of engaging staff with large balances.
- (f) This variance relates to \$20,000 for an approved section 8A carry forward. Refer note 2.2(a) above and note 7.3.

2.3 Statement of Cash Flows

	Note	Budget \$'000	Actual \$'000	Variance \$'000	Variance %
Appropriation receipts - recurrent	(a)	3 026	2 621	(405)	(13)
GST receipts	(b)	-	111	111	>100
Employee benefits	(c)	1 991	1 762	229	12
GST payments	(b)	-	98	98	>100
Supplies and consumables	(d)	736	646	90	12
Other cash payments	(e)	299	238	61	20
Payments for acquisition of non-financial assets	(f)	-	32	32	>100

Notes to Statement of Cash Flows variances

- (a) The variation in appropriation relates to a reduction in payroll tax of \$81,000 (refer note 2.3(e) below), savings in supplies and consumables (refer note 2.3(d) below), as well as staff vacancies at the Commission. Excess funds were returned to the Consolidated Fund.
- (b) These two variances arose because the budget did not include GST receipts or payables.
- (c) The variance is due to salaries and wages lower than budget due to staff vacancies and savings in fringe benefits tax.
- (d) The material variances in supplies and consumables arose from savings in travel and transport (\$40,000) and printing costs (\$15,000) as well as VoIP expenditure delayed until 2013-14 (\$20,000).
- (e) This variance relates to lower than budgeted payroll tax. Refer note 2.1(a) above.
- (f) This variance is due to additional enhancements in the case management system reporting not included in the budget.

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 2013.

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.

	2013 Budget \$'000	2013 Actual \$'000	2012 Actual \$'000
Appropriation revenue - recurrent			
Current year	3 026	2 601	3 156
Total	3 026	2 601	3 156
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	-	60	-
Total	-	60	-
Total revenue from Government	3 026	2 661	3 156

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

	2013 \$'000	2012 \$'000
Other revenue	-	26
Total	-	26

Note 5: Expenses from Transactions

5.1 Employee Benefits

	2013 \$'000	2012 \$'000 <i>Restated*</i>
Wages and salaries*	1 584	1 659
Superannuation - defined contribution schemes	148	142
Superannuation - defined benefit schemes	10	10
Other employee expenses	64	48
Total	1 806	1 859

Superannuation expenses relating to defined benefits schemes relate to payments into the Consolidated Fund. The amount of the payment is based on an employer contribution rate determined by the Treasurer, on the advice of the State Actuary. The employer contribution at 30 June 2013 is 12.5 per cent of salary. The Australian Government has recently introduced a phased increase in the superannuation guarantee rate from 9 per cent to 12 per cent over the seven years ending 2019-20. This results in the Commission's employer contribution rising to 12.75 per cent on 1 July 2013, 13.0 per cent from 1 July 2014, and increasing 0.5 per cent per annum through to 15.5 per cent from 1 July 2019.

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 to Treasury a "gap" payment equivalent to 3.5 per cent of salary in respect of employees who are members of contribution schemes. Given the recent changes to the superannuation guarantee rate, the gap payment payable by the Commission is currently under review.

* The Wages and salaries number shown here does not correspond to the 2011-12 financial statements and reflects the adjustments detailed in Note 1.5(c).

5.2 Depreciation and Amortisation

	2013 \$'000	2012 \$'000
Leasehold improvements – Amortisation	59	59
Equipment – Depreciation	9	6
Intangibles – Amortisation	27	13
Total depreciation and amortisation	95	78

5.3 Supplies and Consumables

	2013 \$'000	2012 \$'000
Audit fees – financial audit	6	20
Operating lease costs	217	222
Consultants	76	43
Property services	87	108
Communications	17	20
Information technology	87	79
Travel and transport	46	81
Advertising and promotion	5	21
Printing	13	23
Personnel expenses	15	16
Plant and equipment	37	94
Office requisites	6	16
Other supplies and consumables	25	42
Total	637	785

5.4 Other Expenses

	2013 \$'000	2012 \$'000
Salary on-costs	36	101
Legal costs	–	45
Corporate support provided by the Department of Justice	162	159
Other expenses	25	30
Total	223	335

Note 6: Assets

6.1 Receivables

	2013 \$'000	2012 \$'000
Tax assets	15	28
Total	15	28
Settled within 12 months	15	28
Total	15	28

6.2 Leasehold Improvements and Equipment

(a) Carrying amount

	2013 \$'000	2012 \$'000
Equipment		
At cost	45	45
Less: Accumulated depreciation	(16)	(7)
Total Equipment	29	38
Leasehold improvements		
At cost	583	583
Less: Accumulated amortisation	(142)	(82)
Total Leasehold improvements	441	501
Total Leasehold Improvements and Equipment	470	539

