

2008

Annual Report

*Financial year ending
30 June 2008*

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Letter of Transmittal

To: The Honourable the President of the Legislative Council

And: The Honourable the Speaker of the Legislative Assembly

This fourth Annual Report of the Office of Police Integrity (OPI) is presented to Parliament pursuant to section 102J(1) of the *Police Regulation Act 1958*. It deals with OPI's third full year of operations.

A handwritten signature in black ink, appearing to read 'Michael Strong', with a stylized, cursive script.

Michael Strong

DIRECTOR, POLICE INTEGRITY

Foreword

I am pleased to submit this fourth Office of Police Integrity (OPI) Annual Report. The report deals with OPI's operational activities during the period 1 July 2007 to 30 June 2008. My predecessor, Mr George Brouwer was the Director, Police Integrity from 16 November 2004 until 30 April 2008. I took office on 1 May 2008.

My appointment followed the proclamation of amendments to the *Police Regulation Act 1958* that provided that the Director, Police Integrity was no longer required to be the same person as the Ombudsman. The amendments were consistent with recommendations made by Mr Brouwer, OPI's inaugural Director, in last year's OPI Annual Report to Parliament. Mr Brouwer wrote:

(OPI) is now an effective, proactive, and fully operational police anti-corruption body comparable in terms of its powers and resources to similar bodies in Australian jurisdictions. I therefore consider that the statutory link between the office of Ombudsman and that of Director, Police Integrity should be severed.¹

Until I took office in May 2008, Mr Brouwer had presided over both Ombudsman Victoria and OPI since the OPI's inception in November 2004. In just over three years he has overseen the truly remarkable transformation of OPI from its early origins as a police complaints handling body to its current status as a fully operational, properly resourced, independent police anti-corruption and oversight agency, with sophisticated overt and covert investigative powers.

This report provides an opportunity to pay tribute to Mr Brouwer's achievements. His steerage of OPI through its sometimes tumultuous developmental phase to its current status as a mature and respected agency is a testament to his personal skills and attributes and those of the staff he engaged to implement his vision. I can confirm staff at OPI have an impressive and diverse range of skills and expertise.

The organisation Mr Brouwer has passed on to me lives up to its values of integrity, excellence, fairness and courage. I will use my best endeavours to build on the solid foundation he has provided. OPI will continue to work to build a corruption-resistant culture within Victoria Police and to advance the delivery of ethical and professional policing services to the Victorian Community.

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2007–2008: Year in brief

July 2007

Ceja Task Force, Drug Related Corruption: Third and Final Report tabled in Parliament.

October 2007

Annual Report 2006–2007 tabled in Parliament.

A Fair and Effective Victoria Police Discipline System report tabled in Parliament.

Ex-Victoria Police member pleaded guilty to trafficking drugs: Total effective sentence of 24 months imprisonment.

November 2007

Public hearings into corruption within senior levels of Victoria Police.

Assistant Commissioner Noel Ashby retires during the public hearings.

Victoria Police Director of Media and Communications, Steve Linell resigns.

Interview rooms in the St Kilda Road Police Complex now fitted with CCTV cameras with retention time of at least 90 days and 452 Flinders Street fitted with 3 CCTV cameras, in response to deficiencies identified in the OPI investigation into the Armed Offenders Squad.

Report by the Special Investigations Monitor tabled in Parliament.

Amendments to the *Police Regulation Act 1958* passed by Parliament, mean the Ombudsman is no longer required to be Director, Police Integrity.

December 2007	<i>Report on the 'Kit Walker' investigations</i> tabled in Parliament. Internal review of OPI structure commences.
January 2008	OPI review of Victoria Police Management Intervention Model commences.
February 2008	Creation of new position 'Assistant Director Operational Support' <i>Exposing corruption within senior levels of Victoria Police</i> report tabled in Parliament.
March 2008	Announcement that new Director, Police Integrity, will be County Court Judge, Michael Strong. Parliamentary debate commences on the <i>Police Integrity Bill 2008</i> .
April 2008	Ombudsman George Brouwer ceases duty as Director, Police Integrity.
May 2008	Michael Strong, former County Court Judge commences as Director, Police Integrity.
June 2008	Public hearing into current and former police attempting to pervert the course of justice. <i>Report on investigation into Operation Clarendon</i> tabled in Parliament.

Performance at a glance

Outputs 2007–2008

Key output	No
Police and citizens against whom criminal or disciplinary action recommended ²	19
Criminal charges or disciplinary action recommended	101
Investigations commenced	40
Technological support to another agency's investigations	6
Summonses issued by Director	144
Witnesses examined in hearings	68
Complaints to Director	859
Reviews of Victoria Police investigations or action completed	935
Telephone enquiries	1307
Reports tabled in Parliament	6
Educational presentations	45
Attendees at presentations	1040+
Other corruption prevention initiatives	7

Director's overview

The shared goal of OPI and Victoria Police is to ensure the delivery of ethical and professional policing services to the Victorian community. This overview examines some of the areas identified through the work of OPI during the last twelve months that highlight the need for reform or further work by Victoria Police. It also provides an update on the current status of corruption within Victoria Police.

Exposing corruption

This year, OPI has tackled several areas of importance to Victoria Police's organisational accountability and achieved unprecedented outcomes in the investigation and exposure of corruption within Victoria Police.

In last year's Annual Report, the then Director, Police Integrity, Mr George Brouwer, identified several areas of major concern regarding police integrity in Victoria.³ Whilst acknowledging the good work of the vast majority of police, the Director's corruption status report described small groups of police operating in discrete cells or syndicates bonded by long-standing, intergenerational working relationships, who were engaging in activity outside the law and abusing the power and public trust vested in them. The report identified concerns about former police who continue to exert corrupting influences over current serving police. It also noted that many of the former and current serving police operating in these corrupt cells have joined forces with people with extensive criminal histories.

During the last twelve months, OPI has demonstrated to the Victorian community the accuracy of Mr Brouwer's assessment and the validity of his concerns. Through its Parliamentary reports, investigations and public hearings, OPI has provided both the community and Victoria Police members with considerable insight into these corrupting influences within policing, how they develop, how pervasive they can be and how, if unchecked, they can penetrate and thwart operational activities.

Without public exposure, these corrupting influences can continue to fester and undermine the integrity of Victoria Police. Their exposure assists Victoria Police to rid itself of their corrosive influence, build corruption resistance and accelerate its ethical reform process.

Corruption in Victoria Police – an update

Again, it is important to emphasise that the vast majority of Victoria Police deserve the confidence and appreciation of the community for their diligent commitment to service. The activities outlined in this status report refer to the behaviours of a small minority.

In the last twelve months, OPI has continued to focus on several of the small cells or syndicates operating within Victoria Police. The pressure placed on these cells by OPI's investigations has significantly disrupted and, in some cases, curtailed their activities. In the process, OPI has gained significant insight into the extent of the networks amongst cell members and how they operate to undermine the integrity of Victoria Police. This, in turn, has informed prevention and investigation strategies.

Improper associations and the information trading linked to these associations continue to be at the core of the illegal activities of cell members. Information sharing is a dominant and traditional feature of police culture. It can be a useful tool in investigations, sometimes opening up new lines of inquiry or confirming the credibility of sources. However, as the OPI public hearings have revealed, many police share snippets of information with no particular goal, from habit, to 'big note' themselves, or just for the sake of something to talk about. It appears that some corrupt cell members are adept at exploiting this habitualised information sharing. Some police appear to have little, if any, understanding of, or concern for, the potential damage to ongoing investigations this type of information sharing can have. In extreme cases lives can be, and have been, put in jeopardy.

The motivation for the unlawful disclosure of information by police varies. On occasion, profit or an attempt to buy favours appears to prompt the release of information. At other times, the information sharing arises between individuals who have a long-standing relationship in which loyalty to the individual appears to replace loyalty to Victoria Police and to the police officer's oath to uphold the law. Where an improper relationship exists, progression to the unlawful disclosure of information appears inevitably to follow.

Whilst small in number, the individuals involved in these corrupt cells appear to be culturally influential within Victoria Police. They often promote the image that they are high achievers when in fact they may

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accomplish very little by way of productive police work. They regularly flout organisational rules and regulations and avoid accountability because of their cultural influence.

It is a common feature of OPI public hearings that police witnesses receive considerable support from other police. Most of those offering support have no particular day-to-day contact with the witnesses, nor have they any insight into their relevant conduct except through what has been revealed at the public hearings. The unquestioning loyalty that causes some police to close ranks to ward off external scrutiny is discussed in detail in the forthcoming OPI report *The Armed Offenders Squad—a case study*. In that case, the Police Association organised a rally to support Squad members who later pleaded guilty to charges of assault and misleading the Director by lying in hearings.

This ability to engender support and attract loyalty for conduct that undermines the integrity of Victoria Police reflects the worst aspects of an out-moded police culture and adherence to 'old style' policing methods. It appears as a recurring theme in almost all of the cells identified by OPI. Whilst members may engage in separate, discreet activities, they are often protected by an out-moded police culture that turns a 'blind eye' to inappropriate activity, or demands loyalty to a code of silence.

Loyalty to a code of silence, in the context of OPI's coercive powers, creates a further demand on those who adhere to it. Too many police witnesses required to answer questions under oath in OPI hearings seem willing to sacrifice their credibility rather than break the 'code'. Like my predecessor, I am gravely concerned at the apparent disregard some police have for the oath or affirmation to tell the truth when they give evidence. Perjury is a serious crime. The fact that the perjurer is a police officer sworn to uphold the law is an aggravating circumstance. Police who are inclined to give untruthful evidence before the OPI should be aware that I will use all the powers at my disposal to expose their conduct.

Cultural change through ethical reform

On a positive note, there are signs that the police culture that gives rise to the code of silence is changing and that those who cling to the 'old ways' are diminishing in number. The out-moded culture is being successfully challenged. Consistent top-down messaging from an increasingly better

organised police leadership, the diversity in backgrounds of recruits, emphasis on more sophisticated policing techniques and increased accountability mechanisms are having an impact. OPI has an important role in facilitating cultural change. We are not only continuing to disrupt the corrupt cells and exposing unethical conduct and cultural influences that undermine integrity, we are supporting structural reform.

OPI is already involved in promoting ethical and occupational health and safety reforms within Victoria Police. Key recommendations in our public and private reports have already been implemented by Victoria Police. OPI has identified key pillars of reform necessary for Victoria Police to lay claim to leadership in ethical and professional policing. They include:

- Mandated competency standards;
- Improved training and accreditation, including continuing education processes;
- A new discipline and performance management regime (now underway);
- A framework to support declarable associations;
- Mobility reform;
- Continued leadership development amongst supervisory ranks; and
- Improved information technology solutions.

OPI has worked with Victoria Police to address the discipline regime and ensure the appropriate management of employees' associations that could give rise to a conflict of interest. I will progress the other elements in the coming year.

Legislative reform

Police Integrity Act 2008

In November 2007, in accordance with legislative requirements, Mr David Jones, the Special Investigations Monitor (the SIM) provided a report to Parliament on OPI's use of coercive powers. His report was, in my view, consistent with his fair and balanced approach to the oversight of OPI. Most of the recommendations contained in his report were supported by OPI. Central to the SIM's report was a recommendation that all relevant

legislative provisions relating to OPI should be consolidated in a separate piece of legislation. In March 2008, the Government gave effect to this recommendation and tabled the *Police Integrity Bill 2008*. The Bill, which incorporated the majority of the SIM's other recommendations, was passed by both houses of Parliament in June 2008.⁴

The *Police Integrity Act 2008* marks an important milestone in the relatively short history of OPI. As the organisation continues to mature, other legislative fine-tuning will no doubt be required. However, the *Police Integrity Act 2008* establishes OPI as a permanent, independent, police anti-corruption and oversight agency with substantial powers. These powers enable OPI to not only detect and investigate serious misconduct and corruption but, just as importantly, to develop corruption prevention and education measures so we can work with Victoria Police and the community to build corruption resistance within Victoria Police and advance professional and ethical policing services.

Misconduct in public office

In February 2008, the OPI report *Exposing corruption within senior levels of Victoria Police* identified that misconduct in public office is emerging as a prominent and recurring theme in corruption investigations both here and in other jurisdictions. In Victoria, the offence of misconduct in public office has not been codified, it is an offence at common law. In what the Chief Crown Prosecutor, Gavin Silbert SC, has referred to as the '*myriad of conduct encompassed within the rubric of the crime of misconduct in public office*', there is some uncertainty about its applicability to the different kinds of misconduct exposed in OPI investigations.^{5 6}

To clarify the issue, I recommend that consideration be given to codification of the common law offence. In my view, the elements of a statutory indictable offence should be along the lines enunciated by Lord Widgery in *R v Dytham* (1979) 1 QB 722.⁷ This is to say that the offence is committed when a public employee wilfully acts contrary to his or her duty in a manner which so injures the public interest that punishment is warranted. The codification could specify:

- that the breach of duty must be wilful, that is to say, it must be established that the employee, without lawful excuse, acted in a way he or she knew to be prohibited or, without lawful excuse, deliberately refrained from performing an act, knowing that he or she was required to perform that act

- the employee must be aware that his or her conduct is injurious to the public interest, or be reckless as to that consequence; and
- the circumstances must be such as to call for punishment.

I have suggested that the term '*public employee*' should replace the common law term '*public officer*' to make it clear that the provision has broad application.⁸ In my view, the duty imposed by the proposed provision should apply equally to a non-sworn employee of Victoria Police and, for that matter, an employee of the Office of Police Integrity, as it does to a sworn member of Victoria Police.

I appreciate that the formulation I have suggested is broad, but the law has long recognised that a tribunal of fact can appropriately determine whether an act or omission is so grave as to demand criminal punishment. An example of a circumstance in which the tribunal of fact might come to that conclusion would be where the public employee obtained a pecuniary benefit for failing to act in accordance with his or her duty. In considering whether the breach of duty demanded criminal punishment, the tribunal of fact would no doubt take into account the position held by the employee. Thus, a wilful act or omission by a senior employee may be viewed more seriously than the same act or omission by a junior employee.

An attempt to define the elements of the proposed offence more precisely would, in my view, create more difficulties that it would resolve.

Witness Protection Act 1991

Section 17 (5) of the *Witness Protection Act 1991* provides for an appeal to the Director, Police Integrity in circumstances where the Chief Commissioner, on an application to review, has confirmed a decision to remove a person from the Victoria Police Witness Protection program. In one high profile case, the Director, or his delegate, was required to determine an appeal from the witness on three separate occasions within a period of nine months. Two of these occasions followed successful appeals from the witness to the Supreme Court or the Court of Appeal regarding the Director's decision to uphold the Chief Commissioner's decision to remove the witness from the program.

