



# Annual Report 2013–2014

*Independent Police Conduct Authority*

**TO: THE HONOURABLE MINISTER OF JUSTICE**

I have the honour to present to Parliament the Annual Report of the Independent Police Conduct Authority, pursuant to the provisions of the Crown Entities Act 2004.

The report covers the period 1 July 2013 to 30 June 2014.

A handwritten signature in black ink, appearing to read 'Sir David Carruthers', written in a cursive style.

Judge Sir David Carruthers

Chair

INDEPENDENT POLICE CONDUCT AUTHORITY

A handwritten signature in blue ink, appearing to read 'Angela Hauk-Willis', written in a cursive style.

Angela Hauk-Willis

Member

INDEPENDENT POLICE CONDUCT AUTHORITY

## Contents

Introduction .....	4
Chair's Foreword.....	5
About The Independent Police Conduct Authority (IPCA) .....	7
Who We Are .....	9
Key Service Delivery During 2013/14 .....	12
Progress Against Our Outcomes Framework .....	18
Good Employer Elements .....	23
Annual Accountability Statements.....	25
2013/14 Performance Reporting: Statement of Service Performance .....	26
Statement of Accounting Policies .....	31
2013/14 Financial Statements and Supporting Information .....	39
Audit Report .....	57

## Introduction

The Authority contributes towards improved public trust and confidence in the New Zealand Police. We do this by managing complaints in a fair, impartial and considered manner and by producing findings that are balanced and appropriate to the circumstances. When we make findings and recommendations to Police we expect that these will be implemented and will result in improved Police conduct, policies, practices and procedures.

### DID YOU KNOW?

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- The Authority received 2193 complaints last year.
- 193 of the 238 complaints involving a review of Police investigations were completed within 60 days of receipt of the Police file.
- As a result of independent investigations and reviews by the Authority 20 recommendations for changes to Police policy, practice or procedure were made to Police.
- 28 public reports were released and published on the Authority's website.
- The Authority received 183 media enquiries.
- The Authority was mentioned in over 700 media reports throughout New Zealand and internationally.
- There were over 41,500 visits to the Authority's website.

## Chair's Foreword

During the year the Authority has worked hard to ensure that public confidence in the performance and integrity of New Zealand Police is enhanced through robust and independent oversight.

A key aspect of our work as an independent authority involves ensuring that when a complaint is made about the Police it will be fairly, impartially, and thoroughly considered and that any recommendations made for improvement will be implemented, and result in improved Police conduct. Put simply, if we are able to assist in improving Police conduct there will be improved levels of public trust in Police.

Throughout 2013/14 the Authority has focussed on achieving greater effectiveness and efficiency in its work. To that end the Authority has made substantial improvements to its processes and the quality of its outputs, including a reduction in the backlog of cases before the Authority and a focus on the more timely resolution of complaints and referrals. Specific timeliness measures were introduced to the Authority's 2014-15 Statement of Performance Expectations.

The Authority has also engaged in more effective liaison with Police especially when it comes to working on issues requiring reform, such as the Police fleeing driver policy. The early identification of issues affecting Police practice, policy and procedure and the development of operational processes to work with Police to address these issues as soon as possible, is another example of the way in which the Authority will continue to work with Police to improve and initiate new processes.

During the year the Authority has worked to enhance its profile. The more frequent publication of the results of independent investigations has seen the release of 28 public reports during the last financial year compared to just nine during 2012/13. The openness and transparency of the Authority has resulted in greater public and media recognition and enhanced the visibility of the Authority's functions and processes.

I aim to continue to build on the achievements discussed above and meet the range of challenges we face now and will face in the future.

These include focusing on the early resolution of cases to reduce delay while also developing more flexible ways of handling some complaints, ensuring the expectations of complainants are met by the Authority and working with Police so that lessons learned from the Authority's work are incorporated into Police policy, practice and procedure in an effort to increase the emphasis on prevention. Increasing the emphasis on prevention, rather than blame, has the potential to reduce the number of complaints received by the Authority in the coming years. This work will be necessary in order for the Authority to continue to improve public trust and confidence in the New Zealand Police.

I am proud of the quality of the work the Authority is producing.

Police face an increasingly difficult task in today's environment. However, there will always be a need for a strong and independent Authority overseeing Police actions and exposing any practices or abuse that can affect public confidence – an effective Police organisation depends on that.

Finally I want to express my appreciation to members of the IPCA staff and to Board Members. They have worked extremely hard this year to produce excellent results focusing on our core business.

A handwritten signature in black ink, appearing to read 'David Carruthers', with a stylized flourish at the end.

Judge Sir David Carruthers

Chair

Independent Police Conduct Authority

## About The Independent Police Conduct Authority (IPCA)

### OUR PURPOSE

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At the heart of our work is the belief that public confidence in an independent Police oversight system will lead to greater trust in Police and policing as a whole and that, in turn, will contribute toward increasing the Police's overall effectiveness in achieving government outcomes.

The Authority exists so that people have trust that complaints about, and incidents involving, Police conduct, and any practice, policy or procedure, will be fairly and impartially investigated or reviewed and any recommendations made and implemented will result in improved Police performance.

The Authority also provides reassurance for the public and Parliament that policing standards are of the highest calibre, through impartial and independent oversight.

### OUR LEGISLATIVE FUNCTION

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*We are an independent Crown Entity under Part 3 of Schedule 1 of the Crown Entities Act 2004.*

*We are established under the Independent Police Conduct Authority Act 1988.*

*Our function is defined under the IPCA Act 1988 as follows:*

- Receiving and taking action on complaints alleging misconduct or neglect of duty by any employee of the Police, or concerning any practice, policy or procedure of the Police.
- Investigating incidents involving death or serious bodily harm caused or appearing to have been caused by an employee of the Police acting in the execution of their duty, where we are satisfied there are reasonable grounds in the public interest to do so.

The Authority also has a Memorandum of Understanding (MoU) with the Police which was revised during the year. The MoU covers instances which may present reputational risk to the Police including serious offending by a Police officer or Police actions that may have an element of corruption. Under the MoU, cases are referred by Police to the Authority even though there may not be a complaint from a member of the public, or there may not have been a death or serious bodily harm. 65 referrals from Police under the MoU were received by the Authority in the 2013/14 year.

Under section 17 of the IPCA Act, when the Authority receives a complaint it can investigate the complaint itself; refer it to the Police for investigation under the Authority's oversight (which may include direction of the Police investigation, proactive oversight, or review/audit upon completion of the Police investigation); defer action; or take no action.

## Optional Protocol to the Convention Against Torture (OPCAT)

Separate, but allied to the management of public complaints against the Police, the Authority also serves as a National Preventive Mechanism under the Crimes of Torture Act 1989, which implements the United Nations Optional Protocol to the Convention Against Torture (OPCAT). This involves inspecting Police detention facilities throughout New Zealand to ensure they are safe and humane and that they meet international standards.

### We Are Independent Of The Police

**We make our own judgements about the facts, based on evidence available and the applicable law. We are an independent organisation.**

We utilise our own resources to undertake investigations into serious matters and publicly report on the outcome unless there is an overriding private interest in maintaining confidentiality.

We also actively monitor and review the outcome of Police investigations of less serious complaints.

*We are statutorily independent by virtue of our Act and the Crown Entities Act. Statutory independence is critical for our effectiveness.*

The Authority does not have the power to generate own motion investigations or to prosecute or take disciplinary action against Police. Instead the Authority makes recommendations to Police which may include that disciplinary or criminal proceedings be considered or instituted.

If the Authority is not satisfied with the Police response to its recommendations, the Authority must inform the Attorney-General and the Minister of Police. If it considers it appropriate the Authority may also transmit a copy of its report to the Attorney-General for tabling in Parliament, and the Attorney-General must do so (section 29 of the IPCA Act).

The Authority's investigators have extensive policing experience either in New Zealand or in other Commonwealth countries and work as a team with lawyers and analysts. The Authority Chair and the Board are ultimately responsible for all findings and recommendations.

It is critical that we are impartial in all aspects of our work. It is also both appropriate and a practical necessity that the Authority maintains a professionally cooperative and constructive working relationship with the Commissioner of Police, the Police executive, senior commanders, staff from the Professional Conduct Group, and investigators.

*The Authority cannot generate own motion investigations or prosecute or take disciplinary action against the Police.*



## Who We Are

### IPCA GOVERNANCE

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The Authority is governed by a Board that is accountable to Parliament and reports to a Responsible Minister within Government – currently the Minister of Justice.

*The Board members are Judge Sir David Carruthers (Chair,) Angela Hauk-Willis and Dianne Macaskill. The Board meets monthly and may comprise up to five people.*

Authority Board members have a range of relevant skills and experience including knowledge of the law and law enforcement, executive-level management expertise, and public sector experience. The Board meets monthly and focuses on three key issues in regard to its governance functions: setting strategic direction and high level policy; assessing the effectiveness of the Authority's delivery of services against its strategic objectives; and monitoring the extent to which the requirements of relevant legislation and public expectations are met.

In regard to the day-to-day management of the Authority, the full-time chair discharges a range of executive functions and is supported by an organisational structure that prioritises available resources toward the efficient and effective delivery of operational services.

### Conflict of interest and Risk Management

The Board maintains a register of interests and ensures members are aware of their obligation to declare interests as specified under section 151(1) of the Crown Entities Act.

The Board is ultimately responsible for the management of risk to the Authority. Risks are monitored on a regular basis as part of the Board's strategic planning process to ensure risk management issues are considered when the Board sets the Authority's strategic direction.



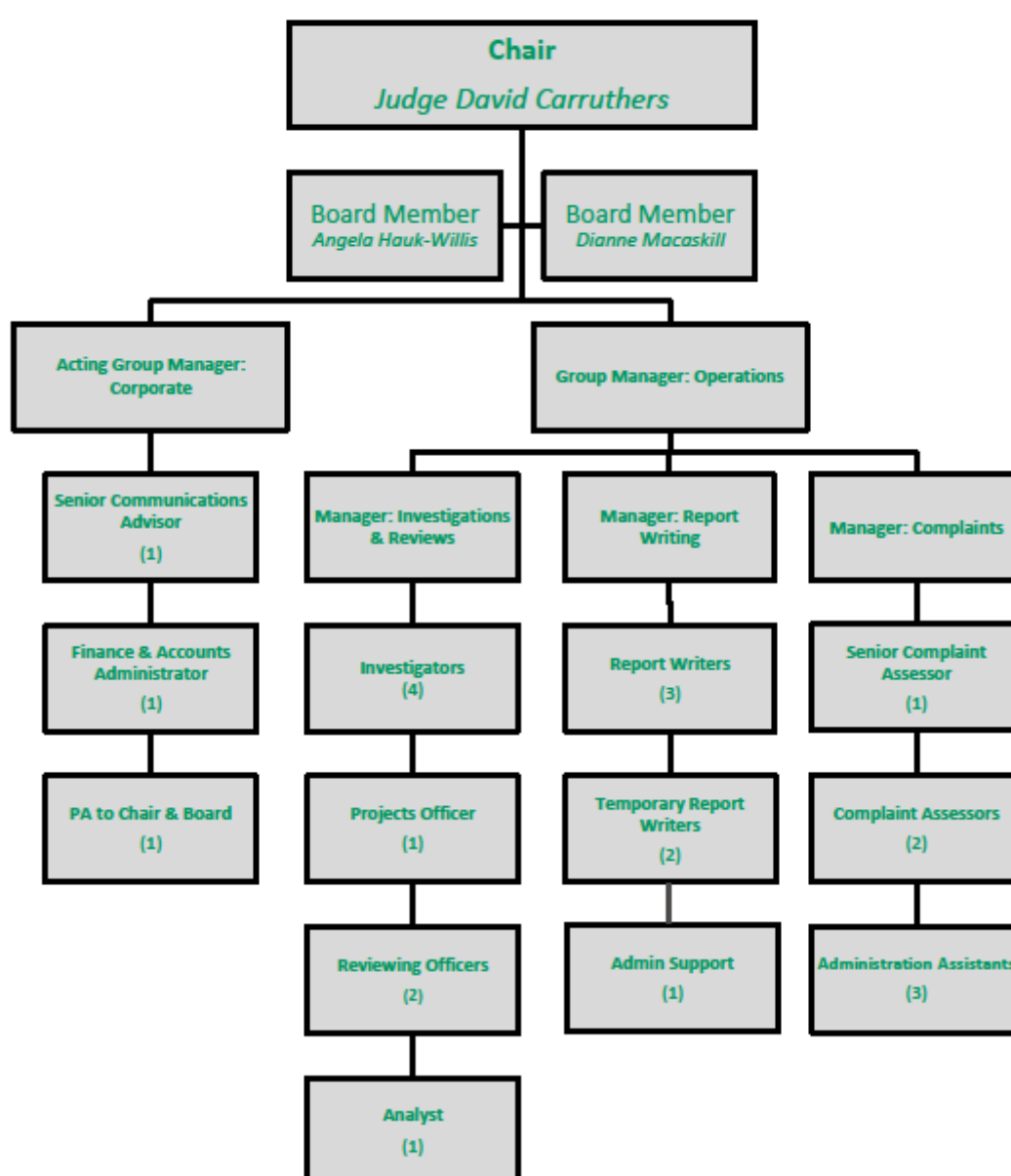
*IPCA Board Members Left to Right – Dianne Macaskill, Judge Sir David Carruthers (Chair), Angela Hauk-Willis*