(b) Reconciliation of movements

	Equipment \$'000	Leasehold Improvements \$'000	Total \$'000
2013			
Carrying amount at 1 July	38	501	539
Additions	-	-	-
Depreciation and amortisation expense	(9)	(59)	(68)
Carrying amount at 30 June	29	441	470
2012			
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

6.3 Intangible Assets

(a) Carrying amount

	2013 \$'000	2012 \$'000
Intangible assets		
At cost	261	191
Accumulated amortisation	(40)	(13)
	221	178
Work in progress (at cost)	-	38
Total Intangible assets	221	216

(b) Reconciliation of movements

2013	Intangible Assets \$'000	Total \$'000
Carrying amount at 1 July	216	216
Additions – Case Management Software	70	70
Net movement in Work in progress – Case Management Software	(38)	(38)
Amortisation expense	(27)	(27)
Carrying amount at 30 June	221	221

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

6.4 Other Assets

	2013 \$'000	2012 \$'000
Prepayments	40	28
Total	40	28
Utilised within 12 months	40	28
Total	40	28

Note 7: Liabilities

7.1 Payables

	2013 \$'000	2012 \$'000
Creditors	–	7
Accrued expenses	12	17
Total	12	24
Settled within 12 months	12	24
Total	12	24

Settlement is usually made within 30 days.

7.2 Employee Benefits

	2013 \$'000	2012 \$'000 <i>Restated*</i>
Accrued salaries	41	45
Annual leave	110	107
Long service leave*	218	161
Total	369	313
Utilised within 12 months*	144	136
Utilised in more than 12 months*	225	177

Total **369** **313**

* The Long service leave number and associated utilisation timeframes shown here do not correspond to the 2011-12 financial statements and reflect the adjustments detailed in Note 1.5(c).

7.3 Other Liabilities

	2013 \$'000	2012 \$'000
Revenue received in advance		
Appropriation carried forward from current and previous years under section 8A of the <i>Public Account Act 1986</i>	20	70
Other liabilities		
Employee benefits – on-costs	–	3
Total	20	73
Utilised within 12 months	20	73
Utilised in more than 12 months	–	–
Total	20	73

NOTE 8: COMMITMENTS AND CONTINGENCIES

8.1 Schedule of Commitments

	2013 \$'000	2012 \$'000
By type		
<i>Lease Commitments</i>		
Operating leases	472	1 004
Total lease commitments	472	1 004
<i>Other commitments</i>		
Office cleaning contract	33	50
Other contracts	21	12
Total other commitments	54	62
By maturity		
<i>Operating lease commitments</i>		
One year or less	260	266
From one to five years	212	738
Total operating lease commitments	472	1 004
<i>Other commitments</i>		
One year or less	34	26
From one to five years	20	36
Total other commitments	54	62
Total	526	1 066

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.

	2013 \$'000	2012 \$'000
Quantifiable contingent liabilities		
<i>Contingent claims</i>		
Contingent legal claims	350	350
Total quantifiable contingent liabilities	350	350

At 30 June 2013 the Commission has an interest in a Supreme Court proceeding for which there is a potential financial liability: The matter concerns a claim brought by the Commission's former CEO against the State of Tasmania.

Note 9: Cash Flow Reconciliation

9.1 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.

	2013 \$'000	2012 \$'000
Special Deposits and Trust Fund balance		
T527 Integrity Commission Operating Account	28	72
Total cash and deposits	28	72

9.2 Reconciliation of Net Result to Net Cash from Operating Activities

	2013 \$'000	2012 \$'000
Net result	(100)	125
Depreciation and amortisation	95	78
Decrease (increase) in Receivables	13	(13)
Decrease (increase) in Prepayments	(12)	(9)
Accrued purchase of Intangible assets	-	38
Increase (decrease) in Employee entitlements	57	126
Increase (decrease) in Payables	(12)	(72)
Increase (decrease) in Other liabilities	(53)	62
Net cash from (used by) operating activities	(12)	335

Note 10: Financial Instruments

10.1 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)
Financial Assets		
Receivables	Receivables are recognised at amortised cost, less any impairment losses, however, due to the short settlement period, receivables are not discounted back to their present value.	The only receivables recognised by the Commission at 30 June 2013 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 at either balance date that were past due or impaired.