Having examined the legislation and judgements from the Supreme Court and Court of Appeal in relation to this matter, it is clear to me that I require further legislative clarity about the intention of Parliament in providing

for an appeal to the Director. In my view, the requirement that I should deal with such an appeal within 72 hours is inconsistent with a full and balanced consideration of the complex factors that an appeal on such an important issue requires.

Policy issues

The role of 'non-sworn' police

Modern policing and maintaining an organisation of over 14,000 employees requires staff with a range of skills, some of which are not associated with operational policing. Changes to policing, including increasingly sophisticated forensic techniques, an increased emphasis on prevention, and the strategic use of intelligence, have created more employment opportunities within Victoria Police for non-sworn civilian staff. Comprising nearly 18 per cent of the total workforce, in many instances non-sworn staff hold senior positions within Victoria Police and non-sworn staff are increasingly occupying positions that have access to sensitive operational information. In some instances sworn and non-sworn staff work side by side with little to distinguish their respective roles. Sworn police report to public servants, and public servants report to sworn police. Trends in other jurisdictions indicate that the proportion of civilian staff will continue to rise to ensure that sworn police can give priority to operational duties. Currently OPI has no jurisdiction to examine the conduct of non-sworn police unless it arises in the context of an investigation into the conduct of a sworn officer. As the proportion of civilian staff increases, this issue in OPI's jurisdiction will become more marked.

Human source management

Formerly known as informers or informants, 'human sources' are civilians who provide police with information about criminal activities. They have always been a significant feature of investigative policing. While present day police have more investigative tools and methods available to them than their forebears, access to reliable information or first-hand accounts about criminal activities remains a fundamental part of current policing methodology. Sources of the most potentially valuable information about criminal activity are often individuals associated with criminals or engaged in criminal activity themselves. This 'insider' status makes

their information potentially very valuable because the person has access to information not readily available to police through ordinary means. Along with the benefits, however, there are significant risks. Histories of police corruption are replete with examples that demonstrate the dangers inherent in the relationship between a police member and the person providing the information.⁹

This is partially because the motivation for the person providing the information is generally not the same as the motivation of police. The person offering to provide information to police may do so for a number of reasons, for example, to gain some advantage, to remove a criminal rival or to ingratiate him or herself with police for some ulterior motive. Alternatively, the provider of the information may want to assist police in the hope of avoiding some negative consequence. For example, out of fear, as part of a plea bargaining process, or to avoid being arrested.

This contrasts with the motivation for police in obtaining the information or cultivating a relationship with someone who has access to information about criminal activities.

The organisational and operational inducements are for a detective to use every means at his disposal to gather information which might lead to further convictions. So strong is the supposed public expectation, and the organisational pressure towards crime solving that it is not surprising that certain fundamental dichotomies arise within the framework of detecting policing as it is traditionally practised ... Chief among these is the contradictory invitation on the one hand for detectives to closely associate with criminals in order to gather information, while at the same time the police are said to be covered by strict laws and regulations designed to prohibit consorting with known criminals.¹⁰

The prohibition against consorting arises from the well-known corrupting influences to which police are exposed when dealing with targets or potential targets of police operations.¹¹ Streetwise criminals may be adept at manipulating some police. Access to 'a piece of the action' may pose too great a temptation for unethical police. Recent examples in this jurisdiction emphasise the need for a strong regulatory and accountability framework for the police management of human sources.¹²

Last year OPI concluded an extensive investigation into Victoria Police policies and practices to do with human source management. In 2007, Victoria Police issued a new policy framework for the management of human sources.¹³ The remodelled framework is underpinned by a two-tiered management regime. The framework distinguishes between covert sources of information (who may be associating with criminals) and confidential sources (who are community-minded citizens that provide information obtained through their day-to-day activities). The framework provides for a registration of human sources that is separate from operational activities. Different processes apply, depending on the degree of risk posed by the relationship, either to the citizen or to the police.

The OPI investigation found that the regime in place for managing high-risk relationships was working well and acknowledged in policing circles as consistent with international best-practice. Unfortunately the investigation revealed critical gaps in the management of relationships assessed as having less risk associated with them and significant defects in the management of human sources by regional police involved in criminal investigations.

The Victoria Police Human Sources Instruction requires both covert and confidential sources to be registered and prohibits the use of 'non-registered' or 'anonymous' human sources. Information provided to OPI investigators suggests that since the requirement to register all human sources came into effect, registration numbers have dropped significantly. Some police suggest this is because the new processes are onerous. Others suggest police cling to the notion that the person providing the information is doing so on a personal basis, rather than providing information to Victoria Police as a whole. Further explanations are that there is insufficient knowledge in regional investigative units about the policy and that regional managers have an inadequate appreciation of the risks associated with failing to ensure the policy is properly implemented.

The effective management of human sources is contingent on both experience and training. In the development and release of the new policy, priority was given to training operational members of the Crime Department, yet at the time of the investigation, less than 20 per cent of detectives in the Crime Department had received training. Statewide, less than two per cent of operational police had received training. In one region, there were five times as many registered human sources actively involved

in assisting police investigations as there were police members who had received training about how to manage them. OPI investigators found that the significant delays in rolling out training, due to limited resources, has meant that many local managers such as Sergeants, Inspectors and Superintendents have little or no knowledge of their responsibilities under the new policy. OPI investigators were provided with numerous examples of supervisors who had failed to ensure compliance with the policy. Non-compliance with the policy became evident during an audit of search warrants conducted by the investigators.

Police often use the information obtained by human sources as the basis for applying for search warrants. While the OPI audit found the majority of warrant applications specified the source of information upon which the application relied, a significant proportion of applications had no information regarding the source of information. Some applications referred to an 'anonymous' or 'confidential' source and a few referred to 'non-registered informer'. Each warrant application had been approved by an Officer of the rank of Inspector or, less commonly, Superintendent.

Due to operational sensitivities, the full results of the OPI investigation cannot be made public. OPI corruption prevention researchers undertook an extensive analysis of relevant policies and practices in other jurisdictions, which has been provided to Victoria Police. It forms the basis of the following recommendations:

- Basic training about human source management should be compulsory for all operational police.
- Supervisors and operational police in high-risk policing areas, such as drug investigations, or other areas that regularly use covert human sources should undergo specialised training.
- Supervisors in high-risk policing areas should adopt an intrusive management style and actively monitor their staff, to minimise the risks of exposing the identity of covert human sources and protect police who work with them from their corrupting influences.
- Every warrant application should identify the source of information upon which the application is made, either by naming a person or referring to the registered number of a covert or confidential source.

- Access to registration numbers should be available online, 24 hours a day.
- Professional Development Committees should conduct regular audits of warrant applications to ensure the Victoria Police Human Source policy is being properly adhered to.

Priorities for the coming year

As part of its annual strategic planning process, OPI uses its growing intelligence holdings to identify trends and develop areas of emphasis for our work. These areas act as a compass, guiding the prioritisation and allocation of operational resources within OPI.

As in previous years, the majority of operational resources for the coming year will be allocated to investigations. Our workload investigating allegations of corruption and criminal conduct continues to increase. As astute police who engage in criminal conduct become more aware of OPI's powers and capabilities, our investigations become more complex. This complexity is reflected in our increasing use of covert investigative tools. In the coming year, we will continue to investigate and expose entrenched criminal activity within the Victoria Police. In addition to focusing on policing areas with a high risk of corruption, investigations will continue to focus on individual police members who compromise the integrity of Victoria Police through their improper relationship with criminals.

In the past, OPI's work has had a heavy investigative focus. However, over the coming year we will continue to build our corruption prevention capacity. To reflect the importance of this work, OPI has identified 'Leadership Practices' as an area of emphasis or strategic focus for our corruption prevention work.

Effective leadership is well recognised as a key to corruption prevention. Managers create a cultural environment that is either resistant to corruption or tolerant of it. OPI corruption prevention staff will work with current and emerging leaders within Victoria Police to support the creation of a dominant culture within Victoria Police that is grounded in integrity and resilient to corrupting influences.

OPI will use complaint data to identify policing areas that indicate weak management practices and a lack of commitment to the continuous

improvement of professional standards. We will work with police managers, providing support and examples of practical measures they can use to improve performance.

Building on the work we have done in our reviews of the Victoria Police discipline system and complaint handling processes, OPI will review the way police resources are allocated to ensure that the systems in place provide a flexible and responsive work force.

Areas of emphasis 2008–2009

Improper criminal associations

We will continue to investigate serving and former police who associate with known criminals and with those who are active targets of police investigations. Improper criminal associations pose a real risk to operational activity. Making a person aware he or she is the target of an investigation compromises and undermines the investigation.

Leadership practices

A focus on leadership practices acknowledges the important role of corruption prevention and education in supporting ethical leadership to build corruption resistance and achieve cultural change.

Police and the sex industry

OPI operational units comprising investigators and corruption prevention and strategic projects staff will work to limit the systemic policing risks associated with the sex industry. OPI will recommend minimum standards for police conduct in this area.

Maladministration

Strategic intelligence will identify areas of poor administrative practice, demonstrated by disproportionate numbers of incidents or complaints of assaults, duty failure, theft, malfeasance and custody issues.

Police mobility

OPI will review policies and practices governing police mobility to ensure they support a flexible workforce and modern policing practices.

Acknowledgement of OPI staff

Last, but by no means least, I take this opportunity to thank OPI staff for their hard work over the past 12 months. The following pages set out their achievements. As a recent arrival, I have observed that OPI staff perform a difficult task with diligence and dedication. They come from a wide range of backgrounds and have an impressive array of skills and expertise. Many have law enforcement backgrounds and bring with them knowledge and expertise from many jurisdictions, both here and abroad. Others have significant technical expertise in their area of speciality ranging from strategic intelligence to high-tech crime, covert surveillance and law. The operational units are supported by highly professional support units. Every OPI staff member has made me feel welcome. I am impressed by their high standard of work, commitment and professionalism. I am looking forward to the coming year when, as a team, we can continue to build on OPI's work to date and build a reputation as a leader in police anti-corruption and oversight.

Achieving the Director's objects

Investigating serious misconduct and corruption

Investigations into serious misconduct and corruption are complex and time consuming. Once sufficient evidence has been gathered to indicate that wrongdoing has occurred, there is usually a lengthy process in preparing matters for prosecution, laying charges and bringing a matter before a court or disciplinary body. This means there may be months or years between the occurrence of an incident of wrongdoing and finalisation.

OPI's public reports of its activities are often constrained by these factors. It is inappropriate to report publicly on matters that are currently before the courts. In the past year OPI has tabled a number of 'stand-alone' reports in relation to investigations. The following case studies are included to illustrate, in general terms, the range of other work undertaken by OPI investigators. Also included are matters that were alluded to in last year's annual report and are now finalised.

Improper associations and conflict of interest

Improper associations pose an enormous risk to the integrity of individual Victoria Police members and Victoria Police generally. They have been prominent in recent OPI public hearings, and appear as a recurring theme in the majority of OPI investigations. Some improper relationships appear to have developed for the mutual benefit of both parties. However, in other relationships there is an uneven balance of power. Some apparently naïve Victoria Police members appear oblivious to the fact that some citizens will foster a relationship with a Victoria Police member to exploit the relationship and further their own interests to the detriment of the public interest. The following case study illustrates a lack of understanding by two police members about conflict of interest.

Case study - Conflict of interest

Over a period of years, a member of Victoria Police frequently attended an inner city hotel in both a social and official capacity. Rising to the rank of Sergeant, he eventually became friends with the manager of the hotel. He also socialised occasionally with the owner of the hotel, who was aware that he was a member of Victoria Police.

The Sergeant told the owner of the hotel he was interested in becoming a shareholder of a hotel if the opportunity ever arose. Some time later the owner of the hotel offered the Sergeant the opportunity to buy shares in a neighbouring hotel run by a friend of his. The hotel was in a prime location.

At the time, the director/manager of the neighbouring hotel was a convicted cocaine dealer. The Sergeant decided to take up the offer of shares and invited a friend of his, who was a Senior Constable, to join him in investing in the neighbouring hotel. The Senior Constable took up the offer but put the shares in his wife's name.

The Senior Constable asked his Victoria Police supervisor about owning shares in a hotel, but was told that this was a 'grey area' of Victoria Police policy. As a result, the Senior Constable did not seek formal permission for the shareholding and did not declare his financial interest in the licensed premises.

Before buying the shares, the Sergeant twice looked up the criminal record of the cocaine dealer on the Victoria Police Law Enforcement Assistance Program (LEAP) database. He invested in the hotel in his own name. The Sergeant also did not declare this interest to anyone in Victoria Police.

After a while, the Sergeant and the Senior Constable came to know the cocaine dealer through the Sergeant's friend, the manager of the first hotel.

The Sergeant and the convicted cocaine dealer started regularly attending the football together and the Senior Constable went to the convicted dealer's daughter's christening. During the course of their association, the cocaine dealer had borrowed over \$14,000 from the Sergeant.

The Victoria Police secondary employment policy states that Victoria Police cannot engage in outside employment that creates a conflict of interest with their duties as member of Victoria Police. The policy states:

*'Employees must also declare any pecuniary, family or personal relationship with an owner or director of a security firm or a company operating licensed premises.'*¹⁴

In this case, neither the Sergeant nor the Senior Constable sought permission to have a pecuniary/family/personal interest in licensed premises. The Sergeant and the Senior Constable also failed to declare a personal relationship with the person who was operating the licensed premises. The Senior Constable admitted being aware that investing in licensed premises was potentially against Victoria Police policy, but did not clarify the issue, and went on to invest in the business in his wife's name. The Sergeant knew he was associating with a convicted cocaine dealer. He had used the Victoria Police database, not for any police purpose, but for his own purposes to check a person with whom he was contemplating doing business.

OPI has recommended that Victoria Police take disciplinary action against the Sergeant and the Senior Constable for their failure to adhere the relevant policies.

Failure to adhere to relevant policies emerges as a consistent theme in many OPI investigations and the Victoria Police investigations we review. However, sanctioning someone for failing to comply with relevant policies is often a case of 'too little, too late'.

Victoria Police have many policies and expect employees to comply with them. It seems, however, that employees would benefit from more formal training and ongoing education about how to make ethical decisions. Victoria Police supervisors have a critical role in making sure that employees understand when and how conflict of interest issues arise. Supervisors should also mentor and guide staff about how to manage conflicting interests to make sure that their decisions stand up to scrutiny, are in the public interest and are in the interests of Victoria Police.

