



Independent Police Conduct Authority

Annual Report 2016–2017

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 2016 to 30 June 2017.



Judge Colin Doherty

Chair

INDEPENDENT POLICE CONDUCT AUTHORITY



Dianne Macaskill

Member

INDEPENDENT POLICE CONDUCT AUTHORITY



Simon Murdoch

Member

INDEPENDENT POLICE CONDUCT AUTHORITY



Contents

- Introduction 4**
- Foreword by the Chair..... 5**
- About Us 7**
- Our independence 9**
- Our People 10**
- Our Achievements 2016/17 11**
- Progress against our Outcomes Framework 19**
- Annual Accountability Statements..... 24**
- 2016/17 Performance Reporting: Statement of Service Performance 25**
- Statement of Accounting Policies 29**
- 2016/17 Financial Statements and Supporting Information 36**
- Independent Auditor’s Report 51**

Introduction

The Authority is seen as making a significant contribution to improved public trust and confidence in the New Zealand Police. We contribute by investigating individual complaints in a fair, impartial and considered manner and also by identifying patterns and themes in complaints and incidents that indicate a need for changes to Police policy, practice or procedure. We are confident that findings and recommendations we make to Police will be implemented and that their introduction will result in improved policing.

THE YEAR IN BRIEF

The Authority:

- received 2614 complaints, an increase of 7% over the previous year;
- conducted 71 independent investigations;
- released 33 public reports, all of which were and published on the Authority's website;
- reviewed 156 Police investigations of complaints, 148 of which were completed within 28 days of receipt of the Police file;
- made 11 recommendations for changes to Police policy, practice or procedure, 10 of which were accepted by year end;
- identified and addressed custodial management issues that came with the Authority's jurisdiction as a National Preventive Mechanism under the Crimes of Torture Act 1989;
- had in excess of 85,000 visits to the Authority's website – an increase of 50% over last year.

Foreword by the Chair

The 2016/17 year covered by this Report fell within the five-year term of my predecessor, Judge Sir David Carruthers, as Chair of the Independent Police Conduct Authority. It is my privilege to report these results on his behalf.

The statistics and details of the achievements set out in this Annual Report demonstrate that it has been another full and productive year for the Authority. The health of the statistics is indicative of the Authority's continuing drive for excellence, and its operational innovation and efficiency in an environment of limited operational resources and an increasing volume and complexity of complaints.

This reporting year we published 33 independent reports, a 33% increase on the previous year. The number of reports is a notable achievement on its own; however, when the depth, quality and complexity of them is also considered, they attest to a dedicated and committed organisation producing excellent results and providing value for the community.

With the assistance of the Government Centre for Dispute Resolution at the Ministry of Business Innovation and Employment, the Authority and Police developed a new method of dealing with complaints which was trialled in three Police Districts starting from 7 March 2016 and extending into this reporting year. This method sped up the resolution of complaints by identifying issues at an early stage, prioritising cases and facilitating resolutions in appropriate cases without the need for intensive and lengthy investigations. As a result, the scheme was introduced nationally from January 2017.

All investigations have a project plan with milestones and projected completion dates. Police investigations are subjected to constant oversight and review. In short, the work of the Authority is closely supervised and controlled and during the 2016/17 was generally completed without undue delay.

The Authority continues to monitor and refine these new processes so as to achieve the best possible outcomes for complainants, the Police and the community.

The implementation of the methodology referred to above coincided with a 7% increase in complaint volumes. Notwithstanding this increase in volume, most of our performance measures relating to timeliness were achieved. However, it is clear that the innovations may have had an impact on performance measures as they have involved a shift of emphasis to the "front end" of the process and have thus put pressure on measures set for an altogether different process. The measures may therefore require reassessment for the 2018/2019 year.

The Authority has managed its money in the face of significant operational change and an increase in the volume and complexity of complaints. These pressures will require a close look at the future funding of the Authority.