## IPCA STRUCTURE

The Authority has 28 individual staff excluding the two part-time Board members (25.2 full-time equivalents) with a mix of permanent (22.6 full-time equivalents) and fixed term (2.6 full-time equivalents).

*The Authority employed 25.2 full-time equivalent staff at 30 June 2014.*

### IPCA Organisational Structure



## 2013/14 Achievements

The Authority is focusing on achieving greater effectiveness and efficiency in its work. To that end the Authority has made substantial improvements to its processes and the quality of its outputs over the past 12 months. These include:

- A focus on a more timely resolution of complaints and referrals, with specific timeliness measures introduced to the Authority's 2014-15 Statement of Performance Expectations.
- Greater public visibility of the Authority, particularly through the publication of the results of Category 1 investigations (28 public reports published in 2013/14 compared to 9 in 2012/13).
- More effective liaison with Police.
- Early identification of issues affecting Police practice, policy and procedure and the development of operational processes to work with Police to address these issues as soon as possible.
- Early identification of potentially adverse findings so these can be appropriately discussed and addressed with Police prior to the conclusion of an investigation.
- Greater Authority involvement in reviews of specific Police policies identified in investigations as requiring reform, for example the Police fleeing driver policy.
- Systematic identification of issues arising from similar complaints and referrals; and the development of generic reports addressing those issues with a view to influencing Police practice, policy and procedure (for example, the Authority recent report on the Police handling of 'out of control' parties released on 28 August 2014 and the upcoming Police custodial management report).

## Key Service Delivery During 2013/14

The Authority independently investigates the most serious complaints while those of a less serious nature are generally referred to Police for investigation under the Authority's oversight.

*The Authority received assessed, categorised, allocated and monitored 2193 complaints during 2014/15.*

### Complaint categorisation

In order to allocate resources most effectively, the Authority categorises cases by level of seriousness. Categories range from the most serious, Category 1, to minor matters, Category 5.

#### *Category 1: IPCA investigation*

This category covers instances of death or serious bodily harm associated with Police actions, and serious complaints with high public interest. Complaints allocated to Category 1 are independently investigated by the Authority.

#### *Category 2: Serious – Police investigation*

This category covers serious incidents, including those that may lead to the prosecution of Police officers, for example allegations of assault. Complaints in this category are referred to Police for appropriate action/investigation, which is then proactively overseen by the Authority. The Authority does this by accessing a Police database and making regular phone calls and sending emails to Police Professional Conduct managers and investigating officers. The Police investigation is also fully reviewed by the Authority as its conclusion.

#### *Category 3: Significant complaints of substance – Police investigation*

Complaints allocated to this category include minor or non-injury assaults, property damage, serious traffic matters, or a failure to report significant matters. The Authority refers category 3 complaints to the Police for investigation, which the Authority then fully reviews at its conclusion.

#### *Category 4: Conciliation*

This category covers complaints that the Authority considers appropriate for resolution by mutual agreement between the Police and the complainant. They include, for example, excessive delay or rude or inappropriate comments or behaviour. The Authority sends information relating to a Category 4 complaint to Police who then work with the complainant in an effort to reach a mutually acceptable outcome.

#### *Category 5: No further action*

Category 5 complaints combine those the Authority considers minor, older than 12 months at the time of reporting, disclosing no issue requiring investigation or subject to proceedings before

another Tribunal (usually a Court). In these cases, the Authority declines jurisdiction and takes no action.

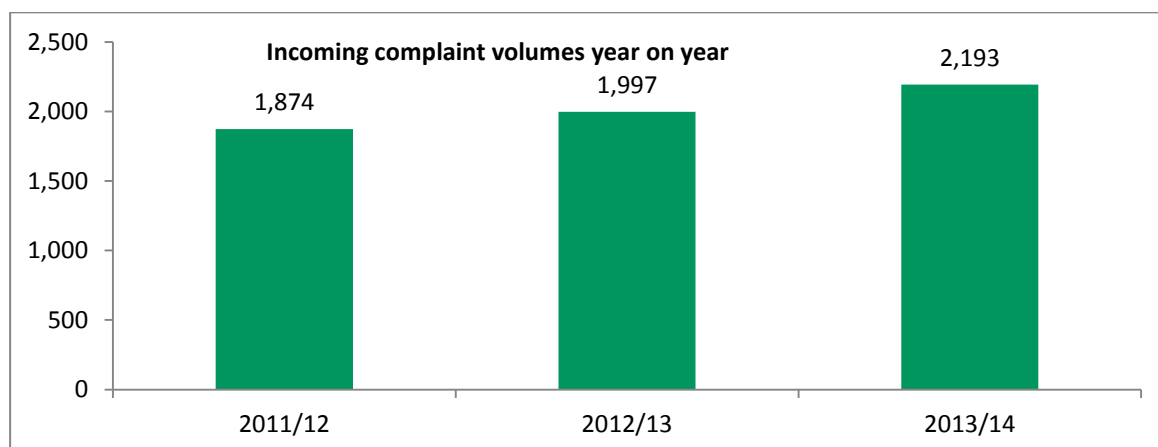
## COMPLAINT MANAGEMENT AND FUNCTION

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As part of our complaint management and resolution function we play a crucial role as a conduit through which complainants express concern in the way in which they have been dealt with by Police.

- During the 12 month period to June 2014, the Authority received 2193 complaints.
- The Authority **closed 2202 files** during the 12 month period.
- At 1 July 2013 the Authority had 330 **open files**<sup>1</sup>
- As at 30 June 2014 the Authority had 328 **open files**<sup>2</sup>.
- 99% of all new incoming complaints received a response within five working days.
- 81% of complaint investigation reviews were completed within 60 days of receipt.
- 5 complainant and investigation review files were re-opened due to expressions of dissatisfaction.

### Incoming complaint volumes



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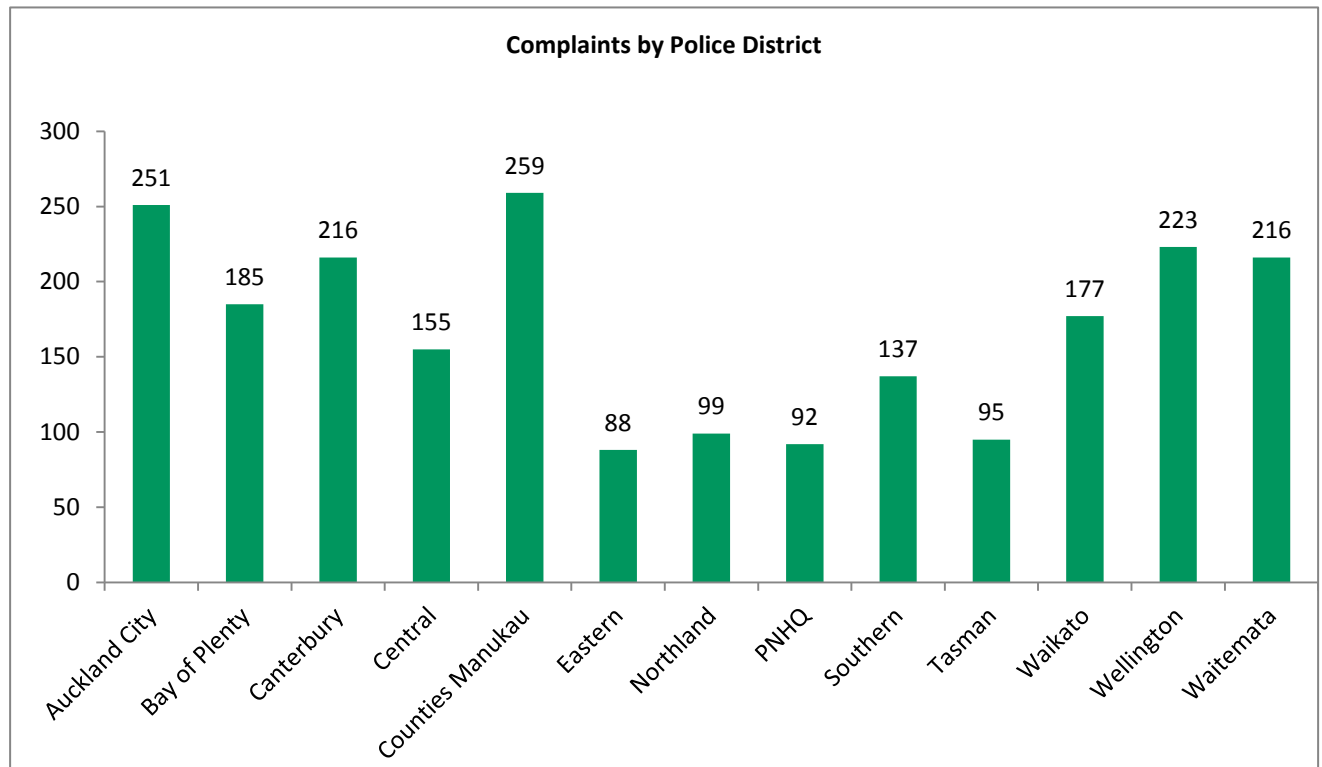
<sup>1</sup> Category 1 – 5 files the Authority was working on.

<sup>2</sup> Seven files that had been closed in previous periods were re-opened during the year: 300 open files as at 1 July 2013 plus 2193 received complaints during 2013/14 plus 7 re-opened files, minus 2202 closed files during the 12 month period equals 328 open files as at 30 June 2014.