Exonerating police

While OPI's investigations often expose corruption and serious misconduct by Victoria Police members, some of our work, as demonstrated by the following case study, results in the exoneration of police.

Case study – OPI exonerates member of police

Preliminary enquiries by State police in another jurisdiction identified a phone number which suggested a member of Victoria Police was involved in blackmailing teenagers via the internet. The interstate investigator contacted the Ethical Standards Department of Victoria Police (ESD), who approached the OPI High-Tech Crime Team for assistance.

An investigation conducted by OPI indicated that the identifying phone number had been incorrectly recorded, and that the Victoria Police officer had no involvement in the alleged offences.

Operational support

A number of OPI's operation support teams are acknowledged leaders in their field. The OPI Electronic Collection Unit has been operational for 12 months and is now fully staffed and resourced with state-of-the-art equipment. The primary function of the unit is to provide operational support to OPI's investigations by lawfully receiving and monitoring telephone intercepts, optical and listening devices and tracking devices. OPI's covert technical surveillance operatives work closely with the Electronic Collection Unit to monitor the quality of product from surveillance devices and to ensure that they are working effectively. The increasing complexity of OPI investigations increases the reliance on evidence obtained by the Electronic Collection Unit, as demonstrated in OPI public hearings.

The services of OPI's High-Tech Crime Unit are also under increasing demand not only by OPI investigators, but also by ESD investigators. Requests for operational support from the High-Tech Crime Unit range from minor enhancements to complex computer forensic examinations.

Preventing misconduct and corruption

The last 12 months have seen OPI's Corruption Prevention and Education Unit continue to build capacity. Significant gains in the credibility of the Unit are demonstrated by increasing requests for the provision of advice or education and training sessions.

Evidence based policing practice

Through its research on policing practice both here and in other jurisdictions, the Unit is building a strong knowledge base for understanding appropriate standards and best practice models in policing. This information has been used in a number of investigations to identify weaknesses in current Victoria Police systems and forms the basis for recommendations for improvement.

Building confidence in police with Indigenous people

Over the past 12 months, OPI has continued to liaise with the Department of Justice on Indigenous issues. As a result of the recommendations from a previous corruption prevention leadership analysis of a regional Police Service Area, a model of communication, management and multi-agency partnership was developed. It formed part of the implementation of phase 2 of the Victorian Aboriginal Justice Agreement. The aim was to improve policing services to the local Indigenous community. Called the District Police Aboriginal Liaison Group, membership comprises Chief Executive Officers from relevant organisations. An officer from the OPI Corruption Prevention and Education Unit chairs meetings. A second group, the District Aboriginal Liaison Team, provides an operational focus. Both groups communicate with each other. One of the first strategies of these groups was to establish a local Statement of Cooperation between the Victorian Aboriginal Legal Service, Aboriginal Community Justice Panel, the Regional Aboriginal Justice Advisory Committee, the Aboriginal Cooperative and Victoria Police. Finalised and agreed on 18 April 2008, the Statement of Cooperation was launched in a public ceremony on 12 June 2008.

OPI will monitor the progress of this innovation and consider whether it can be adapted to other policing areas that have a significant Indigenous community. I am personally committed to ensuring police relations with Indigenous people and others who experience marginalisation are firmly grounded in human rights principles, and reflect an understanding and accommodation of cultural and ethnic diversity.

Supporting emerging leaders

In May 2008, OPI's Corruption Prevention and Education Unit brought together selected Victoria Police members to form a Police Reform Advisory Group (PRAG). At the inaugural conference hosted by OPI, police members met with OPI staff to:

- establish a working relationship between OPI representatives and PRAG members;
- discuss PRAG's charter and objectives;
- explore PRAG's views on a series of issues relevant to police integrity, including corruption, misconduct and oversight, management and leadership, organisational support and employee motivation; and
- gather information to inform OPI's future corruption prevention and education activities.

The consensus of attendees was that the conference was successful. It was a positive step toward building frameworks for practical deliverable strategies that support ethical leadership and integrity within Victoria Police. It is envisaged that PRAG will meet on a regular basis. By working together on projects, PRAG aims to facilitate the exchange of ideas and develop and implement strategies to reinforce a corruption resistant ethos within Victoria Police.

Educating police

Whilst many provisions of the *Police Integrity Act 2008* are yet to come into operation, the Act includes a further object of the Director:

*To educate Victoria Police and the general community regarding police corruption and serious misconduct, including the effect of police corruption and serious misconduct.*¹⁵

The inclusion of this provision acknowledges the important role education plays in building corruption resistance.

The Corruption Prevention and Education Unit has continued its program of monthly presentations to the Victoria Police Probationary Constables Course. Participants are asked to complete an evaluation sheet at the conclusion of the presentation. The evaluation asks members to nominate what they found valuable about the information session, what they would have preferred to be different and to provide any additional comments. Analysis of the responses shows that most members value the effort OPI makes in coming out to speak to them at the Academy. They report enjoying the discussion of case studies that form part of the presentation, and indicate it gives them a better understanding of how OPI handles complaints and investigations. The oral and written responses of participants in the course

demonstrate greater acceptance of OPI's presence and an increased desire to learn about the organisation and its role.

During this reporting period, the Corruption Prevention and Education Unit continued the Regional Outreach Program that commenced in April 2007. The aim of the Program was to inform Victoria Police members about the role of OPI, corruption prevention, and the rights and responsibilities of members when dealing with OPI. Over a period of four months, OPI officers visited 30 stations and spoke to over 600 police throughout Regions 2, 3, 4 and 5.

In addition to raising awareness about OPI, the Regional Outreach Program provided an opportunity to rectify some of the misunderstandings police have about OPI's work. Acknowledging and actively responding to police concerns is an essential component of OPI's effort to foster a positive working relationship with police, and to support them to build a culture and environment that is resistant to corrupting influences.

Feedback from the station visits indicated that police generally appreciated the opportunity to learn more about OPI. Some attendees made particular reference to the frankness and openness with which the presentations were delivered, indicating their appreciation of the willingness of OPI's staff to respond to their concerns and participate in frank discussions about OPI processes.

In the coming year, using a range of communication tools in a variety of formats, OPI's Corruption Prevention and Education Unit will continue to expand its educational activities. In particular OPI will work to improve understanding amongst police and the public about the impact and effect of police corruption and serious misconduct.

Maintaining the highest ethical and professional standards

Complaints and reviews

Current provisions in the *Police Regulation Act 1958*, and those that will replace them in the *Police Integrity Act 2008*, require the majority of complaints about police to be either investigated or conciliated by Victoria Police. As noted in previous annual reports, complaints arise from a very small proportion of the thousands of contacts police have with citizens

over a 12-month period. However, the way complaints are dealt with is an important indicator of an organisation's ethical health. The lessons learnt from complaints and critical feedback provide important information for organisations seeking to improve standards.

Every complaint received by OPI is assessed. Some complaints are of such a trivial nature that OPI may determine that no action is warranted. Other complaints may be considered suitable for conciliation or alternative dispute resolution, for example where the complaint appears to arise from a misunderstanding of police procedures or a failure by police to meet a complainant's expectations. Approximately 30–40 per cent of complaints received by OPI are assessed as warranting investigation. Once a matter has been assessed, OPI will inform the complainant of the outcome of the assessment. For those matters considered appropriate for conciliation, OPI will provide the complainant with ESD's contact details to facilitate his or her direct access. Subject to the complainant's consent, OPI will offer to lodge the complaint on his or her behalf.

For the majority of matters assessed as warranting investigation, OPI is required to forward the matter to Victoria Police. The progress of some police investigations is monitored by OPI. Once an investigation has been completed, OPI officers will review it. When the review is completed, OPI will generally inform the complainant of the outcome of the investigation.¹⁶ In addition to reviewing the outcome of investigations of complaints to the Director, OPI officers also review the outcome of some complaints made to the Chief Commissioner. In the last 12 months, OPI officers reviewed 935 Victoria Police investigations into complaints. As with previous years, OPI review officers were not satisfied with the information on the file or the quality of the police investigation in a proportion of matters sent for review. Ninety-two investigation files (10 per cent) were sent back to police for further action. The further action requested by review officers ranged from a requirement to forward further documents, to asking for the matter to be re-investigated, or seeking an explanation about why a particular witness had not been contacted or why a police member had not been formally interviewed.

The following case study represents some of the consistent themes identified by OPI review officers.

Case study – Use of capsicum spray

A complaint arose out of an incident at a CBD nightclub. It was closing time and several people, at various stages of intoxication, were gathered outside. Police attempts to move them on were objected to, so police (two Leading Senior Constables and two Constables) sprayed those gathered outside with Oleoresin Capsicum (OC) spray. As a result, several people were affected by the spray, including those targeted and others who received secondary doses. One of these complained.

The OPI review of the police investigation into this complaint identified two problems with the quality of the investigation. First, the investigator failed to identify that the police involved, and their supervisors, had not complied with the Chief Commissioner's Instructions requiring the submission of Use of Force forms in such circumstances. Second, the investigator failed to secure all the potential Closed Circuit Television (CCTV) footage of the incident, despite being requested to do so by OPI.

The failure to secure physical evidence such as CCTV footage is inexcusable. Too often, OPI review officers are told tapes are not available or footage has been taped over.

As noted in last year's Annual Report, under-reporting of all incidents involving use of force by police is estimated by some police to be up to 70 per cent. This is extremely disturbing, as a significant proportion of complaints arise out of physical confrontation between police and citizens and the related use of force by police. Police need to be conscious of their responsibility to properly account for their actions when using force to effect an arrest. Along with the authority to use reasonable force comes the responsibility for police to openly account for their actions.

Future directions in ensuring professional standards

Consistent with the modernisation of Victoria Police and with OPI recommendations, local managers are now increasingly responsible for investigating and resolving all but the most serious of complaints.¹⁷ The devolution of these duties requires local managers to accept liability for ethical health issues within their areas of responsibility. Anecdotal

information provided to OPI indicates that too many Victoria Police employees hold the view that 'handling complaints is ESD's job' and has nothing to do with 'real policing'. In order to support the changes to the way Victoria Police handles complaints, in the coming year OPI will take a much more proactive approach in dealing directly with local managers. To underscore this fresh approach, OPI's Complaint and Review Team is now known as the OPI Professional Standards Assurance Unit. This renaming more accurately represents the work undertaken by the unit. In addition to referring complaints to Victoria Police and monitoring their outcomes, staff from OPI's Professional Standards Assurance Unit will be working to ensure local managers understand that ethical health, performance management, dealing with complaints, and providing professional policing services are interrelated and are the responsibility of every Victoria Police member, regardless of rank.

Ensuring compliance with Human Rights Charter

Since January 2007, the Director, Police Integrity has been required to:

*Ensure that members of the force have regard to the human rights set out in the Charter of Human Rights and Responsibilities.*¹⁸

The *Charter of Human Rights and Responsibilities Act 2006* (the Charter) is intended to both protect and promote human rights.¹⁹ From January 2008, Victoria Police, along with other public authorities in Victoria, including OPI, has been required to act in a way that takes human rights into account. It is also unlawful for any public authority or Victoria Police to act in a way that is incompatible with a human right.²⁰

Community confidence in policing is based on the presumption that police will always act professionally. If we come into contact with police, for whatever reason, we want police to deal with us courteously, fairly and impartially. We count on them not to discriminate against us. We are entitled to expect police to be honest, to have the utmost integrity and to act in accordance with the law. I endorse the views expressed by the Independent Commission for Policing in Northern Ireland:

*... ethical health,
performance
management, dealing
with complaints, and
providing professional
policing services, are
interrelated and are the
responsibility of every
Victoria Police member,
regardless of rank.*

... the fundamental purpose of policing should be ... the protection and vindication of the human rights of all ... people want the police to protect their human rights from infringement by others, and to respect their human rights in the exercise of that duty ... There should be no conflict between human rights and policing. Policing means protecting human rights.²¹

I am aware that the Victoria Police Corporate Governance Group has invested significant resources in ensuring Victoria Police members understand their obligations and responsibilities under the Charter. OPI has indicated that one way it will ensure compliance with the Charter is through the monitoring of complaints that give rise to human rights issues.

Areas at risk of human rights breaches

According to the Victoria Police complaints database, nearly 20 per cent of all complaints warranting investigation relate to allegations of assault, usually associated with arrest or whilst a person is in police custody. Since January 2000, more than 1418 individual police employees have been the subject of one or more complaints about assault.²² This represents 10 per cent of the total Victoria Police workforce, including public servants.²³ The great majority of these complaints have not been substantiated. However, many complainants face significant evidentiary problems in proving their allegations. There is often no evidence that can independently corroborate the complainant's version of events. Frequently it is the complainant's word against that of police. Police may deny the allegation or, more frequently, rely on a defence that any physical contact arises from the use of reasonable force. These factors make it difficult for a complainant to establish his or her allegations to the requisite standard of proof.²⁴

I accept that some complaints may be unfounded. However, in the last 12 months OPI has investigated or reviewed a number of complaints that provide compelling examples of police failing to have regard for the human rights of those in their custody. I note that the majority of substantiated matters arise from incidents that occurred before 1 January 2008. Too few investigations into incidents that happened since the Charter came into effect have been reviewed by OPI to establish what impact, if any, the Charter will make. However, the following case studies demonstrate what appears to be disturbing attitudes by some police to people in their custody.

Case study – Assault in police custody

OPI was contacted about an incident involving the treatment of a person detained in police cells. OPI investigators quickly obtained CCTV footage relating to the incident.

The footage depicted police approaching a cell door and opening a flap in the middle of the door. The footage then shows the prisoner, who had been arrested for being drunk in a public place, reaching through the gap previously covered by the flap and resting his arm on it at a 90-degree angle to the door. The lower part of prisoner's arm and hand protrude over the edge of the flap. Although the footage has no sound, police appear to talk to the prisoner for a few minutes. After a few minutes, a police officer attempts to close the flap in the door but is unable to do so because the prisoner's arm continues to protrude over the edge of the flap. The police officer then kicks the underside of the flap, three times. Immediately following this, a second police officer directs OC foam at the gap, presumably aiming for the prisoner who is obscured from view. The first police officer then aims a further kick at the prisoners arm before a third police officer grabs the prisoner's arm and successfully pushes it back through the gap, enabling the flap on the cell door to be closed. A short time later, the cell door is opened and the prisoner is given a garden hose to rinse his face.