There were fewer Police shootings notified in this reporting year; however, these continue to be a concern to the Authority. A number of reports into incidents from previous years were publicly released during the year. Shooting notifications assume high priority in any Police oversight organisation and the Authority is committed to ensuring that the use of force by Police operates within well understood limits and in the case of ultimate force is always the final tactical option.

I must acknowledge the excellent and professional working relationship both the Authority and its staff maintain with Police. In my view it is fundamental to the effective and efficient oversight of policing and to achieving appropriate changes in Police practice and policy.

Finally, for myself and on behalf of Judge Carruthers, I wish to thank the Authority's employees and Board members, and others who work with us, for their commitment to maintain high standards during an exceptionally busy time. Never before have IPCA staff been under such pressure and yet continued to produce work of exceptional quality and standard. Their efforts do a great deal to ensure public confidence in the performance and integrity of New Zealand Police.

A handwritten signature in black ink, appearing to read 'C. Doherty'.

Judge Colin Doherty

Chair

INDEPENDENT POLICE CONDUCT AUTHORITY

About Us

OUR PURPOSE

The Authority exists so that people have trust that complaints about, and incidents involving, Police conduct will be fairly and impartially investigated or reviewed; that any practice, policy or procedure issues will be identified and addressed by appropriate recommendations; and that these will result in improved Police performance.

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 this will contribute toward increasing the Police's overall effectiveness in achieving government outcomes.

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

OUR LEGISLATIVE FUNCTION

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 (IPCA Act).

Our primary function is defined under the IPCA Act 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 has a Memorandum of Understanding (MoU) with the Police. This 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, such cases are referred by Police to the Authority even when there has not been a complaint from a member of the public or an incident involving a death or serious bodily harm.

Under section 17 of the IPCA Act, when the Authority receives a complaint we can investigate the complaint ourselves, refer it to the Police for investigation under our active oversight, facilitate a resolution between the Police and the complainant that addresses the complainant's grievance, or take no action.

Optional Protocol to the Convention Against Torture (OPCAT)

Separately, 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 and auditing reports on Police detention facilities throughout New Zealand to ensure that they are safe and humane and that they meet international standards.

Our independence

We make our own judgements about the facts, based on available evidence 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 the IPCA Act and the Crown Entities Act. Statutory independence is critical for our effectiveness.

Unless Police actions have resulted in death or serious bodily injury or we receive a referral from the Police under the MoU, we cannot instigate investigations without a complaint. Nor are we able to prosecute or take disciplinary action against a member of Police. Instead we make recommendations to Police which may include that disciplinary or criminal proceedings be considered or instituted.

If we are not satisfied with the Police response to our recommendations, the Authority must inform the Attorney-General and the Minister of Police. If we consider it appropriate we may also transmit a copy of a 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 investigations are undertaken by teams of staff with a variety of experience. These include some staff with extensive policing experience, either in New Zealand or in other Commonwealth countries, and others with significant legal, investigative or complaints management experience. Investigations are subject to management oversight and review and any report issued publicly is reviewed and signed by the Chair of the Authority. The Chair, who must be a Judge or a retired Judge, is ultimately responsible for all findings and recommendations.

Although impartiality is critical, it is both appropriate and a practical necessity that the Authority maintains a professional, cooperative and constructive working relationship with the Commissioner of Police, the Police executive, senior officers, staff from the Police Professional Conduct Group, and Police investigators.

Unless Police actions have resulted in death or serious bodily injury or the Authority receives a referral from the Police under the MoU, it cannot instigate investigations without a complaint.

Our People

The Authority is governed by a Board that is accountable to Parliament and reports to a responsible Minister within Government. 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 current Board members are Judge Colin Doherty (Chair), Dianne Macaskill and Simon Murdoch. Judge Doherty replaced Judge Sir David Carruthers on 31 August 2017; Judge Carruthers was therefore the Chair of the Authority for the entire period covered by this report.