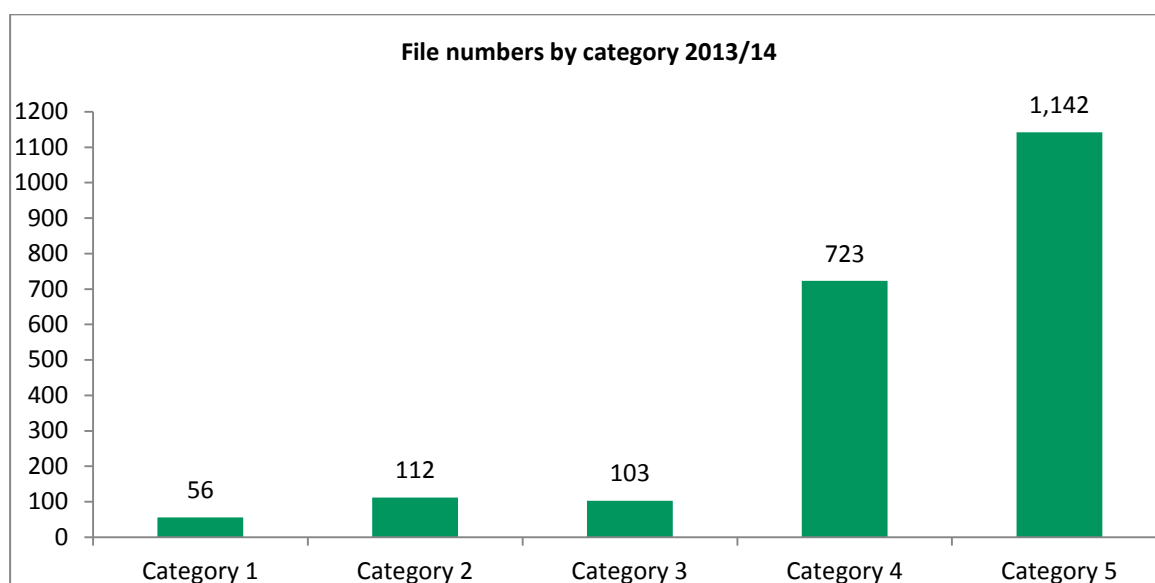
## Nature and source of complaints

Of the 2193 complaints received, 1699 were received electronically via the IPCA website and through email, as complaints from the public or referrals from Police. 492 arrived by way of letter. A very small number (2 or 0.09%) of complaints received were oral.

## Complaints by Police District

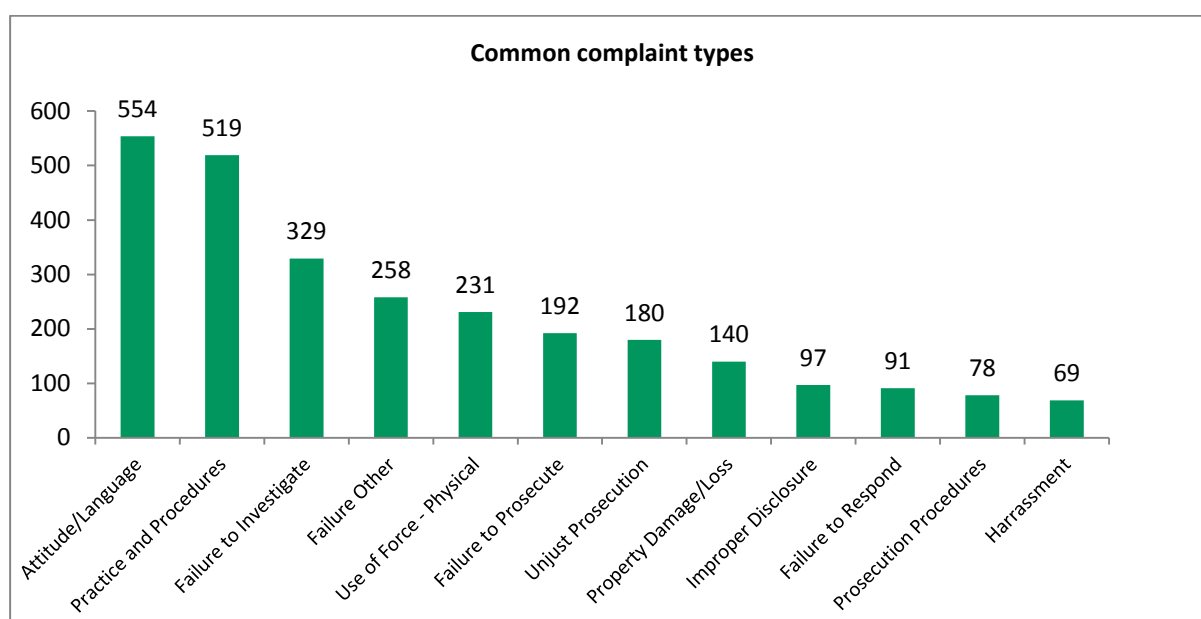


### Breakdown of complaints allocated to the Authority's 5 categories<sup>3</sup>



Aspects of an individual complaint may fall into several types. For example, *failure to investigate* and *attitude/language* complaints may arise from the same incident.

The most common types of complaint were about: attitude/language; practice and procedure; and failure to investigate.



<sup>3</sup> The total number of files shown here is 2136. The Authority recorded a total of 2193 files for the year. The difference of 57 files relates to those which had not been categorised as at 30 June 2014 and were awaiting further information.

## INDEPENDENT INVESTIGATIONS

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**The Authority has investigators, analysts and legal advisors who work together as a team on investigations and reviews.**

*The Investigations Team handles the most complex and resource-intensive public complaints and referrals from Police.*

- At 1 July 2013 the Authority had 59 open investigation files. By 30 June 2014 there were 60 open investigation files.
- During the 12 month period the Authority opened 56 files (Category 1) on the most serious complaints or referrals.
- 17 of the 60 open investigation files at 30 June 2014 were aged 12 months or older. Of the 17, however, five involved circumstances that meant progression within the 12 month period was beyond the Authority's control (e.g. they were awaiting court processes or Police action).

## PUBLIC REPORTS RELEASED

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The Authority's primary methods of communicating with the public and media are through its public reports and its website [www.ipca.govt.nz](http://www.ipca.govt.nz). They provide transparency about the Authority's work, and accountability for the Authority and Police.

The Authority has been working hard over the past 18 months to increase its public profile and visibility, and to gain greater public confidence in the value and effectiveness of its work. To that end, the Authority has changed its public reporting approach. The Authority now publishes the findings of all investigation unless there is an overriding privacy interest in maintaining confidentiality. During 2013/14 the Authority released 28 public reports compared with nine the previous financial year.

The Authority also actively issues media releases in order to draw the public's attention to issues it reports on.

As a result of the activities of the Authority and the work it has done the Authority has received a great deal of media and public attention. This has enhanced the recognition of the role of the Authority and has increased the number of complaints (1997 complaints in 2012/13 compared to 2193 in 2013/14).

*During the year the Authority released 28 public reports compared to nine the previous year.*



### High profile reports released during 2013/14 include:

- Summary report on Police response to media enquiries about 'Roastbusters'
- Report on Police closure of Maces Road, Christchurch in February 2012
- Report on Police closure of a party at 70 Homebush Road, Khandallah
- Report on fatal Police shooting of Lachan Kelly-Tumarae
- Report into serious injury to Shane Legg following arrest

### MONITORING AND REPORTING ON PLACES OF POLICE DETENTION

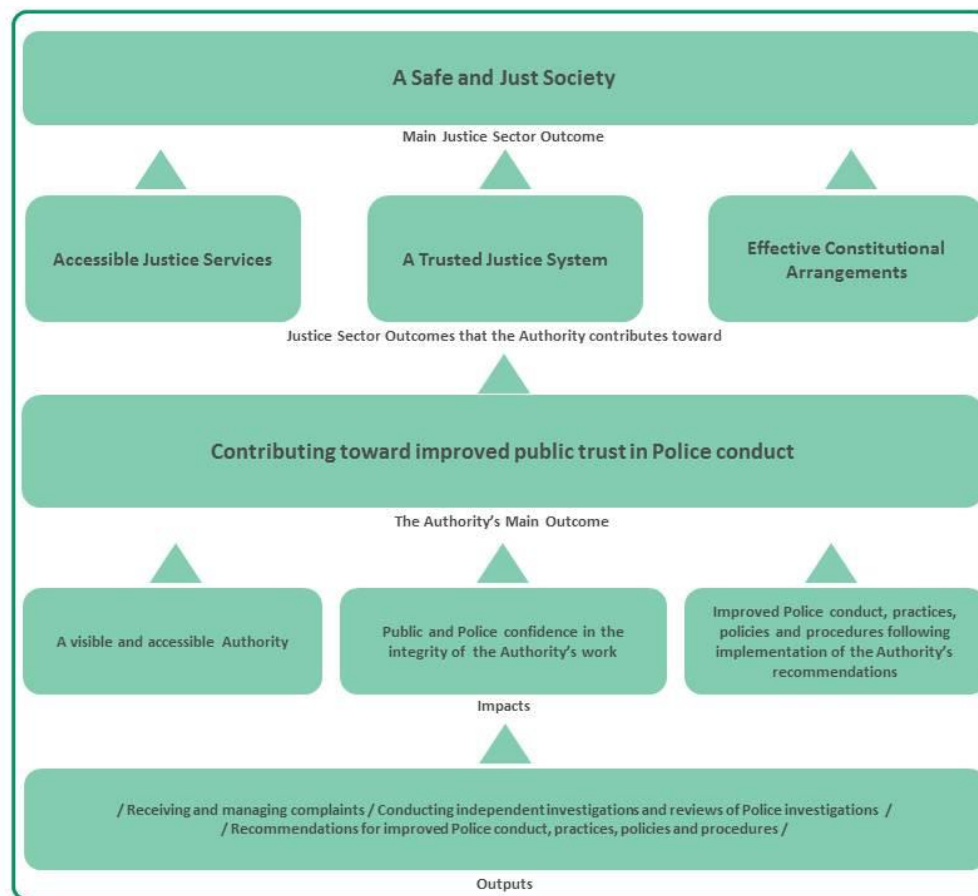
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During the year the Authority has been working with Police to develop a National Standard in relation to custodial facilities. The new National Standard which will be implemented at the end of the 2014/15 financial year will cover both the design and quality of physical facilities and the standards required for the proper care and management of prisoners.

It is envisaged that once the Standard is developed and implemented the Police will then assess and report on compliance with that Standard, with regular auditing of those self-assessments by the Authority. This will enable the systematic prioritisation of areas of greatest need and the progressive upgrading of Police custodial facilities as resources are available.

Throughout the year the Authority has fulfilled its OPCAT responsibilities by site visits (e.g. to Christchurch and Nelson Police cells) and by close attention to, and investigation of, complaints and incidents that have arisen in the custody context.

## Progress Against Our Outcomes Framework



## Main Outcome: Contributing toward improved public trust in Police conduct

The Authority believes that there should be a discernible link between improved Police conduct and our work. Improved Police conduct should lead to New Zealanders having increased confidence in Police and policing generally. Overall, the percentage of people who are expressing trust and confidence in the Police continues to increase.