The evidence of the CCTV footage formed the basis of prosecutions against both the police officer who used OC foam and the police officer seen kicking at the prisoner's arm. In summary proceedings before a Magistrate in October 2007 the officer who used OC foam was found not guilty of any offence. The officer seen kicking at the prisoner's arm was found guilty and received an adjourned undertaking for a period of six months without conviction.

A second similar but more disturbing case relates to a person who had mental health issues.

Case study – Dealing with a person who appeared to have a mental illness

In February 2007, police were called to the home of the female complainant who was allegedly in an intoxicated and violent state, threatening to harm herself and others. The police decided to apprehend the complainant under section 10 of the Mental Health Act 1986, rather than arrest her. (Section 10 requires police to arrange for the person to undergo a mental health assessment or examination 'as soon as practicable' after the person is apprehended.) The complainant, in this case, was handcuffed and taken to a police station in a divisional van. The police and complainant's version of events are similar. They establish that the complainant was angry and aggressive, resisted arrest and attempted to assault police while being removed from the divisional van. Police had handcuffed the complainant, but, given her slight build, she was able to remove the handcuffs while in the divisional van.

The complainant was placed in a cell. Some time later two other members of police checked her. When the inspection flap on the cell door was opened, the complainant put her arms through the flap and refused to withdraw them when requested to do so. The police members conducting the check decided that the flap needed to be closed for safety reasons. They formulated a plan. They agreed that they would open the door and tell the complainant to 'back off'. If she refused, one of them would deliver a 'front kick'. CCTV footage of the incident shows the members opening the cell door. Almost immediately one member forcefully kicks the complainant in her midriff. The kick caused the complainant to lose balance and she fell backwards, hitting her head on the cell wall opposite the door. The police member who kicked the complainant is over 180 centimetres tall. The complainant is 152 centimetres tall and weighs 45 kilograms.

The Mental Health Crises Assessment and Treatment (CAT) Team arrived within an hour of the incident. The CAT team worker noted that the complainant was 'uncooperative and surly', but did not identify any mental health issues. Instead the complainant presented as rational and was not violent. Some time later the complainant contacted Victoria Police saying she had been assaulted.

This complaint was investigated by a Regional Victoria Police investigator, who determined that the complaint was not substantiated and that there were no discipline or local management issues arising out of the file. The OPI officer who reviewed this case requested a further review by ESD. As the actions taken by the two police complied with Operational Safety and Tactics Training, ESD concluded:

This is considered by Victoria Police to have been an appropriate use of force in the circumstances in which the amount of force was minimised ... In all the circumstances further review of training is not required or justified.

I am concerned by this response and have raised the matter directly with the Assistant Commissioner ESD. He advises me that he will meet with the Education Department of Victoria Police to revisit the Operational Safety and Tactics Training approach in these circumstances. I intend to examine the Operational Safety and Tactics Training curriculum as part of a review of the Use of Force by Victoria Police.

Perhaps, in fairness to police, these cases should be treated as isolated examples. However, OPI has identified key areas at risk of human rights infringement by police. These include:

- the general treatment of people in police custody;
- police contact with Indigenous people or other marginalised groups;
- the exercise of discretion in the decision to arrest someone;
- the execution of search warrants; and
- the management of property.

In the last six months, OPI has taken steps to further examine the general treatment of people in police custody as a follow-up to the joint OPI/Ombudsman Victoria report, *Conditions for persons in custody* tabled in Parliament in July 2006. The detailed findings of limited audits conducted by OPI staff are set out later in this report. While there have been significant overall improvements in the number of detainees in police cells and their access to health services, it is of concern that, contrary to the Charter, the experience for detainees continues to vary, sometimes dramatically, based on their place of detention.

For example, detainees in some facilities have no access to fresh air or outside exercise yards. In some facilities there is a blanket ban on shaving, meaning that people may have to face a judge or magistrate without the

dignity of being able to attend to their personal appearance. In other facilities prisoners are provided with a razor, unless there are serious concerns about the safety of the person or others. The quality of food also varies markedly, with meals being notably unappealing in some areas.

While most facilities now have areas set aside for meetings between detainees and family or legal representatives, the area provided is often inadequate. Poor design means that the individual's privacy is not respected, with police or other detainees being able to overhear conversations.

In some instances, these human rights issues can be addressed by police changing their attitude to people in custody. Other more pressing issues require commitment and resources from government to continue to improve custodial facilities.

In the coming year, OPI will continue to conduct audits of conditions for people in police custody. We will also monitor and report on other areas we have identified as being at risk of breaching rights under the Charter.

Reporting to Parliament

In addition to reporting annually on OPI's performance, my predecessor and I have tabled five Parliamentary reports regarding investigations or reviews conducted by OPI.

Third and final Ceja Task Force report

The report on the third and final review of the operations of the Ceja Task Force was tabled in Parliament in July 2007. The report details the background, methodology and achievements of the Ceja Task Force. Eight former Drug Squad members were found guilty of criminal offences and imprisoned as a result of the Ceja Task Force's work.

The report commends the effectiveness of the Task Force in achieving its objectives and acknowledges the professionalism and dedication of those involved. The report also recognises the resolution and commitment of Victoria Police in vigorously pursuing corruption in the Victoria Police Drug Squad once concerns were raised.

Victoria Police accepted all of the four recommendations in this report. Since the report was tabled, Ceja investigators have received Chief Commissioner's awards in a ceremony at Government House.

A Fair and Effective Victoria Police Discipline System

The report of the OPI review of the Victoria Police discipline system was tabled in Parliament in October 2007. This report provides an extensive analysis of the Victoria Police discipline system and police discipline systems in other jurisdictions. The review found the Victoria Police discipline system to be archaic, slow, unnecessarily bureaucratic and hopelessly convoluted. It found that the current system fails to support the integrity of members, undermines their well-being and hinders the effective management of Victoria Police. The review team invited public submissions about the system and consulted widely before developing recommendations for reform.

The review recommended that Victoria Police develop a discipline system that can resolve performance issues and complaints in a timely manner and assist police members to improve their performance, unless the conduct of an individual is incompatible with him or her remaining a member of Victoria Police. In that event dismissal processes should be streamlined but fair.

The recommendations in the report have been accepted in principle by both Victoria Police and Government. They involve both administrative and legislative change. OPI will continue to monitor the change process to ensure these significant and substantial reforms are appropriately implemented.

Report on the 'Kit Walker' investigations

In July 2007, OPI commenced an own-motion investigation into the cessation of an ESD investigation into the misuse of the Victoria Police email system by a Police Association delegate under the pseudonym 'Kit Walker'. The ESD investigation had been suspended following allegations by Police Association Secretary, Mr Paul Mullett, concerning the appropriateness and integrity of the ESD investigation. In November 2007, the issue arose as a peripheral matter in public hearings into information leaks by senior members of Victoria Police. To clarify the matter, Mr Brouwer tabled his report on the 'Kit Walker' investigations in December 2007.

Mr Brouwer concluded that there had been no impropriety in relation to the ESD investigation, or the decision to temporarily suspend it so that Mr Mullett's concerns could be investigated. Mr Brouwer noted that the proper management of conflicts of interest and perceptions of bias

are essential to maintaining the integrity of investigations and public office. He recommended the development of agreed parameters for communications between the Chief Commissioner, the Police Association and the Minister's office, and legislative amendments which would allow full-time paid Police Association officials to avoid conflicts in their duties without disadvantaging their careers within Victoria Police.

Exposing corruption within senior levels of Victoria Police

In 2007, the Director's delegate Mr Murray Wilcox QC presided over private and public examinations of witnesses in an investigation into, amongst other things, unauthorised communication of confidential information by senior Victoria Police employees. The public report of that investigation and Mr Wilcox's recommendations, which were accepted by Mr Brouwer, was tabled in Parliament in February 2008. The implementation of recommendations in the report are now the subject of legal proceedings.

Report on investigation into Operation Clarendon

This report was tabled in Parliament in June 2008. It sets out the findings of an OPI investigation into the activities of Victoria Police members and a citizen, Mr Kerry Milte, in 2002. The OPI investigation had been substantially completed in 2005 but the tabling of the report had to be deferred until court proceedings involving persons named in the report had been finalised.

Review of the Management Intervention Model

As an adjunct to the review of the Victoria Police discipline system, Mr Brouwer initiated a review in January 2008 of the Management Intervention Model used by Victoria Police to resolve citizen complaints relating to service delivery or less serious misconduct matters. While the report of the review was not tabled within the financial year ending 30 June 2008, the review was completed in March 2008. The review team considered documents detailing the inception and implementation of the model, interviewed more than 60 police, surveyed police and complainants who had recently participated in the process, and examined 111 Management Intervention Model case files. A report of the outcome of the review, with recommendations to fully devolve responsibility for the alternative dispute resolution of complaints, was tabled in Parliament in July 2008.

Report downloads 2007–2008

Report	Downloads
<i>Past Patterns - Future Directions: Victoria Police and the problem of corruption and serious misconduct</i> (February 2007)	57,879
<i>Exposing corruption within senior levels of Victoria Police</i> (February 2008)	46,583
<i>A Fair and Effective Victoria Police Discipline System</i> (October 2007)	19,809
<i>Ceja Task Force - Drug Related Corruption: Third and Final Report</i> (July 2007)	17,485
<i>OPI Annual Report 2006–2007</i> (October 2007)	17,162
<i>Report on the 'Kit Walker' investigations</i> (December 2007)	10,094
<i>Conditions for persons in custody</i> (joint with OV) (July 2006)	5,409
<i>OPI Annual Report 2005–2006</i> (October 2006)	3,128
<i>Investigation into the Victoria Police's Management of the Law Enforcement Assistance Program</i> (March 2005)	2,138
<i>Review of fatal shootings by Victoria Police</i> (November 2005)	1,127
<i>OPI Annual Report 2004–2005</i> (October 2005)	957
<i>Investigation into the publication of One Down, One Missing</i> (September 2005)	600
<i>Report on investigation into Operation Clarendon</i> (June 2008)	475
<i>Report on the Leak of a Sensitive Victoria Police Information Report</i> (February 2005)	425
<i>Review of the Victoria Police Witness Protection Program</i> (July 2005)	215

Overseeing Victoria Police regulatory compliance

Witness Protection Act 1991

Where the Chief Commissioner decides to terminate a witness's participation in the Victoria Police Witness Protection Program, the person may appeal to the Director, Police Integrity for a review of the Chief Commissioner's decision. Appeals must be lodged by the person concerned within three days of notification from the Chief Commissioner. The Director is required to determine such appeals within 72 hours of receipt. *The Witness Protection Act 1991* also provides for the Director, Police Integrity to investigate complaints about matters relevant to the Act (s.12(4)) and gives protected witnesses the right to complain to the Director about police conduct in relation to matters covered by the Memorandum of Understanding (s.5(3)). The Director can recommend actions to the Chief Commissioner. In this reporting period, the Director considered two appeals in relation to the same witness.

Monitoring Victoria Police compliance with part 4 of the Sex Offenders Registration Act 2004

Part 4 of the *Sex Offenders Registration Act 2004* requires the Chief Commissioner of Police to establish and maintain a Register of Sex Offenders. The legislation specifies information which must be included and who can access it. People registered under the Act are entitled to obtain a copy of information held about them and may have that information corrected if it is found to be incorrect. OPI's role is to monitor compliance by the Chief Commissioner with these provisions. OPI has conducted one inspection during this reporting period; OPI's regulatory compliance officer was satisfied with the overall integrity of the files inspected.

Drugs, Poisons, Controlled Substances Act 1981– Inspections by OPI

The *Drugs, Poisons, Controlled Substances Act 1981* provides that the Director, Police Integrity must carry out an inspection, at least once each financial year, of the Certificates of Health and Safety Destruction or Disposal as well as the related reports to be held by the Chief Commissioner of Police. The results of inspections must be reported to the Minister of Police and Emergency Services. The circumstances in which the certificates and reports are required to be completed by Victoria Police are limited to certain drug seizures without a warrant. OPI has conducted one inspection during the reporting period.

Terrorism (Community Protection) Act 2003

Effective from 12 December 2007, the *Terrorism (Community Protection) Act 2003*, imposes a duty on Victoria Police to notify the Director, Police Integrity, and provide a copy, of any preventative detention or prohibited contact order made by Victoria Police. If a person is taken into custody under such an order, Victoria Police must notify the Director in writing of this fact. Any person who is subject to a preventative detention order or prohibited contact order has the right to complain to the Director in relation to the application of and their treatment under any such order. The Director is entitled to make representations to Victoria Police regarding the exercise of powers and compliance with provisions in relation to preventative detention and prohibited contact orders, and the treatment of any person detained under a preventative detention order. Victoria Police did not exercise any powers under this legislation during the reporting period.

Monitoring the implementation of recommendations from previous reports

Victoria Police continues to accept in principle the majority of recommendations made in OPI public reports. However, in some areas, implementation of the recommendations is sporadic and inconsistent.

Investigation into Victoria Police's Management of the Law Enforcement Assistance Program (LEAP)(2005)

In 2005, a report on an *Investigation into Victoria Police's Management of the Law Enforcement Assistance Program (LEAP)* was tabled in Parliament. An extensive series of recommendations were made stressing the importance of changes to Victoria Police policies and recommending that the LEAP system be replaced. There have been extensive changes to the Victoria Police Manual in line with the recommendations of this report. The impact of the changes are yet to be measured. Rather than immediately replace the LEAP system, Victoria Police embarked on a series of upgrades aimed at addressing some of the concerns articulated in the report. These upgrades have provided short-term remedies to problems, such as the ability to audit information accessed by particular people.

Despite acceptance in March 2005 of OPI's recommendation that the LEAP database needed an urgent replacement, Victoria Police advise that a replacement database is not scheduled to start being rolled out until late 2009. It will be phased in over a period of 12 months during which LEAP will run in parallel with the new system. Whilst it is understood that the task of procuring and implementing a replacement system for LEAP is a significant undertaking, Victoria Police do not seem to have acted with the urgency recommended in the report.

OPI has recommended, as a matter of urgency, that Victoria Police adopt improved technological solutions to its complaints management system in its reviews of the Victoria Police discipline and complaint management systems. It is hoped Victoria Police will accelerate its processes and implement a new complaints management system as soon as possible.