(c) Liquidity risk

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

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

2013

Maturity analysis for financial liabilities

	1 Year \$'000	Undiscounted Total \$'000	Carrying Amount \$'000
Financial liabilities			
Payables	12	12	12
Total	12	12	12

2012

Maturity analysis for financial liabilities

	1 Year \$'000	Undiscounted Total \$'000	Carrying Amount \$'000
Financial liabilities			
Payables	24	24	24
Total	24	24	24

10.2 Categories of Financial Assets and Liabilities

	2013 \$'000	2012 \$'000
Financial assets		
Cash and deposits	28	72
Receivables	15	28
Total	43	100
Financial Liabilities		
Financial liabilities measured at amortised cost	12	24
Total	12	24

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

	Carrying Amount 2013 \$'000	Net Fair Value 2013 \$'000	Carrying Amount 2012 \$'000	Net Fair Value 2012 \$'000
Financial assets				
Cash in Special Deposits and Trust Fund	28	28	72	72
Receivables	15	15	28	28
Total financial assets	43	43	100	100
Financial liabilities				
Payables	-	-	7	7
Accrued expenses	12	12	17	17
Total financial liabilities	12	12	24	24

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 11: Key management personnel compensation

The Integrity Commission Board and the management group comprise the key management personnel at the Integrity Commission. The Board is chaired by the Chief Commissioner and other members are three appointed members and three (two from 4 February 2013) ex officio members. The management group is chaired by the Chief Executive Officer and includes the Deputy Chief Executive Officer, and three 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 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 and a motor vehicle allowance respectively, superannuation contributions and reimbursement of reasonable expenses incurred on official business. All key management personnel receive a base salary and superannuation payments in

accordance with the relevant award. Contractual arrangements allow for reimbursement for appointed Board members of reasonable expenses incurred on official business.

- The Chief Commissioner, Chief Executive Officer and the management group all receive access to parking during business hours.
- All the management group are provided with an I-pad for business and incidental personal use.
- Upon retirement, the Chief Executive Officer and members of the 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 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 or recoveries of costs are:
 - Mike Blake (Auditor-General)
 - Iain Frawley (Acting State Service Commissioner) for the period 1 October 2010 to 7 June 2012
 - Leon Atkinson-MacEwen (Ombudsmen) - from 5 April 2012
 - Simon Allston (Ombudsman) - for the period 1 October 2010 to 1 February 2012
 - Frank Ogle for the period 19 July 2012 to 7 December 2012

Table of Benefits and Payments for the Year Ended 30 June 2013

		Post-Employment Benefits		Long-Term Benefits		Total
		Salary and Leave	Other*	Super-annuation	Long Service Leave	
Key Management Personnel		\$'000	\$'000	\$'000	\$'000	\$'000
Hon Murray Kellam AO (Chief Commissioner)	2013	73	1	7	-	81
	2012	142	8	13	-	163
Liz Gillam (Board Member)	2013	21	1	2	-	24
	2012	21	-	2	-	23
David Hudson (Board Member)	2013	21	-	2	-	23
	2012	21	-	2	-	23
Luppo Prins APM (Board Member)	2013	21	-	2	-	23
	2012	21	-	2	-	23
Members of the Management Group	2013	672	11	60	15	758
	2012	555	18	50	9	632
Total Key Management Personnel	2013	808	13	73	15	909
	2012	760	26	69	9	864

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

Note 12: Output Group Information

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

Note 13: Principal Address and Registered Office

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

STATEMENT BY THE CHIEF EXECUTIVE OFFICER AND CORPORATE SERVICES MANAGER

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 2013 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.



Diane Merryfull
Chief Executive Officer

September 2013



Rachael Daniels
Corporate Services Manager

September 2013



Independent Auditor's Report

To Members of the Parliament of Tasmania

Integrity Commission

Financial Report for the Year Ended 30 June 2013

I have audited the accompanying financial report of Integrity Commission (the Commission), which comprises the statement of financial position as at 30 June 2013, 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 Chief Executive Officer and the Corporate Services Manager.

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 2013, 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.

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 De Santi
Deputy Auditor General
Delegate of the Auditor-General

HOBART
9 September 2013

APPENDIX A

Reporting Requirements

Legislative reporting compliance

REQUIREMENT	LEGISLATION	REPORT SECTION
Overview of strategic plan	State Service Regulations 2001 s9a(i)	Snapshot, Goals.
Organisation chart	SSR s 9a(ii)	Our organisation
Major initiatives	SSR s 9(v)	Key Achievements, Goals
Employee development	SSR s 9b(ii)	Learning and development, Development of our investigation expertise
Internal grievance procedures	SSR s 9(b)(v)	Accountability, Monitoring our organisational performance
Occupational health and safety strategies	SSR s 9(b)(vi)	Corporate Services
Community awareness, services and publications	SSR s 9c(i)	Snapshot, Presentations to groups and conferences, Mapping the 'gaps', Tabled reports
Contact officers and points of public access	SSR s 9c(ii)	Inside cover, back cover
Relevant legislation	SSR s 9(d)	Snapshot, Legislative Amendments
Contracts and consultancies	<i>Financial Management and Audit Act 1990</i>	Contracts and consultancies
Financial statements	FMA s 27(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> s 13	Superannuation Certificate

INTEGRITY
COMMISSION