The Board meets monthly and focuses on four key issues in regard to its governance functions: ensuring prudent financial management; 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 Chair discharges a range of executive functions and is supported by a General Manager and an organisational structure that prioritises available resources toward the efficient and effective delivery of operational services.

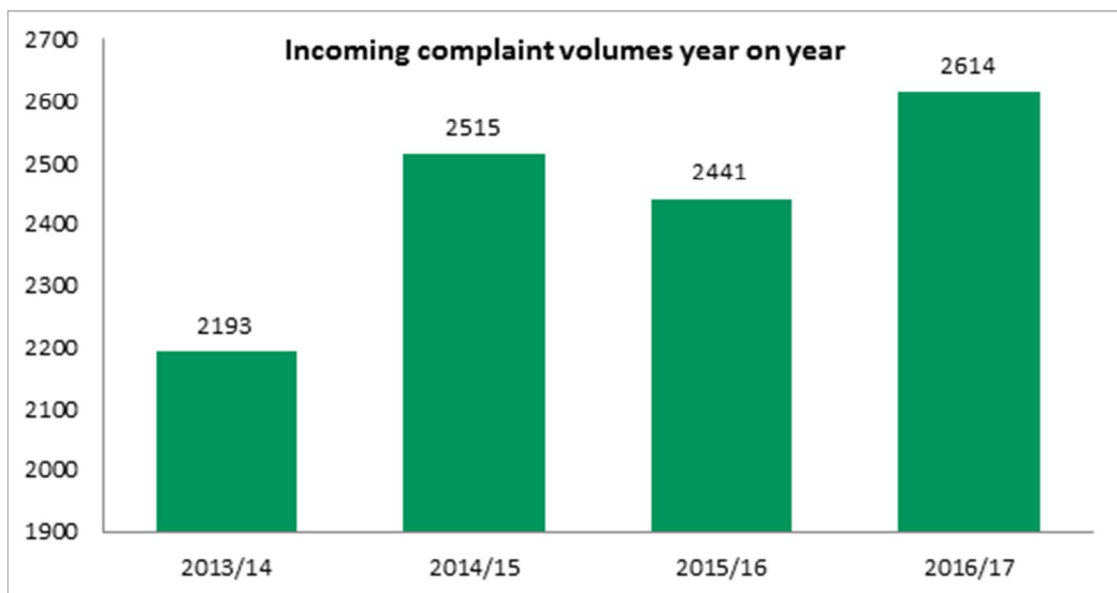
Our Achievements 2016/17

The key features of our work over the past 12 months are as follows:

VOLUME OF COMPLAINTS, REFERRALS AND TRENDS

Until 2013/14 the Authority's caseload had been relatively stable at around 2000 cases per annum. Since then there has been a steady increase. During the 12 month period to 30 June 2017, 2614 complaints and referrals were received, compared to the 2441 complaints and referrals received in the previous year. This represents an increase in volume of 7% by comparison with 2015/16 and a 22% increase in volume over the last three years. This has put significant and increasing strain on the Authority's staff and resources, and is affecting the Authority's ability to maintain quality and meet timeliness targets.

Incoming complaint volumes



The Authority operates a triage system to allocate complaints and referrals we receive to either the Investigations Team or the Case Resolution Team.

The categories to which cases are allocated are:

- **Category 1** – Independent investigation by the Authority.
- **Category 2** – Referral to Police for investigation with active oversight by the Authority and a full review of the file, by the Authority, at the conclusion of the investigation.
- **Category 3** – Referral to Police for investigation with a full review of the file by the Authority at its conclusion. (This category is no longer in use, but a small number previously designated as Category 3 cases have not yet been concluded.)