Investigation into the publication of *One Down, One Missing* (2005)

Disclosures of confidential information by Victoria Police members continue to be of concern to OPI. Legislative amendment in response to this report has increased the penalties for misuse of information. In October 2007 amendments to the *Police Regulation Act 1958* were passed by Parliament increasing the penalty for an unauthorised information releases to a maximum of five years imprisonment. The offence now extends to the reckless use of information, rather than only to cases where its misuse was intentional.

Conditions for Persons in Custody (2006)

Of the 34 recommendations made in this report, Victoria Police accepted, in principle, the vast majority. Recent reports from the Victoria Police have indicated that core recommendations relating to CCTV, IT and building infrastructure have been addressed. While there have been significant improvements in providing access to health services and reducing the numbers and length of stay of people in police custody, a limited audit conducted by my staff has established that implementation of other recommendations has been sporadic.

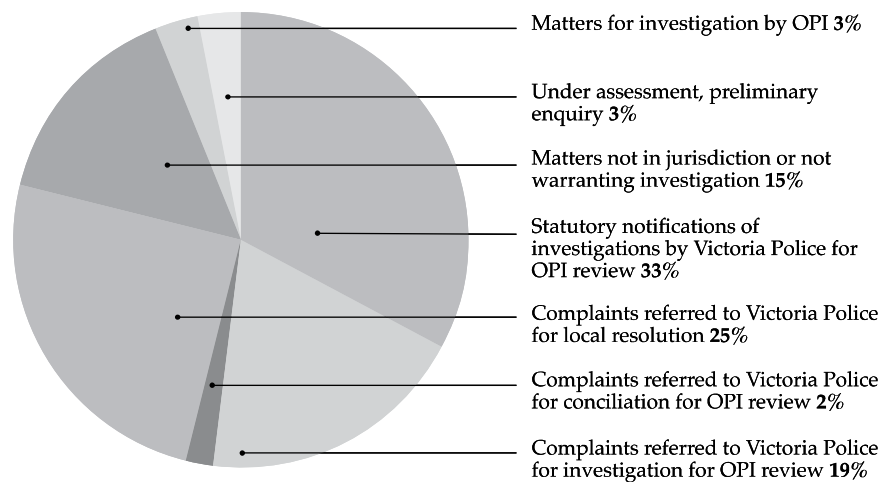
The report recommended the E*Justice system be used across all Victoria Police custody facilities. The Thin Blue Line custody package has instead been rolled out to all locations. It seems that this system does not integrate with the E*Justice system, which would have provided a seamless link between corrections and police custody facilities. The Thin Blue Line

system runs particularly slowly during periods of peak demand. In most larger cell complexes there is insufficient hardware to process multiple detainees at once.

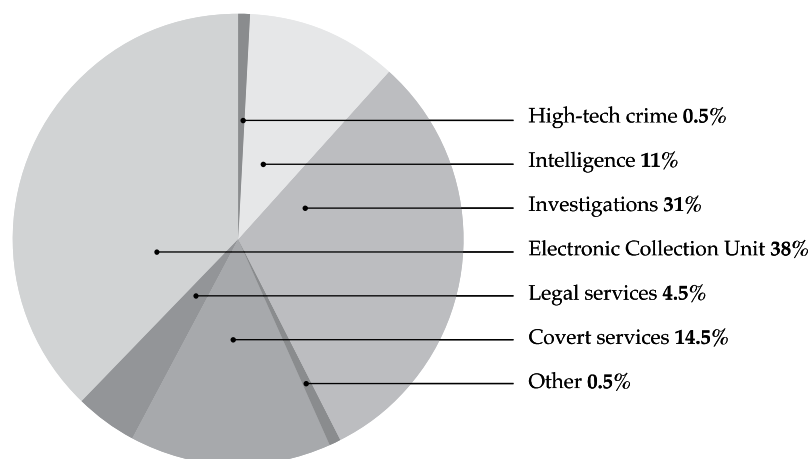
Victoria Police has advised that all 'A' Category (24-hour) cell complexes were fitted with digital CCTV by the end of 2007. In the limited audits conducted by my staff, it appears that these do not all operate effectively. No standard processes are in place for the maintenance of these systems, or for ensuring that access to footage is secure. In one particular location, CCTV footage was only retained for one week. A report on the highly publicised case of an alleged assault by police in Queensland's Aurukun community highlighted the importance of constant CCTV recording in determining the facts relating to such allegations.²⁵ This matter should be rectified as a matter of urgency.

Statistics

New matters received 2007–2008



A typical investigation into improper associations



This profile of a typical investigation demonstrates the complexity of OPI investigations. Operational support units complement the work of investigators and are an essential component of our work in exposing police misconduct and corruption.

Governing responsibly

Our people

Amendments to the *Police Regulation Act 1958* that came into effect on 16 November 2004 established the Office of Police Integrity with the Director, Police Integrity being the same person who holds office as Ombudsman.²⁶ In December 2007, amendments to the *Police Regulation Act 1958* no longer requiring the Director, Police Integrity to be the Ombudsman came into effect. While the *Public Sector Management and Employment Act 1998* does not apply to the Director generally, it provides that the Director has the powers of a public service body head to employ staff in accordance with that Act.

Over the reporting year, OPI's extensive recruitment process paid dividends. For the first time, this year OPI has operated with a near full complement of staff. All staff selection is based on merit. Successful candidates are subject to rigorous vetting processes and a three-month probationary period.

Restructure

After a comprehensive review commencing in December 2007, OPI undertook an organisational restructure on 1 May 2008. The restructure is designed to reflect the growth of the organisation. It also accommodates amendments to the *Police Regulation Act 1958* that followed recommendations made by the SIM in his report to Parliament. The amendments permit a full-time Director to be appointed from the judiciary.

The organisational restructure involved grouping OPI work units that support operational activity into the one portfolio, reporting to a newly created Executive position, titled Assistant Director Operational Support. The operations support portfolio is comprised of:

- Covert Services;
- Electronic Collection Unit;
- Integrity Testing Team;
- Information Technology Team;
- High-Tech Crime Team;
- Security and Counter-Intelligence Team; and
- Information Technology Special Projects.

OPI staffing

	2006	2007	2008
Director, Police Integrity	1	1	1
Executive Officer Level 2	2	2	1
Executive Officer Level 3	1	2	3
VPS Grades 5, 6 and Senior Technical Specialist	37	46	56
VPS Grades 3 and 4	30	43	53
VPS Grades 1 and 2	4	3	11
Total	76	97	125

OPI staffing profile by gender and age 2008

	<24		25-34		35-44		45-54		55-64		>64		Total
	M	F	M	F	M	F	M	F	M	F	M	F	
Executive	-	-	-	-	1	-	3	-	1	-	-	-	5
VPS Grades 5, 6, 7 and Senior Technical Specialist	-	-	6	3	17	11	9	7	3	-	-	-	56
VPS Grades 3 and 4	3	1	10	14	15	10	2	5	-	3	-	-	53
VPS Grades 1 and 2	-	8	1	1	-	1	-	-	-	-	-	-	11
Total	3	9	17	18	23	22	14	12	4	3	-	-	125

Total male 61 Total female 64

All Operational units now report to the Assistant Director, Operations. These units comprise:

- Investigations;
- Intelligence;
- Professional Standards Assurance;
- Corruption Prevention and Education; and
- Strategic Projects, Policies and Publications

The restructure has improved communication and workflows within OPI and created more opportunities for Executive members to plan strategically for the long term.

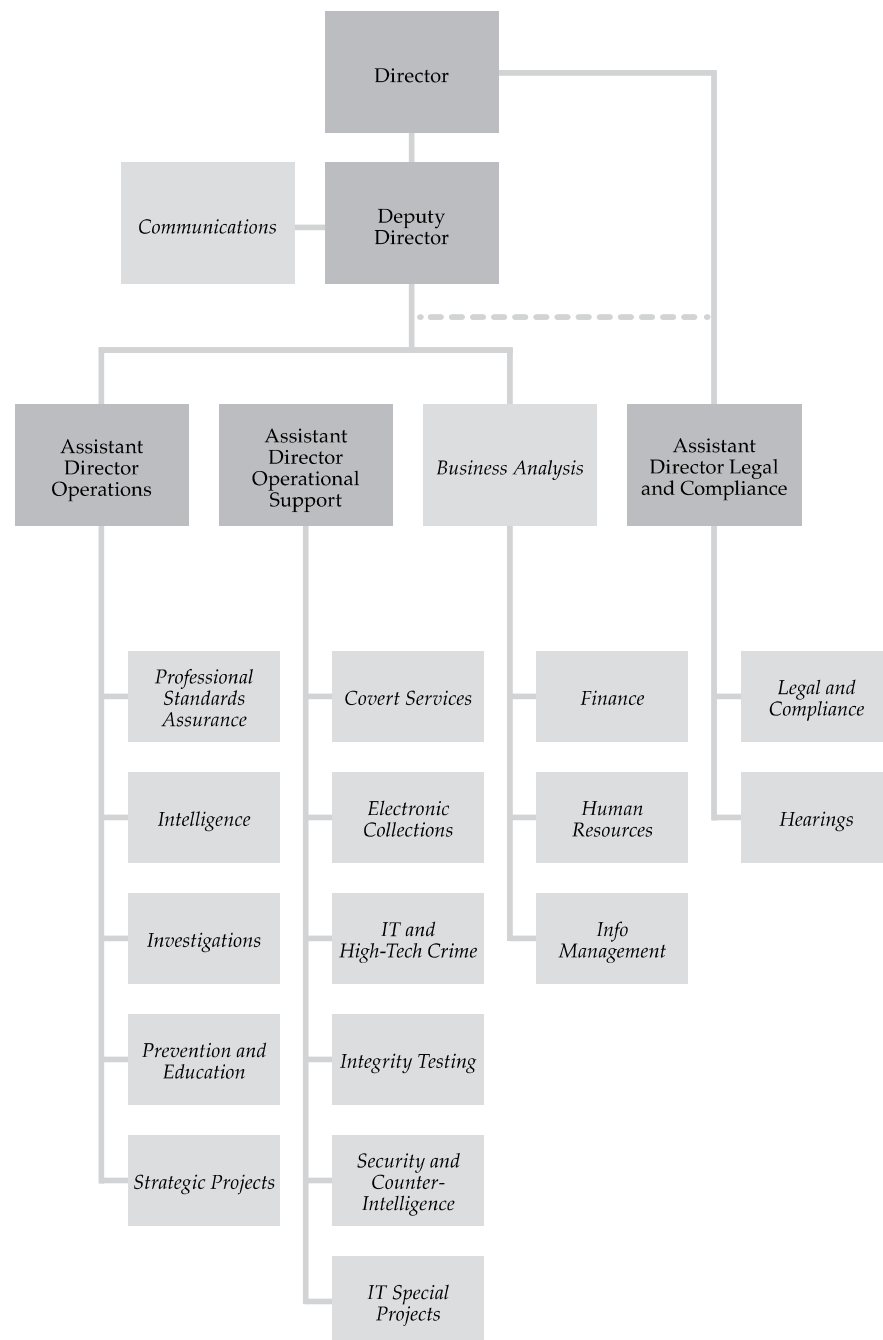
OPI Executive

The role of OPI's Executive is to manage and coordinate OPI's resources to support the achievement of the Director's statutory obligations.

Occupational health and safety

OPI has particular occupational health and safety responsibilities due to the specialist nature of our work. We have an established network of qualified first aid officers and occupational health and safety representatives. In accordance with the *Occupational Health and Safety Act 2004*, OPI has a two-tier health and safety committee structure. The committees meet on a regular basis and ensure a two-way discussion of occupational health and safety issues between occupational health and safety representatives and senior OPI management. OPI offers expert employee counselling and psychological well-being awareness in addition to staff immunisations against hepatitis, tetanus and influenza.

Organisational chart



Police Integrity output performance measures 2007–2008

	Target	Actual	Variance
Quantity			
Complaints managed	700	909	29.9%
Parliamentary reports published	5	6	20.0%
Investigations conducted	50	51	2.0%
Quality			
Corruption prevention initiatives	50	76	52.0%
Timeliness			
Investigations undertaken within required timelines	85%	75%	-10.0%
Complaints managed within required timelines	85%	90%	5.0%

Audit committee

OPI has an audit committee chaired by an independent person.

The main responsibilities of the committee are to:

- review and report independently to the Director on the annual report and all other information relating to OPI finances published by OPI;
- assist the Director to review the effectiveness of OPI's internal control environment covering:
 - the effectiveness and efficiency of operations;
 - reliability of financial reporting; and
 - compliance with applicable laws and regulations determine the scope of the internal audit function and ensure that OPI's resources are adequate and used effectively, including coordination with the external auditors; and to
- oversee the effective operation of OPI's risk management framework.

OPI's regulatory compliance

Telecommunication interceptions

OPI must report the exercise of its powers under the *Telecommunications (Interception and Access) Act* 1979 (Cwlth) to the Victorian Minister for Police and Emergency Services, the Victorian Attorney-General and the Commonwealth Attorney-General. The Special Investigations Monitor (SIM) inspects OPI's records to determine our compliance with the *State Telecommunications (Interception) (State Provisions) Act* 1988 and aspects of the Commonwealth Act. This financial year, the SIM has conducted three inspections in relation to OPI's telecommunications interception records.

Assumed identities

OPI has powers to acquire and use assumed identities under the *Crimes (Assumed Identities) Act* 2004. The Act has stringent record-keeping and auditing provisions. The Director must review the records annually and report certain matters to the Minister for Police and Emergency Services, who then tables the Director's report in Parliament.

Surveillance devices

The *Surveillance Devices Act* 1999 empowers OPI to use surveillance devices to record private conversations or activities under a warrant. The Act imposes stringent reporting and record-keeping obligations. The Director is required to report to the Minister for Police and Emergency Services the number of warrants and certain use made of the information obtained under them. The Act also provides for an inspection function to be undertaken by the SIM to monitor OPI's compliance with the Act. The SIM reports the results of inspections to the Minister, who tables the SIM reports and the OPI report in Parliament. In this reporting period the SIM has inspected OPI's surveillance devices records twice.

Controlled operations

The *Crimes (Controlled Operations) Act* was enacted in 2004, but is yet to commence operation. The considerable delay in proclaiming the Act is due to the invalidity of some of the compliance and monitoring functions, which are unrelated to the OPI. The Act is expected to be amended and proclaimed later in 2008.

The purpose of this Act is to allow law enforcement agencies to authorise, conduct and monitor controlled operations for the purpose of obtaining evidence that may lead to the prosecution of persons for offences. These operations may involve law enforcement officers participating in conduct for which they would otherwise be criminally liable. OPI is included in the definition of a law enforcement agency for the purposes of the Act.