### Main Outcome: Contributing toward improved public trust in Police conduct

Indicators	Forecast target 2013/14 – 2015/16	Actual performance
Public trust and confidence in Police conduct is improving	The percentage of people who express full or quite a lot of trust and confidence in Police increases	<p>The 2012/13 Citizens Satisfaction Survey carried out for the Police shows that 79% of those surveyed expressed full or quite a lot of trust and confidence in Police - a 2% increase from the previous year. Over a five year period, 2008/09 – 2012/13, there has been a 7% increase in the 'full trust and confidence' rating for Police.</p> <p><b>Note:</b> At the time of reporting the Police had not released their Citizen Satisfaction Survey results for 2013/14</p>

## Impact: A visible and accessible Authority

It is critical that the public and Police know about the Authority's existence, and understand its role. As a result we undertook work during the year to increase the visibility and accessibility of the Authority (see comments below). We also continued to receive the majority of complaints through readily available 'open source' electronic channels, i.e. via our website or email 'enquiry' address, thereby demonstrating information is readily available about our complaint process and that it is relatively straight-forward to lodge a complaint.

### Impact: A visible and accessible Authority

Indicators	Forecast target 2013/14 – 2015/16	Actual performance															
Public trust, confidence and awareness in the Authority to investigate and manage complaints fairly is stable or increasing	The percentage of people who express full or quite a lot of awareness, trust and confidence in the Authority increases (i.e. as illustrated by an increasing 'moving' annual average).	<p><b>Comments:</b> Although the Authority did not conduct a Public Satisfaction Survey during 2013/14 the following information was used to measure the Authority's level of visibility.</p> <table> <tr> <th>Measure</th><th>2012/13</th><th>2013/14</th></tr> <tr> <td>Media enquiries received</td><td>Not recorded</td><td>183</td></tr> <tr> <td>IPCA mentioned in media reports (media response)</td><td>Not recorded</td><td>701</td></tr> <tr> <td>Website visits</td><td>33,469</td><td>41, 791</td></tr> <tr> <td>Public Reports released</td><td>9</td><td>28</td></tr> </table>	Measure	2012/13	2013/14	Media enquiries received	Not recorded	183	IPCA mentioned in media reports (media response)	Not recorded	701	Website visits	33,469	41, 791	Public Reports released	9	28
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Website visits	33,469	41, 791															
Public Reports released	9	28															

## Impact: Public and Police confidence in the integrity of the Authority's work

The Authority needs to be recognised and trusted by the public, Police and complainants to independently investigate or manage complaints about Police conduct. This means that our processes must be seen as robust, fair and timely. The baseline level established in 2012/13 regarding public perceptions of trust and confidence in the Authority is reported in detail below. As part of its impact reporting the Authority also considered feedback from complainants and Police officers on the fairness of our processes (again, reported in detail below).

### *Impact Reporting: Public and Police confidence in the integrity of the Authority's work*

<i>Indicators</i>	<i>Forecast target</i> 2013/14 – 2015/16	<i>Actual performance</i>
The percentage of cases reopened at complainants' request does not increase	The number of cases reopened annually will not rise above 3% of total complaints	5 files or 0.23% were re-opened during the period due to expressions of dissatisfaction.
The percentage of complainants subject to investigation and/ or review by the Authority who agree the investigation process is fair increases	The percentage of complainants who agree the process is fair will be 50% or higher	Of those survey respondents who answered the question in the Authority's Complainant Satisfaction Survey, "Overall do you think you were fairly treated by the IPCA" – 65% thought they were fairly treated. This is an increase from 2012/13 where only 50% thought they were fairly treated.
The percentage of Police subject to investigation by the Authority who agree the Authority's process is fair increases	The percentage of Police subject to investigation and/or review who agree the process is fair will be 50% or higher	Of those survey respondents who answered the question in the Authority's Police Satisfaction Survey, "Overall do you think you were fairly treated by the IPCA" – 84% thought they were fairly treated. This is an increase from 2012/13 where 74% thought they were fairly treated.

## Impact: Improved Police conduct, practices, policies and procedures following implementation of the Authority's recommendations

Making recommendations is a critical aspect of our contribution toward improved policing. During the year we have focused on enhancing the quality of our own processes to develop useful recommendations while also thinking about having more constructive engagement with Police to incorporate recommendations as appropriate in their work programmes and policy development.

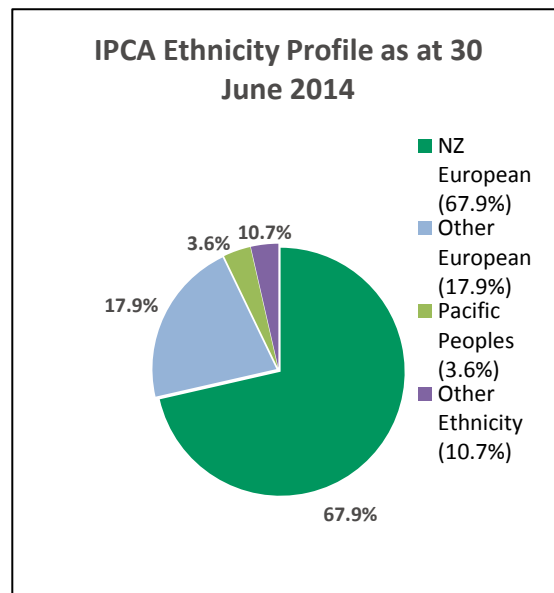
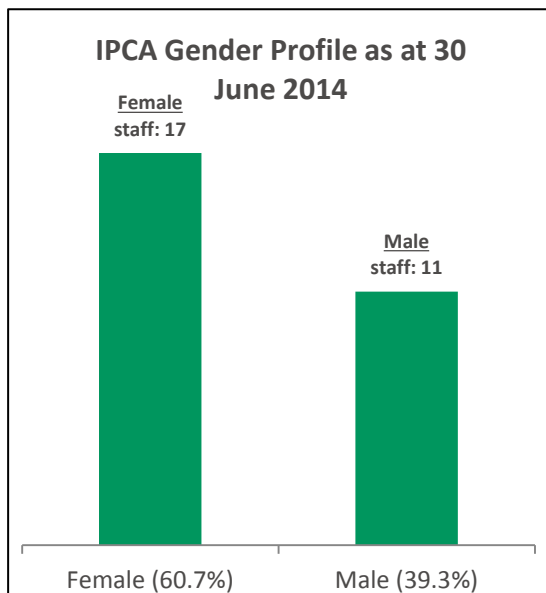
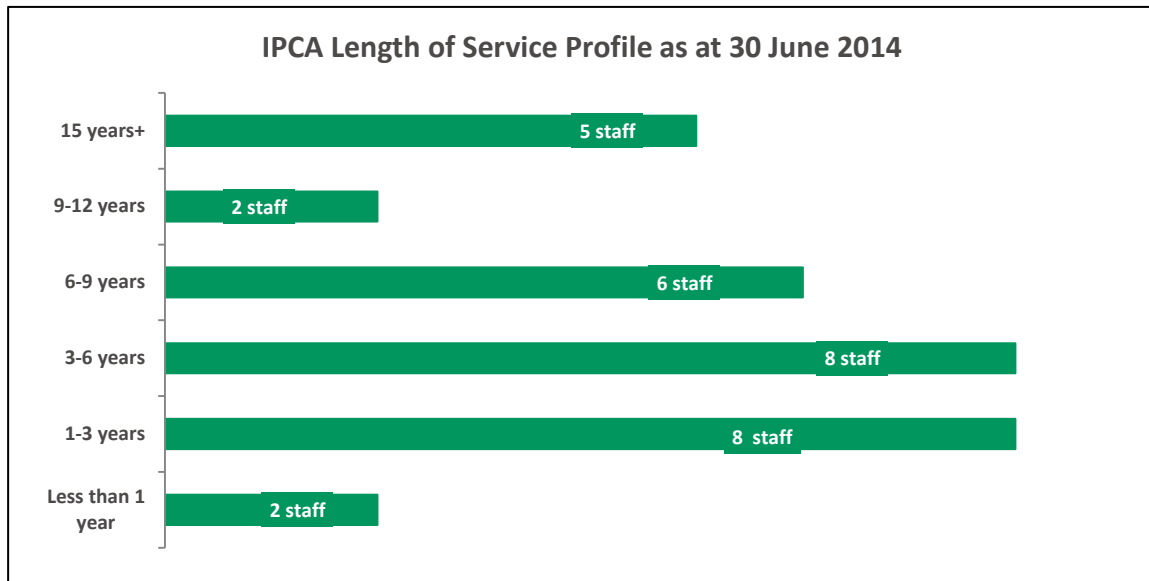
### *Impact Reporting: improved Police conduct, practices, policies and procedures following implementation of the Authority's recommendations*

<i>Indicators</i>	<i>Forecast target 2013/14 – 2015/16</i>	<i>Actual performance</i>
Following investigations, Police accept the Authority's recommendations and implement them	Police have initiated the implementation process for 95% of recommendations that are more than six months old	88%  Of the 20 recommendations made, 16 were 6 months or older at the end of the financial year. In 14 of those recommendations implementation had either been commenced or completed.

## Good Employer Elements

The Authority is committed to being a good employer. It conducts annual performance reviews with all staff and advertises vacancies within the organisation as well as externally. It encourages staff development and assists in this process where appropriate.

### WORKPLACE PROFILE AND GOOD EMPLOYER PRACTICES



The Authority's practices seek to reflect the seven Good Employer elements in the following ways:

<i>Leadership, accountability and culture</i>	The Authority continues to identify and provide opportunities for its high potential staff within its agreed framework. An Equal Employment Opportunities (EEO) Framework is in place, including an EEO policy and a number of supporting systems and processes.
<i>Recruitment, selection and induction</i>	The Authority's recruitment, selection, and appointment processes are modelled on good practice public sector policies.
<i>Employee development, promotion and exit</i>	Performance and development plans are in place for all staff. The Authority also has policies in regard to training, coaching, mentoring, promotion, and performance management.
<i>Flexibility and work design</i>	Flexible work arrangements are in place as required and appropriate and the Authority continues to evaluate requests for flexible working arrangements on a case-by-case basis.
<i>Remuneration, recognition and conditions</i>	The Authority operates a remuneration policy that is closely linked to performance. External pay relativities are monitored and assist to inform annual performance and remuneration discussions.
<i>Harassment and bullying prevention</i>	Expected standards of behaviour, integrity and conduct are outlined in the Authority's Code of Conduct. In addition, the Authority is committed to taking all necessary steps required to ensure that a productive, safe and positive working environment exists within the organisation.
<i>Safe and healthy environment</i>	A staff representative for health and safety is in place and receives on-going training and development as needed.



## Annual Accountability Statements

### STATEMENT OF RESPONSIBILITY FOR THE YEAR ENDED 30 JUNE 2014

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Requirements under the Crown Entities Act 2004, section 155:

- The Board and management of the Independent Police Conduct Authority (the Authority) accept responsibility for the preparation of financial statements and statements of service performance and for the judgements made in them.
- The Board and management are responsible for establishing and maintaining systems of internal control designed to provide reasonable assurance as to the integrity and reliability of financial and non-financial reporting.
- In the opinion of the Board and management of the Authority, the annual financial statements and statement of service performance for the financial year ended 30 June 2014 fairly reflect the financial position and operations of the Authority.

Signed on behalf of the Board



Judge Sir David Carruthers

Chair

INDEPENDENT POLICE CONDUCT AUTHORITY

30 October 2014



Angela Hauk-Willis

Member

INDEPENDENT POLICE CONDUCT AUTHORITY

30 October 2014

## 2013/14 Performance Reporting: Statement of Service Performance

### Output: Receive, manage, and ensure resolution of complaints

We will receive, assess, categorise, allocate, and monitor all complaints received. The most serious complaints will be independently investigated and those of a less serious nature referred to Police for appropriate action/investigation. Referrals to Police will be monitored and reviewed if required.