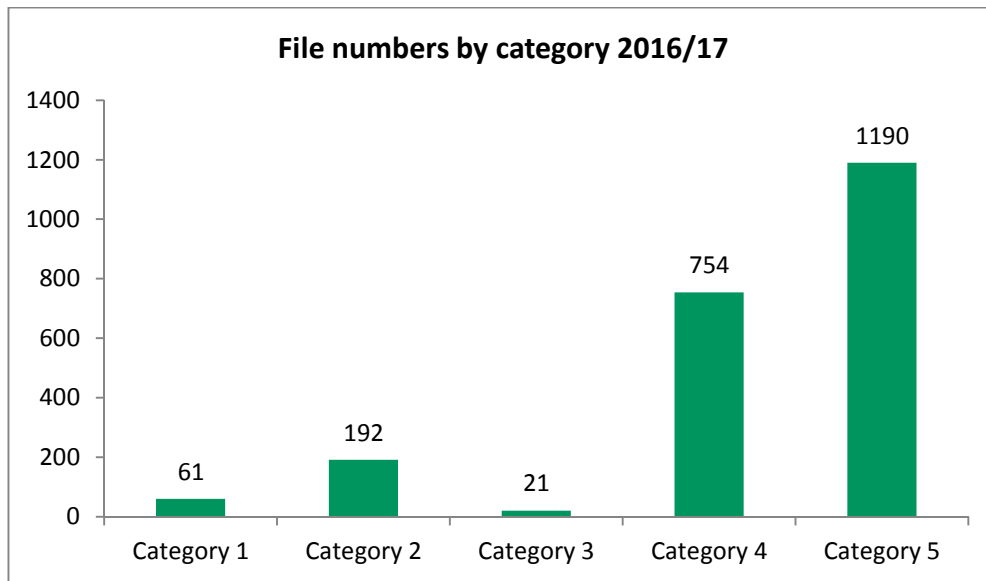
- **Category 4** – Facilitated resolution of a complaint through appropriate action by the Police to address the complainant’s grievance.
- **Category 5** – Complaint declined by the Authority.

The table below shows the number of complaints and incidents referred to the Authority in 2016/17 and the number of cases that remain open in each category and that have been closed during the reporting period by comparison with the previous year.

Comparison of volume of complaints and referrals by the Authority

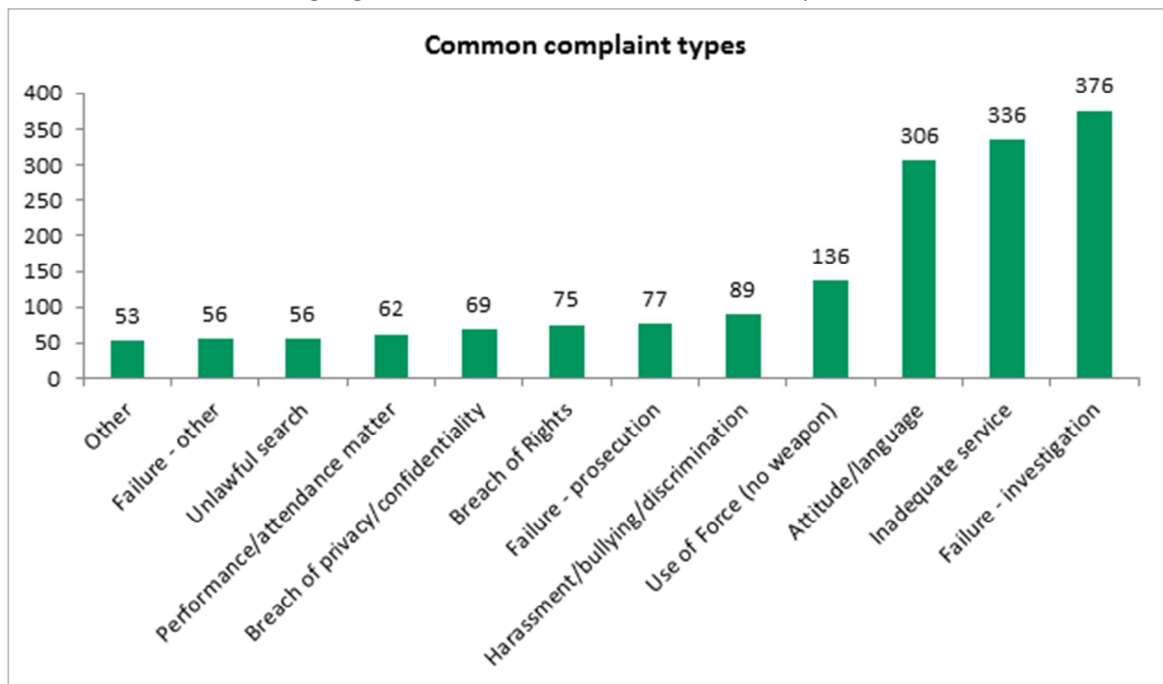
Action	2016/17	2015/16
New complaints received during the period	2614	2441
Total number of files closed during the period	2192	2369
Public reports released (during the period)	33	21
Current open Category 1 files	61	62
Current open Category 2 files	185	97
Current open Category 3 files	21	45