Consistent with similar legislation, the Act imposes stringent record-keeping requirements in relation to applications and authorisations for controlled operations. OPI's compliance with these requirements will be inspected by an external government agency. The Director will also have a duty to report biannually in relation to authorities granted under the Act.

Compliance with *Building Act 1993*

OPI does not own or control any government buildings.

Endnotes

- 1 Office Of Police Integrity, October 2007, *Annual Report 2006–2007* p12
- 2 Arising out of complaint, own-motion, joint OPI/ESD investigations and investigations to which OPI technological support was provided to another agency
- 3 Office Of Police Integrity, October 2007, *Annual Report 2006–2007* p13
- 4 Certain sections came into effect on 2 July 2008. Proclamation of the majority of the remaining provisions is contingent on the passage of consequential amendments to Commonwealth legislation and the establishment of certain administrative processes.
- 5 Gavin Silbert SC, *Misconduct in Public Office* (unpublished)
- 6 See generally Bourke's *Criminal Law Victoria* paras 140,805 – 140,870
- 7 Discussed by Doyle CJ in *Question of Law Reserved* (No.2 of 1996) (1996) 67 SASR 63
- 8 See Bourke's *Criminal Law Victoria* para 140, 865
- 9 Office of Police Integrity, February 2007, *Past Patterns – Future Directions: Victoria Police and the problem of corruption and serious misconduct*, Office of Police Integrity, July 2007
- 10 Findlay, M. "'Acting on information received": Mythmaking and police corruption', *Journal of Studies in Justice*, 1987, Vol.1(1), pp19-32, p21
- 11 Office of Police Integrity, September 2008, *Associations that compromise Victoria Police – risks and remedies*, p8
- 12 For example DPP v Armstrong [2007] VSCA 34 (1 March 2007)
- 13 Victoria Police Manual Instruction 111-3 *Human Sources*
- 14 Victoria Police Manual – 314-1, *Secondary Employment* 5.1.2
- 15 *Police Integrity Act* 2008 s8 (1)(c)
- 16 OPI is not required to inform the complainant of the outcome of an investigation if it is not in the public interest to do so. See *Police Regulation Act* 1958 s86T or *Police Integrity Act* 2008 s41
- 17 Office of Police Integrity, October 2007, *A Fair and Effective Victoria Police Discipline System* and Office of Police Integrity, July 2008, *Improving Victoria policing services through effective complaint handling*
- 18 *Police Regulation Act* 1958 s102BA (b)
- 19 For example *Charter of Human Rights and Responsibilities Act* 2006 ss1&7
- 20 *Charter of Human Rights and Responsibilities Act* 2006 s2 & s38
- 21 *The Report of the Independent Commission on Policing for Northern Ireland*, 1999
- 22 Victoria Police's Register of Complaints, Serious Incidents and Discipline database
- 23 Victoria Police, 2006, *Annual Report 2005–2006*, p44
- 24 For further detailed discussion on this issue see Office of Police Integrity report *The Victorian Armed Offenders Squad – a case study*, due to be tabled later this year.
- 25 Crime and Misconduct Commission Queensland, *Alleged police assault of Aurukun resident Warren Bell: A report from the CMC*, February 2007
- 26 See section 102A

Glossary of terms

DPP	Director of Public Prosecutions
ESD	Ethical Standards Department of Victoria Police
CCTV	Closed circuit television
OC	Oleoresin Capsicum
OPI	Office of Police Integrity
OPP	Office of Public Prosecutions
OV	Ombudsman Victoria
PRAG	Police Reform Advisory Group
LEAP	Law Enforcement Assistance Program
SIM	Special Investigations Monitor
VPM	Victoria Police Manual
VPS	Victorian Public Service

Appendices

Appendix one: Disclosure requirements

Freedom of Information Act 1982

Subject to s86TA of the *Police Regulation Act 1958* which exempts certain documents in the possession of OPI, anyone may request information from OPI under the *Freedom of Information Act 1982*.

OPI received six freedom of information requests during the current reporting period. No decisions were appealed to the Victorian Civil and Administrative Tribunal.

Whistleblowers Protection Act 2001

During the reporting period, OPI received no disclosures in relation to its own conduct. The Ombudsman referred two matters to OPI for investigation under section 43 *Whistleblowers Protection Act 2001*.

Expenditure on consultancies

One consultant was paid \$207,045. Expenditure on 19 other consultancies during the reporting was less than \$100,000 per person, and totalled \$490,282.

Victorian Industry Participation Act 2003

OPI did not commence or complete any contracts during the reporting year which require disclosure under the Victorian Industry Participation Policy.

Statement of availability of other information

The following information in respect of OPI is retained and available on request:

- A statement that declarations of private interests have been duly completed by all relevant officers
- Details of seven overseas visits undertaken, including a summary of the objectives and outcomes of the visit.

Risk management statement

I, Michael Strong, certify that OPI has risk management processes in place consistent with the Australian/New Zealand Risk Management Standard and that an internal control system is in place that enables the executive to understand, manage and satisfactorily control risk exposures. The Internal Audit and Risk Management Committee verifies this assurance and I certify that the risk profile of the OPI has been critically reviewed within the last 12 months.

A handwritten signature in dark ink, appearing to read 'M Strong', with a stylized, cursive script.

Michael Strong

DIRECTOR, POLICE INTEGRITY

17 September 2008

Appendix two: OPI's powers

The Director, Police Integrity has been provided with powers to undertake the role given to OPI by Parliament. These powers are contained in the following legislation:

Act	<i>Police Integrity Act 2008</i>
Responsible Minister	Police and Emergency Services
Purpose	Establish OPI functions and powers
Act	<i>Police Regulation Act 1958</i>
Responsible Minister	Police and Emergency Services
Purpose	Formerly established OPI
Act	<i>Confiscation Act 1997</i>
Responsible Minister	Attorney-General
Purpose	Recovery of proceeds of crime
Act	<i>Crimes (Assumed Identities) Act 2004</i>
Responsible Minister	Attorney-General
Purpose	Allows OPI to obtain and use assumed identities
Act	<i>Crimes (Controlled Operations) Act 2004</i>
Responsible Minister	Attorney-General
Purpose	When enacted will enable OPI to conduct controlled operations
Act	<i>Surveillance Devices Act 1999</i>
Responsible Minister	Attorney-General
Purpose	Allows OPI to use surveillance devices under warrant
Act	<i>Telecommunications (Interception and Access) Act 1979</i>
Responsible Minister	Attorney-General (Cwlth)
Purpose	Allows OPI to intercept telecommunications under warrant
Act	<i>Whistleblower Protection Act 2001</i>
Responsible Minister	Attorney-General
Purpose	Powers to investigate whistleblower complaints referred by the Victorian Ombudsman

Appendix three: Disclosure index

The Annual Report of the Office of Police Integrity is prepared in accordance with all relevant Victorian legislation. This index has been prepared to facilitate identification of OPI's compliance with statutory disclosure requirements.

Report of Operations	Page
Charter and purpose	
FRD 22A Manner of establishment	48
FRD 22A Objectives, functions, powers and duties	23, 60
FRD 22A Nature and range of services provided	48-50
Management and structure	
FRD 22A Organisational structure	51
Financial and other information	
FRD 22A Statement of workforce data and merit and equity	49
FRD 22A Occupational health and safety	50
FRD 15A Executive officer disclosures	58, 88
FRD 22A Summary of the financial results for the year	66-92
FRD 22A Significant changes in financial position during the year	68
FRD 22A Operational and budgetary objectives and performance against objectives	52
FRD 22A Major changes or factors affecting performance	N/A
FRD 22A Application and operation of <i>Freedom of Information Act</i> 1982	58
FRD22A Victorian Industry Participation Policy disclosures	58
FRD 22A Application and operation of the <i>Whistleblowers Protection Act</i> 2001	58
FRD 22A Details of consultancies	58
FRD 22A Statement of availability of other information	58
FRD 10 Disclosure index	61

Financial Statements
Financial statements required under Part 7 of the Financial Management Act

SD 4.2(f)	Model Financial Report	64-92
SD 4.2(b)	Operating statement	66
SD 4.2(b)	Balance sheet	67
SD 4.2(a)	Statement of changes in equity	68
SD 4.2(b)	Cash flow statement	69
SD 4.2(c)	Accountable officer's declaration	92
SD 4.2(c)	Compliance with Australian accounting standards and other authoritative pronouncements	70-78
SD 4.2(c)	Compliance with Ministerial Directions	58, 60, 64-92
SD 4.2(d)	Rounding of amounts	77

Other disclosures in notes to the financial statements

FRD 9A	Departmental disclosure of administered assets and liabilities	N/A
FRD 11	Disclosure of ex-gratia payments	N/A
FRD 13	Disclosure of Parliamentary appropriations	68
FRD 21A	Responsible person and executive officer disclosures	87-88

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Victorian Auditor-General's Office

INDEPENDENT AUDITOR'S REPORT

To the Director, Office of Police Integrity

The Financial Report

The accompanying financial report for the year ended 30 June 2008 of the Office of Police Integrity which comprises the operating statement, balance sheet, statement of changes in equity, cash flow statement, a summary of significant accounting policies and other explanatory notes to and forming part of the financial report, and the accountable officer's and chief financial officer's declaration has been audited.

The Director's Responsibility for the Financial Report

The Director of the Office of Police Integrity is responsible for the preparation and the fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the financial reporting requirements of the *Financial Management Act* 1994. 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
- making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

As required by the *Audit Act* 1994, my responsibility is to express an opinion on the financial report based on the audit, which has been conducted in accordance with Australian Auditing Standards. These Standards require compliance with relevant ethical requirements relating to audit engagements and that the audit be planned and performed to obtain reasonable assurance whether the financial report is free from material misstatement.

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

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

1

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Auditing in the Public Interest

VAGO

Victorian Auditor-General's Office

Independent Auditor's Report (continued)

Matters Relating to the Electronic Presentation of the Audited Financial Report

This auditor's report relates to the financial report published in both the annual report and on the website of the Office of Police Integrity for the year ended 30 June 2008. The Director of the Office of Police Integrity is responsible for the integrity of the web site. I have not been engaged to report on the integrity of the web site. The auditor's report refers only to the statements named above. An opinion is not provided on any other information which may have been hyperlinked to or from these statements. If users of this report are concerned with the inherent risks arising from electronic data communications, they are advised to refer to the hard copy of the audited financial report to confirm the information included in the audited financial report presented on the Office of Police Integrity web site.


Independence

The Auditor-General's independence is established by the *Constitution Act 1975*. The Auditor-General is not subject to direction by any person about the way in which his powers and responsibilities are to be exercised. In conducting the audit, the Auditor-General, his staff and delegates complied with all applicable independence requirements of the Australian accounting profession.

Auditor's Opinion

In my opinion, the financial report presents fairly, in all material respects, the financial position of the Office of Police Integrity as at 30 June 2008 and its financial performance and cash flows for the year then ended in accordance with applicable Australian Accounting Standards (including the Australian Accounting Interpretations), and the financial reporting requirements of the *Financial Management Act 1994*.

MELBOURNE
5 September 2008


D D R Pearson
Auditor-General

2

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Auditing in the Public Interest

Operating statement

for the financial year ended 30 June 2008

	Note	(\$ thousand)	
		2008	2007
Continuing operations			
Income			
Grants	1(d), 2	<u>18,920</u>	<u>16,488</u>
Expenses			
Employee benefits	1(f), 3	11,106	8,295
Depreciation and amortisation	1(f), 3	1,799	1,456
Supplies and services	1(f), 3	6,925	5,642
Finance costs	1(f), 3	60	48
		<u>19,890</u>	<u>15,441</u>
Net result from continuing operations		<u>(970)</u>	<u>1,047</u>
Net result for the period	11(b)	<u>(970)</u>	<u>1,047</u>

The above operating statement should be read in conjunction with the accompanying notes.

Balance sheet

as at 30 June 2008

	Note	(\$ thousand)	
		2008	2007
Current assets			
Cash and cash equivalents	18	55	55
Receivables	4	3,939	3,409
Other	5	93	97
		4,087	3,561
Assets held for sale	6	44	22
Total current assets		4,131	3,583
Non-current assets			
Receivables	4	268	180
Property, plant and equipment	7	4,312	5,733
Total non-current assets		4,580	5,913
Total assets		8,711	9,496
Current liabilities			
Payables	8	1,171	1,112
Interest bearing liabilities	9, 16	489	401
Provisions	10	1,305	1,254
Total current liabilities		2,965	2,767
Non-current liabilities			
Interest bearing liabilities	9, 16	327	390
Provisions	10	268	181
Total non-current liabilities		595	571
Total liabilities		3,560	3,338
Net assets		5,151	6,158
Equity			
Contributed capital	11(a)	6,366	6,312
Accumulated surplus/(deficit)	11(b)	(1,215)	(154)
Total equity		5,151	6,158
Contingent liabilities and contingent assets	15		
Commitments for expenditure	16		

The above balance sheet should be read in conjunction with the accompanying notes.

Statement of changes in equity

for the financial year ended 30 June 2008

	Note	(\$ thousand)	
		2008	2007
Total equity at beginning of financial year		6,158	1,795
Effects of change in accounting policy	1(b)	(91)	(1,193)
		6,067	602
Net income recognised directly in equity			
Net result for the period		(970)	1,047
Total recognised income and expense for the period		(970)	1,047
Transactions with the State in its capacity as owner		(37)	(8)
Capital contributions during the period by Victorian State Government		91	4,517
Total equity at end of financial year		5,151	6,158

The above statement of changes in equity should be read in conjunction with the accompanying notes.

Cash flow statement

for the financial year ended 30 June 2008

		(\$ thousand)	
	Note	2008	2007
Cash flows from operating activities			
Receipts from Government		18,334	12,069
Payments to suppliers and employees		(17,850)	(13,213)
Finance costs		(59)	(47)
Net cash inflow/(outflow) from operating activities	18	425	(1,191)
Cash flows from investing activities			
Payments for property, plant and equipment		(755)	(3,516)
Proceeds from the sale of property, plant and equipment		35	21
Net cash (outflow) from investing activities		(720)	(3,495)
Cash flows from financing activities			
Proceeds from capital contributions by State Government			4,510
New finance leases		490	393
Repayment of finance leases		(195)	(162)
Net cash inflow/(outflow) from financing activities		295	4,741
Net increase in cash held		0	55
Cash at the beginning of the reporting period		55	0
Cash at the end of the reporting period		55	55
Non-cash financing and investing activities	20		

The above cash flow statement should be read in conjunction with the accompanying notes.