### Output: Receive, manage and ensure resolution of complaints

	Performance: Jul 13-Jun 14		Notes
	Forecast	Actual	
<u>Quantity measure:</u>			
All complaints are received and processed	100%	100%	Complaints are received through the Authority’s website or email, by mail, by telephone, facsimile and also at the public counter. All complaint enquiries are processed and recorded.
<u>Quality measures:</u>			
The percentage of complainants who agree complaint management processes are satisfactory or better increases	The % of complainants who agree processes are satisfactory or better will be 50% or higher	57%	Achieved
Percentage of complaint & review files re-opened, on an annual basis, after closure due to expressions of dissatisfaction	3% or less	0.23%	Achieved
<u>Timeliness measure:</u>			
All new complaints received are responded to within five working days	95% of all cases	98.9%	Achieved

Except in circumstances that are beyond the control of the Authority, Police complaint investigation files reviewed by the Authority will have that review completed within 60 days of receipt of the file	85% of all reviews where the time for completion was beyond the Authority's control	81%	Not achieved. Two reviewing officers were seconded for nine months to the Operation Eight project which ended in May 2013. The decrease in reviewing officer resources led to the accumulation of a significant number of Police files that were unable to be reviewed within the 60 day period.
Percentage of open complaint files 12 months or older against the annual total of files (performance may be subject to circumstances beyond the control of the Authority)	5%	2.4%	Achieved

*Output: Carry out independent investigations into Police conduct and report on these as required*

	Performance: Jul 13-Jun 14		Notes
	Forecast	Actual	

Quantity measure:

Where it is in the public interest, the IPCA will independently investigate incidents where a Police employee acting in the execution of his or her duty causes, or appears to have caused, death or serious bodily harm	85% of incidents	100%	Achieved
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Quality measure:

The IPCA will Independently investigate, or oversee the investigation of, complaints against the Police alleging serious criminal offending, serious misconduct, neglect of duty, or corruption that are likely to cause the	100% of incidents	100%	Achieved
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greatest level of public concern, or having serious implications for the reputation of the Police			
<u>Quality measure</u>			
The percentage of complainants and subject officers who agree that the IPCA's management of investigations are satisfactory or better increases	The % of complainants and subject officers who agree processes are satisfactory or better will be 50% or higher	60% of complainants 50% of officers	Achieved
<u>Timeliness measure:</u>			
Except in circumstances that are beyond the control of the IPCA, investigations will be completed within 12 months of notification	85% of investigations where the time for completion was beyond the Authority's control	46%	19 out of the 41 Authority investigations where the time for completion was beyond the Authority's control were completed within 12 months notification.

## Output: Monitor and report on Police places of detention

Inspections of Police detention facilities (cells and other places of detention, including Police vehicles for holding and transporting prisoners), reporting to Police Districts and Police National Headquarters following site visits, working with Police representatives to ensure implementation of recommendations arising from our inspections.

### Output: Monitor and report on Police places of detention

	Performance: Jul 13-Jun 14		Notes
	Forecast	Actual	
<u>Quantity measures:</u>			
Report on annual basis to Parliament and the Human Rights Commission pursuant to sections 27(c)(ii) and 27(d) of the Crimes of Torture Act 1989	Annual Report to be provided	Provided and tabled in November	
<u>Quality measure</u>			
Agree a standard with Police against which Police places of detention will be assessed (and an associated reporting schedule)	Standard and reporting schedule to be agreed and implemented during 2013/14	Not Achieved	The development of a new National Standard has proved a much bigger task than anticipated. The work was well advanced by the end of the financial year, but substantial further discussion on the issues with Police is required before it can be finalised.
Develop a periodic audit programme (for 2014/15 and beyond) of Police’s reporting against the agreed assessment standard for Police places of detention	Audit programme to be developed and agreed during 2013/14	Not Achieved	The audit programme cannot be put in place until the National Standard is adopted. In the meantime, the Authority has visited various Police custodial facilities and made recommendations on a remit of complaints and incidents referred to it.

**Output: Make recommendations for improved Police conduct, practices, policies and procedures, based on the results of Investigations, and monitoring implementation of those recommendations**

As a result of our investigations, recommendations will be made as required to improve Police conduct, practices, policies and procedures. These recommendations may extend to disciplinary or criminal proceedings. We will monitor the implementation of recommendations over time.

*Output: Make recommendations for improved Police conduct, practices, policies and procedures, based on the results of Investigations, and monitoring implementation of those recommendations*

	Performance: Jul 13-Jun 14		Notes
	Forecast	Actual	
<u>Quantity measure:</u>			
The % of recommendations for improved Police conduct, practices, policies and procedures arising from Authority reports that are agreed to by Police for implementation	95% of recommendations	70%	<p>The Authority made 20 recommendations of which 14 had been accepted by Police as at 30 June 2014. (70%)</p> <p>4 recommendations were made to Police in May/June 2014 and had not been accepted as at 30 June 2014.</p>
<u>Timeliness measure</u>			
Recommendations are made to Police within 12 months of notification of the incident or complaint except in circumstances beyond the control of the IPCA	85% of investigations where recommendations are made	0%	<p>20 recommendations in total were made in respect of 7 investigations (14 recommendations) and 3 reviews (6 recommendations). The 6 recommendations on the review matters mirrored the recommendations made on one of the investigations, relating to ‘out of control party’ issues.</p> <p>The delay in finalising 5 of the 7 investigations was due to circumstances beyond the control of the Authority.</p>

## Statement of Accounting Policies

### Reporting Entity

The reporting entity is the Independent Police Conduct Authority, a Crown entity as defined by the Crown Entities Act 2004, and is domiciled in New Zealand. As such, the Independent Police Conduct Authority's ultimate parent is the New Zealand Crown.

The principal activity of the Independent Police Conduct Authority is to assess complaints made by members of the public against the Police. The primary objective is to provide public services to the New Zealand public, as opposed to that of making a financial return.

Accordingly, the Independent Police Conduct Authority has designated itself as a public benefit entity for the purposes of New Zealand equivalents to International Financial Reporting Standards ("NZ IFRS").

The financial statements for the Independent Police Conduct Authority are for the year ended 30 June 2014, and were approved by the Board on 30 October 2014.

### Basis for Preparation

#### *Statement of compliance*

The financial statements of the Independent Police Conduct Authority have been prepared in accordance with the requirements of the Crown Entities Act 2004, which includes the requirement to comply with New Zealand generally accepted accounting practice ('NZ GAAP').

The financial statements comply with the NZ IFRS and other applicable financial reporting standards as appropriate for public benefit entities.

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

#### *Measurement base*

The financial statements have been prepared on a historical cost basis. Cost is based on the fair value of the consideration given in exchange for assets.

#### *Functional and presentation currency*

The financial statements are presented in New Zealand dollars, rounded to the nearest one dollar. The functional currency of the Independent Police Conduct Authority is New Zealand dollars.

#### *Changes to Accounting policies*

There have been no changes in accounting policies. All policies have been applied on a basis consistent with those from previous financial statements.

## Standards and interpretations effective in the current period

The Independent Police Conduct Authority has adopted the following revisions to accounting standards during the financial year, which have had only a presentational or disclosure effect:

Amendments to NZ IAS 1 Presentation of Financial Statements. The amendments introduce a requirement to present, either in the statement of changes in equity or the notes, for each component of equity, an analysis of other comprehensive income by item. The Independent Police Conduct Authority has decided to present this analysis in the statement of changes in equity.

## Standards or interpretations not yet effective

Standards, amendments, and interpretations issued but not yet effective that have not been early adopted, and which are relevant to the Independent Police Conduct Authority, are:

NZ IFRS 9 Financial Instruments will eventually replace NZ IAS 39 Financial Instruments: Recognition and Measurement. NZ IAS 39 is being replaced through the following 3 main phases: Phase 1 Classification and Measurement, Phase 2 Impairment Methodology, and Phase 3 Hedge Accounting. Phase 1 has been completed and has been published in the new financial instrument standard NZ IFRS 9. NZ IFRS 9 uses a single approach to determine whether a financial asset is measured at amortised cost or fair value, replacing the many different rules in NZ IAS 39. The approach in NZ IFRS 9 is based on how an entity manages its financial assets (its business model) and the contractual cash flow characteristics of the financial assets. The financial liability requirements are the same as those of NZ IAS 39, except for when an entity elects to designate a financial liability at fair value through the surplus/deficit. The new standard is required to be adopted for the year ended 30 June 2016. However, as a new Accounting Standards Framework will apply before this date, there is no certainty when an equivalent standard to NZ IFRS 9 will be applied by public benefit entities.

The Minister of Commerce has approved a new Accounting Standards Framework (incorporating a Tier Strategy) developed by the External Reporting Board (XRB). Under this Accounting Standards Framework, the Independent Police Conduct Authority will be required to apply full Public Benefit Entity Accounting Standards (PAS). These standards are being developed by the XRB based on current International Public Sector Accounting Standards. The effective date for the new standards for public sector entities is expected to be for reporting periods beginning on or after 1 July 2014. This means the Independent Police Conduct Authority expects to transition to the new standards in preparing its 30 June 2015 financial statements.

Due to the change in the Accounting Standards Framework for public benefit entities, it is expected that all new NZ IFRS and amendments to existing NZ IFRS will not be applicable to public benefit entities. Therefore, the XRB has effectively frozen the financial reporting requirements for public benefit entities up until the new Accounting Standard Framework is effective. Accordingly, no disclosure has been made about new or amended NZ IFRS that exclude public benefit entities from their scope.



## Significant Accounting Policies

The following significant accounting policies have been adopted in the preparation and presentation of the financial statements:

### Revenue recognition

Revenue comprises the fair value of the consideration received or receivable.

#### *Revenue from the Crown*

The Independent Police Conduct Authority is primarily funded through revenue received from the Crown, which is restricted in its use for the purpose of the Independent Police Conduct Authority meeting its objectives as specified in the statement of intent.

Revenue from the Crown is recognised as revenue when earned and is reported in the financial period to which it relates.

#### *Interest*

Interest revenue is recognised using the effective interest method.

#### *Operating leases*

Operating lease payments, where the lessors effectively retain substantially all the risks and benefits of ownership of the leased items, are included in the statement of comprehensive income as an expense, in equal instalments over the lease term when the leased items are in use.

#### *Debtors and other receivables*

Short-term debtors and other receivables are recorded at their face value, less any provision for impairment.

Impairment of a receivable is established when there is objective evidence that the Independent Police Conduct Authority will not be able to collect amounts due according to the original terms of the receivable. Significant financial difficulties of the debtor, probability that the debtor will enter into bankruptcy, receivership or liquidation, and default in payments are considered indicators that the debt is impaired. The amount of the impairment is the difference between the assets carrying amount and the present value of estimated future cash flows, discounted using the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the surplus or deficit. When the receivable is uncollectible, it is written off against the allowance account for receivables. Overdue receivables that have been renegotiated are reclassified as current (that is, not past due).

#### *Cash and cash equivalents*

Cash and cash equivalents comprise cash on hand, cash in banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts.

### *Investments*

Investments consist of bank deposits with original maturities greater than three months but less than one year.

Investments in bank deposits are initially measured at fair value plus transaction costs. After initial recognition investments in bank deposits are measured at amortised cost using the effective interest method, less any provision for impairment.

For bank deposits, impairment is established when there is objective evidence that the Independent Police Conduct Authority will not be able to collect amounts due according to the original terms of the deposit. Significant financial difficulties of the bank, probability that the bank will enter into receivership or liquidation, and default in payments are considered indicators that the deposit is impaired.