Breakdown of complaints allocated to the Authority's 5 categories¹



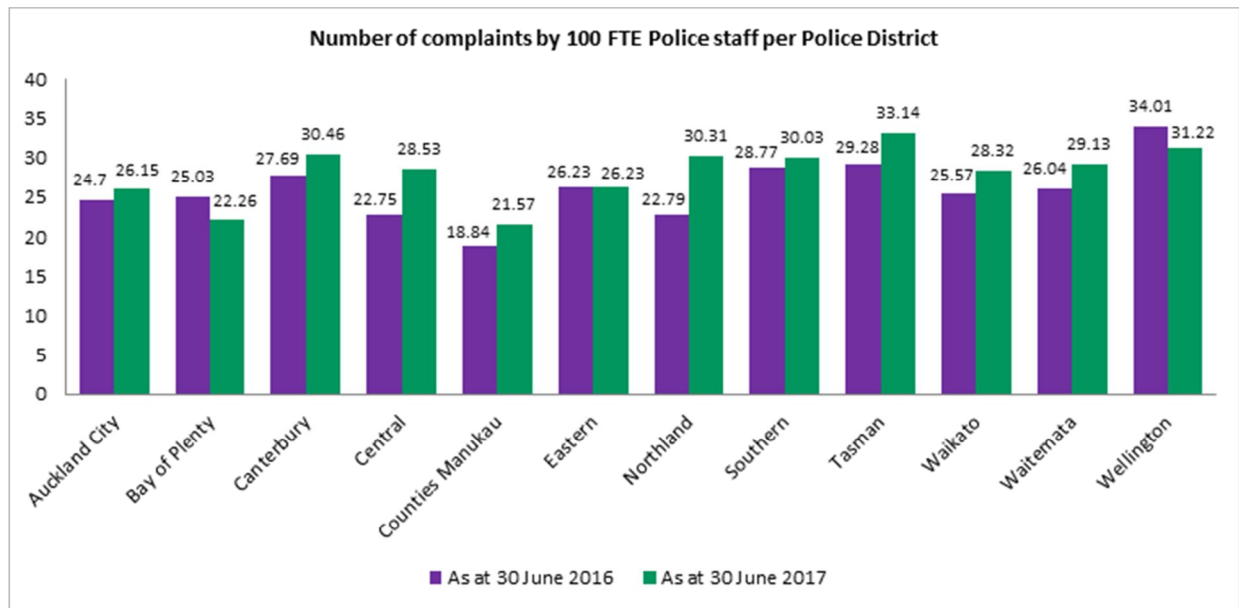
An individual complaint may include more than one 'complaint issue' that may fall into separate categories. For example, *failure to investigate* and *attitude/language* complaints may arise from the same incident.

The most common types of complaint were about: failure in an investigation, inadequate service, an officer's attitude or use of language and the use of force without a weapon.



¹ The total number of files shown here is 2218. The Authority recorded a total of 2614 files for the year. The difference of 396 files relates to those cases that were awaiting further information and had not been categorised as at 30 June 2017.