Notes to the financial statements

for the financial year ended 30 June 2008

Note 1. Summary of significant accounting policies

(a) Statement of compliance

The financial report is a general purpose financial report which has been prepared on an accrual basis in accordance with the *Financial Management Act 1994*, applicable Australian Accounting Standards (AAS), which includes the Australian Accounting Standards issued by the Australian Accounting Standards Board, Interpretations and other mandatory professional requirements.

The financial report also complies with relevant Financial Reporting Directions issued by the Department of Treasury and Finance, and relevant Standing Directions by the Minister for Finance.

(b) Basis of preparation

The financial report has been prepared on the basis of historical cost, except where noted. Cost is based on the fair values of the consideration given in exchange for assets.

In the application of AAS, management is required to make judgments, 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.

Accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events is reported.

The accounting policies set out below have been applied in preparing the financial statements for the year ended 30 June 2008 and the comparative information presented for the year ended 30 June 2007.

Change in accounting policy

On 1 July 2007 OPI changed its accounting policy in relation to the asset capitalisation threshold increasing it from \$1,000 to \$5,000. Implementing this policy will provide operational efficiencies and increased budget flexibility to OPI.

The change in policy has been applied retrospectively and comparative information in relation to the 2007 financial year has been restated accordingly. Due to the immaterial impact on the operating statement, no retrospective changes have been applied to the affected operating statement line items but the total balance has been adjusted to the accumulated deficit. The following table shows how the change in the asset capitalisation threshold impacted comparative balances:

	(\$ thousand)		
	30-Jun-07	(Decrease)	30-Jun-07 Restated
Balance sheet (extract)			
Property, plant and equipment	6,926	(1,193)	5,733
Total assets	10,689	(1,193)	9,496
Accumulated (deficit)	1,039	(1,193)	(154)
Total equity	7,351	(1,193)	6,158

During the year an additional charge relating to 2007 was notified to OPI. The amount of \$90,500 has been treated in accordance with the AAS as a prior period adjustment.

(c) Reporting entity

The financial report includes all the controlled activities of OPI. OPI was established in November 2004 by proclamation of the relevant parts of the *Police Regulation Act* 1958.

(d) Objectives and funding

The functions of OPI are to ensure that the highest ethical and professional standards are maintained by Victoria Police and to ensure that police corruption and serious misconduct is detected, investigated and prevented. Its role is also to ensure that members of Victoria Police have regard to the human rights set out in the *Charter of Human Rights and Responsibilities*.

OPI is funded by accrual-based Parliamentary appropriations for the provision of outputs. These appropriations are received by the Department of Justice and forwarded to OPI in the form of grants. Depreciation funding is only supplied to the extent that it is required to match capital expenditure made during the year.

In 2006-2007 OPI made significant asset purchases. This resulted in an increase in the depreciation expense for the current year. There has been no requirement to purchase at the 2006-2007 level during 2007-2008. As a result, capital funding is not sufficient to offset the depreciation expense.

At the conclusion of the financial year the Department of Justice reduced the allocation of depreciation funding to match the capital expenditure for the year. The effect was that the forecast surplus of \$416,000 was adjusted to show a deficit of \$970,000.

(e) Income recognition

Revenue is measured at the fair value of the consideration received or receivable. Income becomes controlled by OPI when it is appropriated (to the Department of Justice) from the Consolidated Fund by the Victorian Parliament and applied to the purposes defined under the relevant appropriation Act.

Government grants

Income from the outputs OPI provides to Government is recognised when those outputs have been delivered and the relevant Minister has certified delivery of those outputs in accordance with specified performance criteria.

Resources provided and received free of charge

Contributions of resources and resources provided free of charge are recognised at their fair value. Contributions in the form of services are only recognised when a fair value can be reliably determined and the services would have been purchased if not donated.

(f) Expenses

Employee benefits

Employee benefits expenses include all costs related to employment including wages and salaries, leave entitlements, redundancy payments and superannuation contributions. These are recognised when incurred, except for contributions in respect of defined benefit plans.

Superannuation

Defined contribution plans

Contributions to defined contribution superannuation plans are expensed when incurred.

Defined benefit plans

The amount charged to the operating statement in respect of defined benefit plan superannuation represents the contributions made by OPI to the superannuation plan in respect to the current services of current OPI staff. Superannuation contributions are made to the plans based on the relevant rules of each plan.

OPI does not recognise any defined benefit liability in respect of the superannuation plan because OPI has no legal or constructive obligation to pay future benefits relating to its employees; its only obligation is to pay superannuation contributions as they fall due. The Department of Treasury and Finance administers and discloses the State's defined benefit liabilities in its financial statements.

Depreciation of property, plant and equipment

Depreciation is calculated on a straight line basis to write off the net cost of each item of property, plant and equipment over its expected useful life to OPI to its estimated residual value. Estimates of remaining useful lives, residual values and depreciation method for all such assets are reviewed at least annually. The expected useful lives applicable for the years ended 30 June 2007 and 2008 are as follows:

Computer and communication equipment	3-4 Years
Furniture and fittings	10 Years
Motor vehicles	3-5 Years

The cost of improvements to or on leasehold properties is depreciated over the unexpired period of the lease or the estimated useful life of the improvement to OPI, whichever is the shorter.

Supplies and services

Supplies and services generally relate to rental accommodation, training courses, maintenance costs, professional services and contractor costs as well as the day-to-day running costs, incurred in the normal operations of OPI. These items are recognised as an expense in the reporting period in which they are incurred.

Finance costs

Finance costs are recognised as expenses in the period in which they are incurred. Finance costs include finance lease charges and bank charges.

(g) Assets

All assets controlled by OPI are reported in the balance sheet.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand.

Receivables

Receivables consist predominantly of amounts receivable from Government Agencies.

Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated depreciation and impairment.

(h) Liabilities***Payables***

Payables consist predominantly of creditors and other sundry liabilities.

Payables are recognised when OPI becomes obliged to make future payments resulting from the purchase of goods and services. The amounts are unsecured and are usually paid within 30 days of recognition.

Interest bearing liabilities

Interest bearing liabilities are recorded initially at fair value, net of transaction costs.

Subsequent to initial recognition, interest bearing liabilities are measured at amortised cost with any difference between the initial recognised amount and the redemption value being recognised in profit and loss over the period of the interest bearing liability using the effective interest rate method.

Provisions

Provisions are recognised when OPI has a present obligation, the future sacrifice of economic benefits is probable, and the amount of the provision can be measured reliably.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cashflows estimated to settle the present obligation, its carrying amount is the present value of those cashflows.

When some or all of the economic benefits required to settle a provision are expected to be recognised from a third party, the receivable is recognised as an asset if it is virtually certain that recovery will be received and the amount of the receivable can be measured reliably.

Employee benefits

(i) Wages and salaries, annual leave and sick leave

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be settled within 12 months of the reporting date are recognised in the provision for employee benefits in respect of employee services up to the reporting date, classified as current liabilities and measured at their nominal values.

Those liabilities that are not expected to be settled within 12 months are recognised in the provision for employee benefits as current liabilities, measured at present value of the amounts expected to be paid when the liabilities are settled using the remuneration rate expected to apply at the time of settlement.

(ii) Long service leave

Liability for long service leave (LSL) is recognised in the provision for employee benefits:

- **Current liability** - unconditional LSL is disclosed as a current liability even where OPI does not expect to settle the liability within 12 months because it will not have the unconditional right to defer the settlement of the entitlement should an employee take leave within 12 months.

The components of this current LSL liability are measured at:

- present value - component that OPI does not expect to settle within 12 months; and
- nominal value - component that OPI expects to settle within 12 months.
- **Non-current liability** - conditional LSL is disclosed as a non-current liability. There is an unconditional right to defer the settlement of the entitlement until the employee has completed the requisite years of service.

This non-current LSL liability is measured at present value.

(iii) Termination benefits

Termination benefits are payable when employment is terminated before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits. OPI recognises termination benefits when it is demonstrably committed to either terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after the balance sheet date are discounted to present value.

Employee benefits on-costs

Employee benefits on-costs (payroll tax, workers compensation, superannuation, annual leave and LSL accrued while on LSL taken in service) are recognised separately from provision for employee benefits.

(i) Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially most of the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are recognised as assets of OPI at their fair value or, if lower, at the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability is included in the balance sheet as a finance lease obligation.

Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income.

The lease asset is depreciated on a straight line basis over the term of the lease, or where it is likely that OPI will obtain ownership of the asset, the expected useful life of the asset to OPI. Lease assets held at the reporting date, being motor vehicle leases, are being depreciated over one to three years.

Operating lease payments are charged to the operating statement in the periods in which they are incurred, as this represents the pattern of benefits derived from the leased assets.

(j) Goods and Services Tax (GST)

Revenue, expenses and assets are recognised net of the amount of goods and services tax (GST), except that where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense.

The Department of Justice manages the GST transactions on behalf of OPI and the net amount of GST recoverable from or payable to the taxation authority is recognised in the Department of Justice's financial statements.

(k) Impairment of assets

All non-current physical assets are assessed annually for indications of impairment. If there is an indication of impairment, the assets concerned are tested as to whether their carrying value exceeds their recoverable amount. Where an asset's carrying value exceeds its recoverable amount, the difference is written off by a charge to the operating statement except to the extent that the write-down can be debited to an asset revaluation reserve amount applicable to that class of asset.

The recoverable amount for most assets is measured at the higher of depreciated replacement cost and fair value less costs to sell. Recoverable amount for assets held primarily to generate net cash inflows is measured at the higher of the present value of future cash flows expected to be obtained from the asset and fair value less costs to sell. It is deemed that, in the event of the loss of an asset, the future economic benefits arising from the use of the asset will be replaced unless a specific decision to the contrary has been made.

(l) Contributed capital

Consistent with Australian Accounting Standards Board Interpretation 1038 *Contributions by Owners Made to Wholly-Owned Public Sector Entities*, grants received for additions to net assets are designated as contributed capital. Other transfers that are in the nature of contributions or distributions are also designated as contributed capital.

(m) Commitments

Commitments include those operating, capital and other outsourcing commitments arising from non-cancellable contractual or statutory sources and are disclosed at their nominal value.

(n) Contingent assets and contingent liabilities

Contingent assets and contingent liabilities are not recognised in the balance sheet, but are disclosed by way of a note and, if quantifiable, are measured at nominal value.

(o) Functional and presentation currency

These financial statements are presented in Australian dollars, which is OPI's functional and presentation currency.

(p) Rounding of amounts

Amounts in the financial report have been rounded to the nearest thousand dollars, unless otherwise stated.

(q) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for the 30 June 2008 reporting period. The Department of Treasury and Finance assesses the impact of these new standards and advises departments and other entities of their applicability and early adoption where applicable.

As at 30 June 2008, the following standards and interpretations had been issued but were not mandatory for financial year ending 30 June 2008. OPI has not adopted, and does not intend to adopt these standards early.

Standard / interpretation	Summary	Applicable	Impact
AASB 2007-3 Amendments to Australian Accounting Standards arising from AASB 8 [AASB 5, AASB 6, AASB 102, AASB 107, AASB 119, AASB 127, AASB 134, AASB 136, AASB 1023 and AASB 1038]	An accompanying amending standard, also introduced consequential amendments into other standards.	Applicable for annual reporting periods beginning on 1 Jan 2009.	Impact on departmental financial statements expected to be insignificant.
AASB 2007-8 Amendments to Australian Accounting Standards arising from AASB 101	Editorial amendments to Australian Accounting Standards to align with IFRS terminology.	Applicable for annual reporting periods beginning on 1 Jan 2009.	Impact on departmental financial statements expected to be insignificant.

(r) Prospective accounting changes**GAAP-GFS convergence**

The AASB has recently approved AASB 1049 *Whole of Government and General Government Sector Financial Reporting*, which will apply to future financial reports of the Victorian general government sector. In October 2007, the AASB extended AASB 1049 to also apply to financial reports of the Whole of Government economic entity. The standard, which will be applicable for annual reporting periods beginning on or after 1 July 2008, converges Australian Generally Accepted Accounting Principles (GAAP) and Government Finance Statistics (GFS) reporting. It also includes additional disclosure requirements. The effect of any changes to recognition or measurement requirements as a result of this new standard is being evaluated.

Note 2. Income

		(\$ thousand)	
	Note	2008	2007
Income from government			
Grants from the Department of Justice	1(d), 1(e)	18,920	16,488
Total income		18,920	16,488

Note 3. Expenses

The net result for the period includes the following expenses:

Employee benefits		
Salaries and wages	8,596	6,282
Superannuation (net of recoups on executive packages)		
- Defined benefits expense	35	40
- Defined contribution plans	787	507
Annual and long service leave expense	1,000	1,046
Other on-costs	688	420
Total employee benefits	11,106	8,295

	(\$ thousand)	
	2008	2007
Depreciation and amortisation		
Leasehold improvements	467	270
Computer and communications equipment	929	752
Furniture and fittings	174	246
Motor vehicles	31	14
Motor vehicles under finance lease	198	174
Total depreciation and amortisation	1,799	1,456
Supplies and services		
Rental expense relating to operating leases		
Minimum lease payments	1,445	1,302
Information technology	920	754
Travel and transport	454	497
Training	290	380
Auditors' remuneration	21	20
Other	3,795	2,689
	6,925	5,642
Finance costs		
Finance lease interest	57	47
Other	3	1
	60	48

Note 4. Receivables

Current:

Amount receivable from the Department of Justice	3,907	3,409
Other	32	0
	3,939	3,409

Non-current:

Amount receivable from the Department of Justice	268	180
	268	180

Note 5. Other assets

Current:

Prepayments	93	97
	93	97

Note 6. Assets held for sale

	(\$ thousand)	
	2008	2007
Current:		
Disposal of motor vehicles	44	22
	44	22

Note 7. Property, plant and equipment

Leasehold improvements – at cost	2,248	2,241
Less: Accumulated depreciation	(788)	(321)
	1,460	1,920
Computer and communications equipment – at cost	3,073	2,949
Less: Accumulated depreciation	(1,676)	(750)
	1,397	2,199
Furniture and fittings – at cost	1,052	1,013
Less: Accumulated depreciation	(467)	(298)
	585	715
Motor vehicles – at cost	161	161
Less: Accumulated depreciation	(56)	(25)
	105	136
Motor vehicles under finance lease	1,009	999
Less: Accumulated depreciation	(244)	(236)
	765	763
Total property, plant and equipment	4,312	5,733
Reconciliation of movements		
<i>Leasehold improvements</i>		
Carrying amount at the start of the period	1,920	1,252
Additions	7	938
Depreciation expense (Note 3)	(467)	(270)
Carrying amount at the end of the period	1,460	1,920

	(\$ thousand)	
	2008	2007
<i>Computer and communications equipment</i>		
Carrying amount at the start of the period	2,199	1,736
Effects of change in accounting policy		(718)
Additions	141	1,933
Disposals	(14)	
Depreciation expense (Note 3)	(929)	(752)
Carrying amount at the end of the period	1,397	2,199
<i>Furniture and fittings</i>		
Carrying amount at the start of the period	715	1,230
Effects of change in accounting policy		(473)
Additions	67	204
Disposals	(23)	
Depreciation expense (Note 3)	(174)	(246)
Carrying amount at the end of the period	585	715
<i>Motor vehicles</i>		
Carrying amount at the start of the period	136	54
Effects of change in accounting policy		(3)
Additions		99
Depreciation expense (Note 3)	(31)	(14)
Carrying amount at the end of the period	105	136
<i>Motor vehicles under finance lease</i>		
Carrying amount at the start of the period	763	698
Additions	504	404
Disposals	(304)	(165)
Depreciation expense (Note 3)	(198)	(174)
Carrying amount at the end of the period	765	763

Note 8. Payables

	(\$ thousand)	
	2008	2007
Creditors and accruals	1,171	1,112
	1,171	1,112
(a) Maturity analysis of payables: refer to Note 12		
(b) Nature and extent of risk arising from payables: refer to Note 12		

Note 9. Interest bearing liabilities

Current: secured

Lease liabilities	489	401
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Non-current: secured

Lease liabilities	327	390
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Aggregate carrying amount of interest bearing liabilities

Current	489	401
Non-current	327	390
	816	791

Lease liabilities are effectively secured as the rights to the leased assets revert to the lessor in the event of default.