### *Property, plant and equipment*

Property, plant and equipment asset classes consist of office equipment, furniture and fittings and leasehold improvements.

Property, plant and equipment are shown at cost or valuation, less any accumulated depreciation and impairment losses.

### *Additions*

The cost of an item of property, plant and equipment is recognised as an asset only when it is probable that future economic benefits or service potential associated with the item will flow to the Independent Police Conduct Authority and the cost of the item can be measured reliably.

Cost includes consideration given to acquire or create the asset and any directly attributable costs of bringing the asset to working condition for its intended use.

Where an asset is acquired at no cost, or for a nominal cost, it is recognised at fair value at the date of acquisition.

### *Disposals*

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount of the asset. Gains and losses on disposals are included in the statement of comprehensive income.

### *Subsequent costs*

Costs incurred subsequent to initial acquisition are capitalised only when it is probable that future economic benefits or service potential associated with the item will flow to the Independent Police Conduct Authority and the cost of the item can be measured reliably.

The costs of day-to-day servicing of property, plant and equipment are recognised in the statement of comprehensive income as they are incurred.

## *Depreciation*

Depreciation is calculated on a diminishing value basis on property, plant and equipment once in the location and condition necessary for its intended use so as to write off the cost or valuation of the property, plant and equipment over their expected useful life to its estimated residual value.

The following estimated rates are used in the calculation of depreciation:

Office equipment	25.0% DV
Furniture & fittings	25.0% DV
Leasehold improvements	25.0% DV

## *Intangible assets*

### *Software acquisition*

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software.

Costs associated with maintaining computer software are recognised as an expense when incurred.

Costs associated with the development and maintenance of the Independent Police Conduct Authority's website are recognised as an expense when incurred.

Software is a finite life intangible and is recorded at cost less accumulated amortisation and impairment.

### *Amortisation*

The carrying value of an intangible asset with a finite life is amortised on a diminishing value basis over its useful life. Amortisation begins when the asset is available for use and ceases at the date that the asset is derecognised. The amortisation charge for each period is recognised in the surplus or deficit.

The useful lives and associated amortisation rates of major classes of intangible assets have been estimated as follows:

Software	25% DV
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### *Impairment of property, plant and equipment and intangible assets*

Property, plant and equipment and intangible assets that have a finite useful life are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

Value in use is depreciated replacement cost for an asset where the future economic benefits or service potential of the asset are not primarily dependent on the asset's ability to generate net cash

inflows and where the Independent Police Conduct Authority would, if deprived of the asset, replace its remaining future economic benefits or service potential.

If an asset's carrying amount exceeds its recoverable amount, the asset is impaired and the carrying amount is written down to the recoverable amount. The impairment loss and the reversal of impairment loss is recognised in the statement of comprehensive income.

## **Financial liabilities**

### *Creditors and other payables*

Short term creditors and other payables are recorded at their face value.

## **Employee entitlements**

### *Short-term employee entitlements*

Provisions made in respect of employee benefits expected to be settled within 12 months of reporting date, are measured at the best estimate of the consideration required to settle the obligation using the current remuneration rate expected.

These include salaries and wages accrued up to balance date and annual leave earned, but not yet taken at balance date.

The Independent Police Conduct Authority recognises a liability and an expense for bonuses where it is contractually obliged to pay them, or where there is a past practice that has created a constructive obligation.

## **Superannuation schemes**

### *Defined contribution schemes*

Obligations for contributions to Kiwisaver is accounted for as a defined contribution superannuation scheme and is recognised as an expense in the statement of comprehensive income as incurred.

### *Provisions*

A provision is recognised for future expenditure of uncertain amount or timing when there is a present obligation (either legal or constructive) as a result of a past event, it is probable that an outflow of future economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

## **Good and Service Tax (GST)**

All items in the financial statements are presented exclusive of GST, except for receivables and payables, which are presented on a GST inclusive basis. Where GST is not recoverable as input tax then it is recognised as part of the related asset or expense.

The net amount of GST recoverable from, or payable to, the Inland Revenue is included as part of current assets or current liabilities in the statement of financial position.

The net GST paid to, or received from the Inland Revenue, including the GST relating to investing and financing activities, is classified as an operating cash flow in the statement of cash flows.

Commitments and contingencies are disclosed exclusive of GST.

### **Income tax**

The Independent Police Conduct Authority is a public authority and consequently is exempt from the payment of income tax. Accordingly no charge for income tax has been provided for.

### **Cash flow statement**

The cash flow statement is prepared exclusive of GST, which is consistent with the method used in the statement of comprehensive income.

Definitions of the terms used in the cash flow statement are:

“Cash” includes coins and notes, demand deposits and other highly liquid investments readily convertible into cash, used by the entity as part of its day to day cash management.

“Investing activities” are those activities relating to the acquisition and disposal of current and non-current investments and any other non-current assets.

“Financing activities” are those activities relating to changes in equity of the entity.

“Operating activities” include all transactions and other events that are not investing or financing activities.

### **Budget figures**

The budget figures are those that form part of the Independent Police Conduct Authority 2013/14 Statement of Intent.

The budget figures have been prepared in accordance with generally accepted accounting practice and are consistent with the accounting policies adopted by the Independent Police Conduct Authority for the preparation of the financial statements.

### **Critical Judgements in Applying the Entity’s Accounting Policies**

Management has exercised the following critical judgements in applying accounting policies for the year ended 30 June 2014.

## Lease Classification

Determining whether a lease agreement is a finance lease or an operating lease requires judgement as to whether the agreement transfers substantially all the risks and rewards of ownership to the Independent Police Conduct Authority. Judgement is required on various aspects that include, but are not limited to, the fair value of the leased asset, the economic life of the leased asset, whether or not to include renewal options in the lease term, and determining an appropriate discount rate to calculate the present value of the minimum lease payments. Classification as a finance lease means the asset is recognised in the statement of financial position as property, plant, and equipment, whereas with an operating lease no such asset is recognised.

The Independent Police Conduct Authority has exercised its judgement on the appropriate classification of building rental leases, and has determined a number of lease arrangements to be operating leases.

## 2013/14 Financial Statements and Supporting Information

### INDEPENDENT POLICE CONDUCT AUTHORITY STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2014

2013 Actual \$		Notes	2014 Actual \$	2014 Budget \$
	<b>Revenue</b>			
3,811,000	Revenue from Crown	1	4,006,000	3,811,000
50,208	Interest received		35,763	35,841
<b>3,861,208</b>	<b>Total Revenue</b>		<b>4,041,763</b>	<b>3,846,841</b>
	<b>Expenses</b>			
30,845	Audit fees	2	31,920	30,845
32,292	Amortisation	7	26,708	28,417
41,264	Communication charges		34,079	29,448
93,068	Depreciation	6	68,065	71,760
2,988,215	Personnel and Board Fees	3	2,946,668	2,891,284
-	Loss on sale of fixed assets		40,677	-
46,610	Printing & stationery		49,439	50,000
307,327	Professional fees and contract services		101,469	90,000
307,754	Rent		449,884	307,000
306,567	Services & supplies		312,090	220,000
20,600	Subscriptions		17,097	20,000
113,788	Travel & accommodation		114,825	90,000
<b>4,288,330</b>	<b>Total Expenses</b>		<b>4,192,921</b>	<b>3,828,754</b>
<u>(427,122)</u>	<b>Total Comprehensive Income</b>		<u>(151,158)</u>	<u>18,087</u>

Explanations of significant variances against budget are detailed in note 20.

The Statement of Accounting Policies and the Notes to the Financial Statements form an integral part of these Financial Statements.

INDEPENDENT POLICE CONDUCT AUTHORITY  
STATEMENT OF FINANCIAL POSITION  
AS AT 30 JUNE 2014

2013 Actual \$		Notes	2014 Actual \$	2014 Budget \$
	<b>Current assets</b>			
108,549	Cash and cash equivalents	4	287,684	584,390
450,000	Investments		252,942	132,383
39,547	Debtors and other receivables	5	41,368	22,079
<u>7,233</u>	Prepayments		<u>52,059</u>	<u>-</u>
<u>605,329</u>	<b>Total current assets</b>		<u>634,053</u>	<u>738,852</u>
	<b>Non-current assets</b>			
305,169	Property, plant & equipment	6	281,103	217,571
<u>103,667</u>	Intangible assets	7	<u>95,112</u>	<u>89,835</u>
<u>408,836</u>	<b>Total Non-Current Assets</b>		<u>376,215</u>	<u>307,406</u>
<u>1,014,165</u>	<b>Total assets</b>		<u>1,010,268</u>	<u>1,046,258</u>
	<b>Current liabilities</b>			
195,049	Creditors and other payables	8	356,461	61,126
<u>176,761</u>	Employee entitlements	9	<u>162,610</u>	<u>111,186</u>
<u>371,810</u>	<b>Total current liabilities</b>		<u>519,071</u>	<u>172,312</u>
<u>642,355</u>	<b>Net assets</b>		<u>491,197</u>	<u>873,946</u>
	<b>Crown equity</b>			
<u>642,355</u>	Total investment by the Crown		<u>491,197</u>	<u>873,946</u>
<u>642,355</u>	<b>Total Crown equity</b>		<u>491,197</u>	<u>873,946</u>

The Statement of Accounting Policies and the Notes to the Financial Statements form an integral part of these Financial Statements.



INDEPENDENT POLICE CONDUCT AUTHORITY  
STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 30 JUNE 2014

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2013 Actual \$		Notes	2014 Actual \$	2014 Budget \$
1,069,477	Total Crown Equity at beginning of year		642,355	855,859
(427,122)	Total Comprehensive Income		(151,158)	18,087
642,355	Total Crown Equity at end of year		491,197	873,946

Explanations of significant variances against budget are detailed in note 20.

The Statement of Accounting Policies and the Notes to the Financial Statements form an integral part of these Financial Statements.

INDEPENDENT POLICE CONDUCT AUTHORITY  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 30 JUNE 2014

2013 Actual \$		Notes	2014 Actual \$	2014 Budget \$
	<b>Cash flows from operating activities</b>			
	<b>Cash was provided from/(applied to)</b>			
3,811,000	Receipts from Crown revenue		4,006,000	3,811,000
52,985	Interest received		39,693	35,841
10,167	Net GST received/(paid)		2,443	13,827
(4,167,618)	Payments to suppliers and employees		(3,963,230)	(3,760,560)
(293,466)	<b>Net cash flow from operating activities</b>	12	84,906	100,108
	<b>Cash flows from investing activities</b>			
	<b>Cash was provided from/(applied to)</b>			
(34,967)	Purchase of property, plant & equipment		(84,675)	(5,000)
(17,585)	Purchase of intangible assets		(18,154)	(10,000)
250,000	Sale / (Acquisition) of investments		197,058	110,876
197,448	<b>Net cash flows from investing activities</b>		94,229	(125,876)
(96,018)	<b>Net increase/(decrease) in cash and cash equivalents</b>		179,135	(25,768)
204,567	<b>Cash and cash equivalents at beginning of year</b>		108,549	610,158
108,549	<b>Cash and cash equivalents at end of year</b>		287,684	584,390
	<b>Represented by:</b>			
108,549	Cash & cash equivalents		287,684	584,390

The Statement of Accounting Policies and the Notes to the Financial Statements form an integral part of these Financial Statements.

The GST (net) component of operating activities reflects the net GST paid and received with Inland Revenue. The GST (net) component has been presented on a net basis, as the gross amounts do not provide meaningful information for financial statement purposes.

Explanations of significant variances against budget are detailed in note 20.