Complaints by Police District²



INDEPENDENT AND TRANSPARENT INVESTIGATIONS

The Authority continues to maintain a stable caseload of independent investigations in the face of increasing numbers of complaints and incidents. We completed 71 independent investigations during the year and had 61 ongoing open investigations at 30 June 2017.

The Authority has been successful in developing a more timely response to serious incidents and complaints and has largely met timeliness measures (outlined on pages 25-27).

The rising number of complaints and referrals received by the Authority in the last three years can be attributed in part to the efforts that have been made to increase the visibility and public recognition of the role we play. It may also reflect increasing public confidence in the effectiveness of our work. This trend is expected to continue, particularly in the light of increasing Police numbers.

The Authority's primary methods of communicating with the public and media are through our public reports and our website www.ipca.govt.nz. The reports provide transparency about the Authority's work, and accountability for the Authority and Police. The website has become the principal means by which members of the public obtain information about our work and as the means to lay complaints with us.

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

During the year the Authority completed 71 independent investigations and released 33 public reports detailing findings from our investigations.

² The figures for the previous year have been amended from that shown in the 2015/16 report.

High profile reports released during 2016/17 include:

- Report on the fatal shooting of David Cerven at Myers Park, Auckland on 2 August 2015; issued September 2016. The Authority found that the shooting was justified but that the decision of officers to approach Mr Cerven, who had informed Police that he was armed, precipitated the actions that saw Police shoot him.
- Report on the fatal shooting of Pera Smiler at Upper Hutt on 8 September 2015; issued September 2016. The Authority found the shooting was justified as Mr Smiler, who had fired a number of shots that endangered members of the public, was aiming his firearm at attending officers when he was shot.
- Report on Police use of pre-charge warnings; issued September 2016. The Authority found inconsistencies in processes and application between Districts and recommended that Police revise their policy to make clear the circumstances where warnings are justified.
- Report on the fatal shooting of Vaughan Te Moananui at Thames on 2 May 2015; issued October 2016. The Authority found that Police were justified in shooting him after he had confronted officers with a firearm.
- Report on the joint review of the Police Vetting Service by the Authority and the Office of the Privacy Commissioner; issued October 2016. The report made a number of recommendations to ensure that the processes for releasing information following a vetting request are consistent and comply with privacy principles.
- Report on the use of Taser by a Police officer on a mentally unwell man being held in a small cubicle at a Police Station; issued March 2017. The Authority found the use of the Taser was contrary to policy, excessive and unjustified.
- Report on a pursuit along the Wellington Waterfront; report May 2017. The Authority found that the Police driver had exposed the public to unnecessary risk.
- Report on the use of Taser at Christchurch in April 2016; issued May 2017. The Authority found that an officer was unjustified in deploying a Taser for the third time on a man who was lying on the ground and was not assaultive or threatening.
- Report on the non-fatal shooting of Chaz Hall at Clive on 26 October 2015; issued June 2017. Mr Hall was shot when Police endeavoured to arrest him for the murder of his former partner who had been shot by him at the house where she lived with her young daughter.
- Report on the fatal shooting of Nicholas Marshall at Hamilton on 12 July 2016; issued June 2017. The Authority found that the shooting was justified. After Police had entered the factory where Mr Marshall lived, he had picked up a shotgun and pointed it at officers.

Police shooting cases

The Authority independently investigates all incidents where Police discharge firearms in the line of duty and cause injury or death to a person. The Authority has investigated three fatal Police shooting incidents

during this reporting year. There were six Police shooting incidents in the previous reporting year and the Authority has concluded all of those investigations.

STRATEGIC INITIATIVES

The Authority's strategic objectives, in accordance with its Statement of Intent 2014/15 – 2017/18, include placing greater emphasis on prevention and more timely resolution of complaints. Despite an increasing inventory of complaints, we have made significant progress in the last 12 months in achieving these objectives. These developments have now been incorporated into a revised 'Statement of Intent' for the period 2017/18 – 2020/21.