Assets pledged as security

The carrying amounts of non-current assets pledged as security are:

Motor vehicles under finance lease	765	763
Disposal group assets	44	22
	809	785

(a) Maturity analysis of interest bearing liabilities:
refer to Note 12

(b) Nature and extent of risk arising from interest
bearing liabilities: refer to Note 12

Note 10. Provisions

	(\$ thousand)	
	2008	2007
Current		
<i>Employee benefits</i>		
- Unconditional and expected to be paid within 12 months	537	848
- Unconditional and expected to be paid after 12 months	516	157
<i>Provisions related to employee benefit on-costs</i>		
- Unconditional and expected to be paid within 12 months	141	178
- Unconditional and expected to be paid after 12 months	79	25
Performance bonus	32	46
Total current provisions	1,305	1,254
Non-current		
<i>Employee benefits</i>	236	157
Provisions related to employee benefit on-costs	32	24
Total non-current provisions	268	181
Total provisions	1,573	1,435
(a) Employee benefits and related on-costs		
Current employee benefits		
- Annual leave entitlements	410	378
- Unconditional long service leave entitlements	643	627
- Performance bonus	32	46
Non current employee benefits		
Conditional long service leave entitlements	236	157
Total employee benefits	1321	1208
Current on-costs	220	203
Non-current on-costs	32	24
Total on-costs	252	227
Total employee benefits and related costs	1573	1435
(b) Movement in on-costs		
- Opening balance	227	
- Additional provisions recognised	197	
- Reductions resulting from payments	(172)	
Closing balance	252	
Current on-costs	220	
Non-current on-costs	32	
	252	

Note 11. Equity and movements in equity

	(\$ thousand)	
	2008	2007
(a) Contributed capital		
Balance at the start of the period	6,312	1,803
Transactions with the State in its capacity as owner	54	(8)
Capital contributions during the period by Victorian State Government		4,517
Balance at the end of the period	6,366	6,312
(b) Accumulated deficit		
Accumulated deficit at the start of the period	(154)	(8)
Effects of change in accounting policy	(91)	(1,193)
Net result for the period	(970)	1,047
Accumulated surplus/(deficit) at the end of the period	(1,215)	(154)
Total equity at the end of the financial year	5,151	6,158

Note 12. Financial instruments

(a) Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement, and the basis on which income and expenses are recognised, with respect to each class of financial asset and financial liability are disclosed in Note 1 to the financial statements.

(b) Categorisation of financial instruments

	Category	Note	Carrying amount 2008 (\$ thousand)	Carrying amount 2007 (\$ thousand)
Financial assets				
Cash and cash equivalents	N/A	18	55	55
Receivables	Loans and receivables (at amortised cost)	4	4,207	3,589
Financial liabilities				
Payables	Financial liabilities measured at amortised cost	8	1,171	1,112
Interest bearing liabilities	Financial liabilities measured at amortised cost	9	816	791

(c) Credit risk

Credit risk arises from the financial assets of OPI, which comprise cash and cash equivalents, and receivables. OPI's exposure to credit risk arises from the potential default of a counter party on their contractual obligations resulting in financial loss to OPI. Credit risk is measured at fair value and is monitored on a regular basis.

Credit risk associated with OPI's financial assets is minimal because the main debtor is the Department of Justice.

Provision of impairment for financial assets is calculated based on past experience.

The carrying amount of financial assets recorded in the financial report, net of any allowances for losses, represents OPI's maximum exposure to credit risk without taking account of the value of any collateral obtained.

Financial assets that are either past due or impaired

Currently OPI does not hold any collateral as security nor credit enhancements relating to any of its financial assets.

As at the reporting date, there is no evidence to indicate that any of the financial assets were impaired.

There are no financial assets that have had their terms renegotiated so as to prevent them from being past due or impaired, and they are stated at the carrying amounts as indicated. The following table discloses the ageing only of financial assets that are past due but not impaired:

Interest rate exposure and ageing analysis of financial assets

	Weighted average effective interest rate	Carrying amount (\$ thousand)	Interest rate exposure			Not past due and not impaired
			Fixed interest rate	Variable interest rate	Non-interest bearing	
2008						
Cash and cash equivalents	0%	55			55	55
Receivables	0%	4,207			4,207	4,207
		4,262			4,262	4,262
2007						
Cash and cash equivalents	0%	55			55	55
Receivables	0%	3,589			3,589	3,589
		3,644			3,644	3,644

(d) Liquidity risk

Liquidity risk would arise if OPI were unable to meet its financial obligations as they fall due. OPI operates under the Government fair payments policy of settling financial obligations within 30 days and in the event of a dispute, make payments within 30 days from the date of resolution.

OPI's exposure to liquidity risk is deemed insignificant based on prior periods' data and current assessment of risk.

Maximum exposure to liquidity risk is the carrying amounts of financial liabilities.

The following table discloses the contractual maturity analysis for OPI's financial liabilities:

Interest rate exposure and maturity analysis of financial liabilities

			Interest rate			Maturity dates (a)			
	Weighted average effective interest rate %	Carrying amount	Fixed interest rate	Non-interest bearing	Nominal amount	Less than 1 mth	1-3 mths	3 mths - 1 year	1-5 yrs
2008									
Payables	0%	1,171		1,171	1,171	1,171			
Interest bearing liabilities	6.94%	816	816		871	83	63	403	322
		1,987	816	1,171	2,042	1,254	63	403	322
2007									
Payables	0%	1,112		1,112	1,112	1,112			
Interest bearing liabilities	6.36%	791	791		877	70	179	214	414
		1,903	791	1,112	1,989	1,182	179	214	414

Note: (a) The amounts disclosed are the contractual undiscounted cash flows of each class of financial liabilities.

(e) Market risk

OPI's exposure to market risk is through foreign currency risk, and exposure to interest rate changes. Objectives, policies and processes used to manage each of these risks are disclosed in the paragraphs below.

Foreign currency risk

OPI is exposed to insignificant foreign currency risk through its payables relating to purchases of supplies and consumables from overseas. This is because of the limited amount of purchases denominated in foreign currencies and a short timeframe between commitment and settlement.

Interest rate risk

OPI has no exposure to interest rate risk, as all the liabilities are contractually fixed.

(f) Fair value

OPI considers that the carrying amount of financial assets and financial liabilities recorded in the financial statements is a fair approximation of their fair value, because of the short-term nature of the financial instruments and the expectation that they will be paid in full.

The fair value of the financial assets and financial liabilities are considered to be the same as their carrying amounts.

Note 13. Responsible persons

In accordance with the Ministerial Directions issued by the Minister for Finance under the *Financial Management Act 1994*, the following disclosures are made regarding responsible persons for the reporting period.

Names

The persons who held the positions of Minister and Accountable Officer in OPI during the financial period were as follows:

Responsible Minister

The Hon Robert Cameron, MP, Minister for Police and Emergency Services and Corrections

Accountable Officers

Michael Strong, Director, Police Integrity for the period 1 May 2008 until the present.

George Brouwer, Director, Police Integrity for the period 1 July 2006 until 30 April 2008.

Remuneration

Remuneration received or receivable by the Minister is reported in the Financial Statements of the Department of Premier and Cabinet.

Remuneration received or receivable by the Accountable Officer in connection with the management of OPI during the reporting period was in the range:

\$30,000-\$40,000 (Not applicable in 2006-2007)

Remuneration received or receivable by the Ombudsman is disclosed in the financial statements of Ombudsman Victoria.

The *Police Regulation Act 1958* provided that the Director, Police Integrity, was the same person as the person who held office as Ombudsman for the period 1 July 2006 until 30 April 2008.

Other transactions

Other related transactions and loans requiring disclosure under the directions of the Minister for Finance have been considered and there are no matters to report.

Note 14. Remuneration of Executives

The number of Executive Officers, other than Ministers and the Accountable Officer, whose total remuneration exceeded \$100,000 during the reporting period, are shown in the first column of the table below in their relevant income bands. The base remuneration of these Executive Officers is shown in the second column. Base remuneration is exclusive of bonus payments, long service leave payments, redundancy payments and retirement benefits.

Income band	Total remuneration		Base remuneration	
	2008 No.	2007 No.	2008 No.	2007 No.
\$110,000 - \$119,999	-	1	-	1
\$120,000 - \$129,999	-	-	1	-
\$130,000 - \$139,999	1	-	-	2
\$150,000 - \$159,999	1	2	2	1
\$160,000 - \$169,999	1	-	-	-
\$170,000 - \$179,999	-	-	-	1
\$180,000 - \$189,999	-	1	-	-
\$200,000 - \$209,999	-	1	-	-
\$210,000 - \$219,999	-	-	1	-
\$230,000 - \$239,999	1	-	-	-
Total numbers	4	5	4	5
Total amount (\$)	690,525	815,598	662,406	702,445

Note 15. Contingent liabilities and contingent assets

There were no contingent liabilities or contingent assets for OPI at 30 June 2008 (30 June 2007 - Nil).

Note 16. Commitments for expenditure

(a) Operating lease commitments

Commitments for minimum lease payments in relation to non-cancellable operating leases, not recognised as liabilities, are payable as follows:

	(\$ thousand)	
	2008	2007
Within one year	1,477	1,386
Later than 1 year but not later than five years	2,799	3,671
Later than five years		128
	4,276	5,185

(b) Finance lease commitments

Commitments in relation to finance leases are payable as follows:

	(\$ thousand)	
	2008	2007
Within one year	529	463
Later than one year but not later than five years	342	414
Minimum lease payments	871	877
Less: future finance charges	(55)	(86)
Total lease liabilities	816	791
Shown in the financial statements as:		
Current (Note 9)	489	401
Non-current (Note 9)	327	390
	816	791

Leasing arrangements

Finance leases relate to motor vehicles with lease terms of mostly three years. The lessees have options to purchase the equipment for a nominal amount at the conclusion of the lease agreements.

(c) Capital expenditure commitments

Plant and equipment	Nil	Nil
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Note 17. Superannuation

No liability is recognised in the balance sheet for OPI's share of the State's unfunded superannuation liability. The State's unfunded superannuation liability has been reflected in the financial report of the Department of Treasury and Finance.

However, superannuation contributions for the reporting period are included as part of salaries and associated costs in the operating statement of OPI.

OPI made contributions to the following major employee superannuation funds during the period:

	(\$ thousand)	
	2008	2007
Defined benefit funds		
Government Superannuation Office (GSO)		
Revised scheme	35	40
Accumulation funds		
VicSuper	691	491
Private funds	96	35
	822	566

OPI does not have any contributions outstanding to the above funds and there have been no loans made from the funds. The bases for contributions are determined by the various schemes.

Note 18. Reconciliation of net result for the reporting period to net cash inflow from operating activities**Reconciliation of cash**

For the purposes of the cash flow statement, cash includes cash on hand. Cash at the end of the financial year as shown in the cash flow statement is reconciled to the related items in the balance sheet as follows:

	(\$ thousand)	
	2008	2007
Cash and cash equivalents	55	55
	55	55
Net result for the reporting period	(970)	1,047
Depreciation and amortisation	1,799	1,457
(Increase) in receivables	(634)	(4,500)
Increase in payables	70	456
Increase in provisions	160	349
Net cash inflow/(outflow) from operating activities	425	(1,191)

Note 19. Remuneration of auditors

Victorian Auditor-General's office		
Audit of the financial report	16	13
	16	13

Note 20. Non-cash financing and investing activities

During the reporting period, motor vehicles with a fair value of \$503,667 (2006-2007 \$404,268) were acquired by means of finance leases.

Note 21. Subsequent events

OPI has no material or significant events occurring after the reporting date (2006-2007 \$Nil).

Accountable Officer's and Chief Financial Officer's declaration

We certify that the attached financial report for the Office of Police Integrity (OPI) has been prepared in accordance with Standing Direction 4.2 of the *Financial Management Act 1994*, applicable Financial Reporting Directions, Australian Accounting Standards and other mandatory professional reporting requirements.

We further state that, in our opinion, the information set out in the Operating Statement, Balance Sheet, Statement of Changes in Equity, Cash Flow Statement and Notes to the Financial Statements, presents fairly the financial transactions during year ended 30 June 2008 and the financial position of OPI as at 30 June 2008.

We are not aware of any circumstance which would render any particulars included in the financial report to be misleading or inaccurate.

We authorise the attached financial report for issue on 4 September 2008.



Michael Strong
DIRECTOR, POLICE INTEGRITY

Melbourne,
4 September 2008



Duncan Frost
CHIEF FINANCE AND
ACCOUNTING OFFICER,
POLICE INTEGRITY

Melbourne,
4 September 2008

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