The Statement of Accounting Policies and the Notes to the Financial Statements form an integral part of these Financial Statements.

INDEPENDENT POLICE CONDUCT AUTHORITY  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2014

1. **Revenue from Crown**

The Independent Police Conduct Authority has been provided with funding from the Crown for the specific purposes of the Independent Police Conduct Authority as set out in its founding legislation and the scope of the relevant government appropriations. Apart from these general restrictions, there are no unfulfilled conditions or contingencies attached to government funding (2013: \$nil).

2014 Actual \$      2013 Actual \$

2. **Remuneration to Auditors**

Audit of the financial statements	31,920	30,845
	<u>31,920</u>	<u>30,845</u>

3. **Personnel Expenses and Board Fees**

Salaries and wages		2,538,188	2,555,717
Defined contribution plan employer contributions		62,192	40,231
Increase/(decrease) in employee entitlements	9	(14,151)	24,038
Board fees	16	<u>360,439</u>	<u>368,229</u>
<b>Total Personnel Expenses</b>		<u>2,946,668</u>	<u>2,988,215</u>

A former employee of the Independent Police Conduct Authority received compensation of \$27,788 after taking voluntary redundancy. This sum included payment under s.123 of the Employment Relations Act 2000. (2013: nil).

Employer contributions to defined contribution plans include contributions to Kiwisaver.

4. **Cash and Cash Equivalents**

Cash at bank	1,519	106
Call account	<u>286,165</u>	<u>108,443</u>
<b>Total Cash and Cash Equivalents</b>	<u>287,684</u>	<u>108,549</u>

## 5. Debtors and other receivables

Accrued interest	422	4,353
Sundry receivables	8,195	-
GST receivable	32,751	35,194
<b>Total Debtors and other receivables</b>	<b>41,368</b>	<b>39,547</b>

The carrying value of debtors and other receivables approximate their fair value.

No receivables are past 30 days overdue.

## 6. Property, Plant and Equipment

Movements of each class of plant, property & equipment are as follows:

	Office equipment	Furniture & fittings	Leasehold improvements	Total
Cost	\$	\$	\$	\$
Balance at 1 July 2012	590,999	429,830	274,529	1,295,358
Additions	32,743	2,224	-	34,967
Sales/transfers	-	-	-	-
Balance at 30 June 2013	623,742	432,054	274,529	1,330,325
Balance at 1 July 2013	623,742	432,054	274,529	1,330,325
Work in progress	-	-	73,585	73,585
Additions	11,090	-	-	11,090
Sales/transfers	(13,321)	(150,473)	-	(163,794)
Balance at 30 June 2014	621,511	281,581	348,114	1,251,206

### Accumulated depreciation

Balance at 1 July 2012	373,280	349,374	209,434	932,088
Depreciation expense	56,419	20,376	16,273	93,068
Sales/transfers	-	-	-	-
Balance at 30 June 2013	429,699	369,750	225,707	1,025,156
Balance at 1 July 2013	429,699	369,750	225,707	1,025,156
Depreciation expense	49,943	5,914	12,208	68,065
Sales/transfers	(11,295)	(111,823)	-	(123,118)
Balance at 30 June 2014	468,347	263,841	237,915	970,103

### Net carrying amounts

At 1 July 2012	217,719	80,456	65,095	363,270
At 30 June 2013 & 1 July 2013	194,043	62,304	48,822	305,169
At 30 June 2014	153,164	17,740	110,199	281,103

## 7. Intangible assets

### Total \$

#### Cost

Balance at 1 July 2012	282,524
Additions	17,585
Disposals	-
Balance at 30 June 2013	300,109
Balance at 1 July 2013	300,109
Additions	18,153
Disposals	-
Balance at 30 June 2014	318,262

### Accumulated amortisation

Balance at 1 July 2012	164,150
Amortisation expense	32,292
Disposals	-

Balance at 30 June 2013	196,442
Balance at 1 July 2013	196,442
Amortisation expense	26,708
Disposals	-
Balance at 30 June 2014	223,150

#### Net carrying amount

At 1 July 2012	118,374
At 30 June 2013 & 1 July 2013	103,667
At 30 June 2014	95,112

There are no restrictions over the title of the Independent Police Conduct Authority's intangible assets nor are any intangible assets pledged as security for liabilities.

	2014 Actual \$	2013 Actual \$
<b>8. Creditors and other payables</b>		
Trade creditors	55,911	43,257
Accrued expenses	300,550	151,792
<b>Total creditors and other payables</b>	<b>356,461</b>	<b>195,049</b>

Trade creditors and other payables are non-interest bearing and are normally settled on 30 day terms, therefore the carrying value of trade creditors and other payables approximate their fair value. The Independent Police Conduct Authority has a financial risk management policy in place to ensure that all payables are paid within the credit timeframe.

	2014 Actual \$	2013 Actual \$
<b>9. Employee Entitlements</b>		
Accrued salaries and wages	21,599	24,810
Annual leave	141,011	151,951
<b>Total Employee Entitlements</b>	<b>162,610</b>	<b>176,761</b>

## 10. Financial Instruments

### *Categories of financial assets and liabilities*

The carrying amounts of financial assets and liabilities in each of the NZ IAS 39 categories are as follows:

#### **Loans and receivables**

Cash and cash equivalents	287,684	108,549
Investments – term deposits	252,942	450,000
Debtors and other receivables	41,368	39,547
	<hr/>	<hr/>
<b>Total loans and receivables</b>	<b>581,994</b>	<b>598,096</b>

#### **Financial liabilities measured at amortised cost**

Creditors and other payables	356,461	195,049
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### *Financial risk management objectives*

The Independent Police Conduct Authority does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes. The use of derivatives is governed by the Independent Police Conduct Authority's policies approved by the Board, which provide written principles on the use of financial derivatives. The Independent Police Conduct Authority's activities expose it primarily to the financial risks of changes in interest rates.

### *Interest rate risk*

Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates.

Cash flow interest rate risk is the risk that cash flows from a financial instrument will fluctuate because of changes in market interest rates.

The Independent Police Conduct Authority is exposed to fair value and cash flow interest rate risk as it has cash on call at floating interest rates. The Independent Police Conduct Authority manages its interest risk by investing in on-call and short-term deposits with high credit-rated financial institutions.

The following table details the Independent Police Conduct Authority's exposure to interest rate risk as at 30 June 2014.



	Weighted average effective interest rate %	Variable interest rate bearing \$	Non interest bearing \$	Total \$
<b>Financial assets:</b>				
Cash and cash equivalents				
- Cash at bank	0.25	1,485	34	1,519
- Call account	3.10	286,165	-	286,165
- Investments - term deposits	3.26	252,942	-	252,942
Debtors and other receivables	-	-	41,368	41,368
<b>Total financial assets</b>		540,592	41,402	581,994
<b>Financial liabilities:</b>				
Creditors and other payables	-	-	356,461	356,461
<b>Total financial liabilities</b>		-	356,461	356,461

The following table details the Independent Police Conduct Authority's exposure to interest rate risk as at 30 June 2013.

	Weighted average effective interest rate %	Variable interest rate bearing \$	Non interest bearing \$	Total \$
<b>Financial assets:</b>				
Cash and cash equivalents				
- Cash at bank	0.25	106	-	106
- Call account	2.80	108,443	-	108,443
- Investments - term deposits	3.85	450,000	-	450,000
Debtors and other receivables	-	-	39,547	39,547
<b>Total financial assets</b>		558,549	39,547	598,096
<b>Financial liabilities:</b>				
Creditors and other payables	-	-	195,049	195,049
<b>Total financial liabilities</b>		-	195,049	195,049

### *Credit risk management*

Credit risk is the risk that a third party will default on its obligation to the Independent Police Conduct Authority, causing the Independent Police Conduct Authority to incur a loss.

Financial instruments which potentially subject the entity to credit risk principally consist of bank balances. The Independent Police Conduct Authority does not extend credit and places its cash with high credit quality financial institutions.

Maximum exposures to credit risk at reporting date are:

	2014 Actual \$	2013 Actual \$
Cash and cash equivalents	287,684	108,549
Investments – term deposits	252,942	450,000
Debtors and other receivables	41,368	39,547
	<hr/>	<hr/>
	581,994	598,096

No collateral is held on the above amounts. There is no maturity date on the cash at bank and call accounts as these represent cash held in transactional and cash management accounts. The Independent Police Conduct Authority only holds term deposits with registered banks and has experienced no default of interest or principal payments for these term deposits.

### *Fair value of financial instruments*

The Authority considers that the carrying amount of assets and financial liabilities recorded in the financial statements approximates their fair values.

### *Liquidity risk*

Liquidity risk is the risk that the Independent Police Conduct Authority will encounter difficulty raising liquid funds to meet commitments as they fall due. Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. The Independent Police Conduct Authority aims to maintain flexibility in funding by keeping committed credit lines available.

All of the Independent Police Conduct Authority's commitments owing at balance date, comprising trade and other payables, have a contractual maturity of less than six months (2013: maturity also less than six months). The Independent Police Conduct Authority has sufficient cash on hand to meet these commitments as they fall due.

### *Currency risk*

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates. The Independent Police Conduct Authority is not subject to currency risk as it does not participate in any such financial instruments.

## 11. Capital Management

The Independent Police Conduct Authority's capital is its equity, which comprises accumulated funds and other reserves. Equity is represented by net assets.

The Independent Police Conduct Authority is subject to the financial management and accountability provisions of the Crown Entities Act 2004, which impose restrictions in relation to borrowings, acquisition of securities, issuing guarantees and indemnities and the use of derivatives.

The Independent Police Conduct Authority manages its equity as a by-product of prudently managing income, expenses, assets, liabilities, investments, and general financial dealings to ensure the Independent Police Conduct Authority effectively achieves its objectives and purpose, whilst remaining a going concern.

## 12. Reconciliation of net surplus/(deficit) to net cash flow from operating activities

		2014 Actual \$	2013 Actual \$
<b>Net surplus/(deficit) for the year</b>		(151,158)	(427,122)
<b>Add/(less) Non cash items:</b>			
Amortisation	7	26,708	32,292
Depreciation	6	68,065	93,068
Loss on sale of fixed assets		40,677	
<b>Total non cash items</b>		<u>135,450</u>	<u>125,360</u>
<b>Add/(less) movements in statement of financial position items:</b>			
(Increase)/decrease in GST Receivable		2,443	10,167
(Increase)/decrease in sundry receivables		(8,195)	3,898
(Increase)/decrease in prepayments		(44,826)	11,638
(Increase)/decrease in accrued interest		3,931	2,777
(Decrease)/increase in creditors and other payables		161,412	(44,222)
(Decrease)/increase in employee entitlements		<u>(14,151)</u>	<u>24,038</u>
<b>Net movement in working capital items</b>		<u>100,614</u>	<u>8,296</u>
<b>Net cash flow from operating activities</b>		<u>84,906</u>	<u>(293,466)</u>

### 13. Employee Remuneration

Remuneration and other benefits of \$100,000 per annum or more received by employees in their capacity as employees were:

	2014 Actual	2013 Actual
\$100,000 - \$109,999	5	6
\$110,000 - \$119,999	0	0
\$120,000 - \$129,999	1	1
\$130,000 - \$139,999	2	0
\$140,000 - \$149,999	0	1
\$150,000 - \$159,999	0	1
\$220,000 - \$229,999	1	0
\$330,000 - \$339,999	0	1
\$330,000 - \$339,999	1	0

### 14. Related Party Transactions

All related party transactions have been entered into on an arm's length basis.

The Independent Police Conduct Authority is a wholly owned entity of the Crown. The Government significantly influences the role of the Independent Police Conduct Authority as well as being its major source of revenue.

During the period, the Independent Police Conduct Authority received \$4,006,000 (2013: \$3,811,000) of funding from the Crown.

In conducting its activities, the Independent Police Conduct Authority is required to pay various taxes and levies (such as GST, PAYE and ACC levies) to the Crown and entities related to the Crown. The payment of these taxes and levies, other than income tax, is based on the standard terms and conditions that apply to all tax and levy payers. The Independent Police Conduct Authority is exempt from paying income tax.

The Independent Police Conduct Authority also purchases good and services from entities controlled, significantly influenced, or jointly controlled by the crown. Purchases from these government related entities for the year ended 30 June 2014 totalled \$6,583 (2013: \$14,777). These purchases included the purchase of electricity from Genesis.

There were no transactions with close family members of key management personnel employed by the Independent Police Conduct Authority in 2014 (2013: \$nil).

## 15. Key Management Personnel Compensation

The compensation of the Authority (Chair and two board members), the Group Manager, Corporate, and the Group Manager of Operations being the key management personnel of the Independent Police Conduct Authority, is set out below:

	2014 Actual \$	2013 Actual \$
Short-term employee benefits	660,324	706,934
<b>Total compensation</b>	<b>660,324</b>	<b>706,934</b>

There were no post-employment benefits, other long-term employee benefits, termination benefits paid to key management personnel during the year (2013: \$nil)

## 16. Board member remuneration

The total value of remuneration paid or payable to each Board member during the year was:

	2014 Actual \$	2013 Actual \$
Judge Sir David J Carruthers	339,020	326,806
Angela Hauk-Willis	11,421	25,520
Dianne Macaskill	9,998	9,115
Richard Woods	-	6,788
<b>Total Board member remuneration</b>	<b>360,439</b>	<b>368,229</b>

There have been no payments made to committee members appointed by the Board who are not Board members during the financial year. No Board members received compensation or other benefits in relation to cessation (2013: \$nil).

## 17. Commitments

### (i) Capital commitments

There are no capital commitments at reporting date (2013: \$nil).

### (ii) Operating lease commitments

Operating lease commitments relate to the lease with 342 Lambton Quay Limited for building accommodation at 342 Lambton Quay, Wellington.

The lease term with 342 Lambton Quay Limited is for a period of six years commencing 18 February 2009, with rights of renewal at 18 February 2015 at the same or lesser price. The Independent Police

Conduct Authority does not have the option to purchase the leased asset at the expiry of the lease period.

The Independent Police Conduct Authority does not intend to take up the right of renewal at 18 February 2015 and instead has leased a premises at 1 Grey Street. The lease term with DNZ Property Fund Limited is for a period of nine years commencing 1 September 2014, with rights of renewal at 1 September 2023 at the same or higher price. The Independent Police Conduct Authority does not have the option to purchase the leased asset at the expiry of the lease period. The Independent Police Conduct Authority paid a deposit for 1 Grey St during July 2013 of \$58,110 (including GST), being two months annual rent.

The future aggregate minimum lease payments to be paid under non-cancellable operating leases are as follows:

	2014 Actual \$	2013 Actual \$
Less than one year	454,196	302,316
Between one and five years	1,212,728	201,544
Later than five years	1,263,258	-
<b>Total operating lease commitments</b>	<b>2,930,182</b>	<b>503,860</b>

## 18. Contingency

There are no contingent liabilities or assets at reporting date (2013: \$nil).

## 19. Subsequent Events

There are no events subsequent to reporting date, that the Authority is aware of, that would have a material impact on the financial statements for the period ended 30 June 2014 (2013: The Authority entered into a lease agreement with DNZ Property Fund Limited which is now detailed at note 17 ).

## 20. Major Budget Variances

### Statement of Comprehensive Income

#### 1. Revenue from the Crown

Actual - \$4,006,000; Budget - \$3,811,000

IPCA received an additional \$195,000 from the Crown during the year.

#### 2. Professional fees and Contract Services

Actual - \$101,469; Budget - \$90,000

Professional Fees and Contract Services were higher than budgeted because during the year the Group Manager, Corporate resigned, and a part-time contractor was employed to perform the role. Parts of the role were also contracted out to Deloitte. In addition, IPCA made the decision to move office during the year, and therefore there was additional expenditure incurred in the form of an IT contractor.

### 3. *Rent*

Actual - \$449,884; Budget - \$307,000

As from 1 September 2014, IPCA will be paying rent for two properties and therefore a provision for this unbudgeted expense has been included in the accounts.

### 4. *Services and Supplies*

Actual - \$312,090; Budget - \$220,000

There were several unbudgeted expenses during the year such as database development, disaster recovery and secure file sharing.

## Statement of Financial Position

### 5. *Creditors and other payables Actual - \$356,461; Budget - \$61,126*

Creditors and other payables were higher than budget due to total expenditure in the month of June 2014 being higher than expected.

## Statement of Cash Flows

Any variances against budget in the statement of cash flows have been reflected in the notes above.

## Summary of income and expenditure on outputs

The Authority's output costs include those direct and indirect costs associated with delivering services in each output area. As our services are primarily delivered by our people the key output cost driver is the estimate of staff time spent on output related activities. We have also applied the same assumptions when assessing the actual income against our Outputs as our funding basis does not target specific income against our individual Outputs. These costs are also placed alongside any direct operational expenses that can be specifically attributed to an output activity.

As noted in the preceding section covering the Authority's financial statements, overall expenditure was above forecast levels during 2013/14 and this is reflected in the output expenditure levels. It is important to highlight, however, that we prioritised the allocation of resources toward our most critical service delivery areas. In this regard our allocation of resources emphasised the need to manage complaints and undertake investigations.

Actual expenditure for each of the Authority's outputs, against budget, is provided over the page:

	<i>Income</i>		<i>Expenditure</i>	
<i>Output</i>	<i>2013/14 Forecast</i>	<i>2013/14 Actual</i>	<i>2013/14 Forecast</i>	<i>2013/14 Actual</i>
Receive, manage, and ensure resolution of complaints	Not specified	Not specified	\$1,108,180	Not specified
Carry out Independent investigations into Police conduct and report on these as required	Not specified	Not specified	\$2,098,820	Not specified
Monitor and report on Police places of detention	Not specified	Not specified	\$56,081	Not specified
Make recommendations for improved Police conduct, practices, policies and procedures, based on the results of investigations, and monitoring implementation of those recommendations.	Not specified	Not specified	\$565,673	Not specified
<i>Total</i>	<i>\$3,846,841</i>	<i>\$4,041,763</i>	<i>\$3,828,754</i>	<i>\$4,192,921</i>



## **Independent Auditor's Report**

### **To the readers of Independent Police Conduct Authority's financial statements and non-financial performance information for the year ended 30 June 2014**

The Auditor-General is the auditor of the Independent Police Conduct Authority (the Authority). The Auditor-General has appointed me, Clint Ramoo, using the staff and resources of Audit New Zealand, to carry out the audit of the financial statements and non-financial performance information of the Authority on her behalf.

We have audited:

- the financial statements of the Authority on pages 31 to 56, that comprise the statement of financial position as at 30 June 2014, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date and notes to the financial statements that include accounting policies and other explanatory information; and
- the non-financial performance information of the Authority that comprises the statement of service performance on pages 26 to 30 and the report about outcomes on pages 18 to 22.

## Opinion

In our opinion:

- the financial statements of the Authority on pages 31 to 56:
  - comply with generally accepted accounting practice in New Zealand; and
  - fairly reflect the Authority's:
    - financial position as at 30 June 2014; and
    - financial performance and cash flows for the year ended on that date.
- the non-financial performance information of the Authority on pages 26 to 30 and 18 to 22:
  - complies with generally accepted accounting practice in New Zealand; and
  - fairly reflects the Authority's service performance and outcomes for the year ended 30 June 2014, including for each class of outputs:
    - its service performance compared with forecasts in the statement of forecast service performance at the start of the financial year; and
    - its actual revenue and output expenses compared with the forecasts in the statement of forecast service performance at the start of the financial year.

Our audit was completed on 30 October 2014. This is the date at which our opinion is expressed.

The basis of our opinion is explained below. In addition, we outline the responsibilities of the Authority and our responsibilities, and we explain our independence.

## Basis of opinion

We carried out our audit in accordance with the Auditor-General's Auditing Standards, which incorporate the International Standards on Auditing (New Zealand). Those standards require that we comply with ethical requirements and plan and carry out our audit to obtain reasonable assurance about whether the financial statements and non-financial performance information are free from material misstatement.

Material misstatements are differences or omissions of amounts and disclosures that, in our judgement, are likely to influence readers' overall understanding of the financial statements and non-financial performance information. If we had found material misstatements that were not corrected, we would have referred to them in our opinion.

An audit involves carrying out procedures to obtain audit evidence about the amounts and disclosures in the financial statements and non-financial performance information. The procedures selected depend on our judgement, including our assessment of risks of material misstatement of the financial statements and non-financial performance information, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the preparation of the Authority's financial statements and non-financial performance information that fairly reflect the matters to which they relate. We consider internal control 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 Authority's internal control.

An audit also involves evaluating:

- the appropriateness of accounting policies used and whether they have been consistently applied;
- the reasonableness of the significant accounting estimates and judgements made by the Authority;
- the appropriateness of the reported non-financial performance information within the Authority's framework for reporting performance;

- the adequacy of all disclosures in the financial statements and non-financial performance information; and
- the overall presentation of the financial statements and non-financial performance information.

We did not examine every transaction, nor do we guarantee complete accuracy of the financial statements and non-financial performance information. Also we did not evaluate the security and controls over the electronic publication of the financial statements and non-financial performance information.

We have obtained all the information and explanations we have required and we believe we have obtained sufficient and appropriate audit evidence to provide a basis for our audit opinion.

## **Responsibilities of the Authority**

The Authority is responsible for preparing financial statements and non-financial performance information that:

- comply with generally accepted accounting practice in New Zealand;
- fairly reflect the Authority's financial position, financial performance and cash flows; and
- fairly reflect its service performance and outcomes.

The Authority is also responsible for such internal control as is determined necessary to enable the preparation of financial statements and non-financial performance information that are free from material misstatement, whether due to fraud or error. The Authority is also responsible for the publication of the financial statements and non-financial performance information, whether in printed or electronic form.

The Authority's responsibilities arise from the Crown Entities Act 2004.

## **Responsibilities of the Auditor**

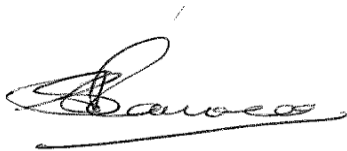
We are responsible for expressing an independent opinion on the financial statements and non-financial performance information and reporting that

opinion to you based on our audit. Our responsibility arises from section 15 of the Public Audit Act 2001 and the Crown Entities Act 2004.

## Independence

When carrying out the audit, we followed the independence requirements of the Auditor-General, which incorporate the independence requirements of the External Reporting Board.

Other than the audit, we have no relationship with or interests in the Authority.

A handwritten signature in black ink, appearing to read 'Clint Ramoo', with a long horizontal flourish extending to the right.

Clint Ramoo  
Audit New Zealand  
On behalf of the Auditor-General  
Wellington, New Zealand







Whaia te pono, kia puawai ko te tika

PO Box 25221, Wellington 6146

Freephone 0800 503 728

[www.ipca.govt.nz](http://www.ipca.govt.nz)

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