Facilitated resolution of complaints

In the past, primary responsibility for disposing of Category 2, 3 and 4 cases rested with the Police. This sometimes led to long delays before final disposition of the case. Moreover, in cases where the Authority disagreed with the outcome, it was often too late for any effective intervention to achieve a more appropriate outcome.

The new triaging processes trialled from March 2016 and extending into the reporting year were introduced nationally in January 2017.

The new processes are designed to ensure that where appropriate remedies to address a complaint can be readily identified, these are implemented in a timely way.

Upon receipt of a complaint from a member of the public, time is taken to obtain initial information about the incident and to discuss with the Police how the complaint can best be resolved. As a result, cases are often dealt with through appropriate redress to the complainant without unnecessary, resource-intensive and lengthy investigations. This may take a variety of forms, including an apology to the complainant, compensation, return of property, the re-instigation of an investigation of a criminal complaint, or a performance conversation with the officers complained about. Cases resolved in this way are designated as Category 4.

Where a matter does require investigation (for example, because the facts are unclear or because a criminal or employment investigation is required), it is now always classified as a Category 2 and referred back to the Police for investigation unless it meets the criteria for an independent investigation by the Authority. Discussions are then held between the Authority and the Police investigating officer within a designated time to discuss and agree on the issues requiring investigation; all material gathered during the investigation is actively reviewed by the Authority; issues are discussed with the investigating officer when they arise; and any concerns that the Authority has with the direction of an investigation are raised with Police at the appropriate level as soon as they become known.

As a consequence of the changes to the way in which complaints are dealt with, the Police and the Authority have jointly reviewed the way in which the outcomes of complaints are recorded, so that there is a more uniform, accurate and informative measure of the actions that have been taken in response to them. This will require the Authority to invest in a new case management system with a robust data framework that will permit more sophisticated data analytics than is currently possible. Funding in support of this is currently being sought.

During this reporting year, the Authority completed restructuring of our operations area in order to ensure that we have the right structure in place, and staff with the appropriate expertise, to support the new processes. It has proved challenging to obtain staff with the appropriate mix of knowledge and experience within our available resources. Further recruitment is planned in the new financial year.

Thematic reviews

We recognise that the value of our work is greatly enhanced when lessons that may be learned from individual complaints are taken on board by the Police and used to modify policing practice. To that end, in our reports on individual cases we make recommendations to the Police for changes to Police policy, procedure or practice where we believe that this is required to prevent similar occurrences in the future. We also work actively to identify training needs and to draw these to the attention of Police, and highlight particular case examples for this purpose. Sometimes these are promulgated by Police through their Bulletin Board or Lessons Learned database.

Just as importantly, where we identify patterns that are arising from a group of complaints and incidents, we undertake broader “thematic reviews” so that we can identify systemic issues and make recommendations for change to address them.

In some cases, these are addressed through discussion with the Police. The outcome of the Authority’s work is then a revised policy, or the development of additional Police training. For example:

- During the reporting period we actively worked with the Police to address ongoing issues with the way in which seized property is handled and disposed of by staff. We made recommendations for improvements in both systems and training, and are working with Police to ensure their effective implementation.
- We also raised with Police the systems for prioritising and investigating fraud cases, and drew their attention to the adverse implications of the application of those systems in some individual cases.

In other cases, a more formal report by the Authority, with a range of recommendations, is required. For example, during the reporting period we issued a public report, jointly with the Office of the Privacy Commissioner, on Police employment vetting processes. We also published a report following a major review of the pre-charge warning policy. More recently, we have begun a review of issues that arise in the policing of small communities, and expect that this will result in a public report in due course.

MONITORING AND REPORTING ON PLACES OF POLICE DETENTION

During the year, we continued to work with Police to develop a systematic joint programme of audits.

The first component of that programme is the extraction and collation by Police of statistical data from the Electronic Custody Module on a District by District basis at the end of each financial year. The implementation of this has been delayed because the Police have not been able to allocate the resources to extract the data. We are hoping that this work will be given priority in the coming year.

The second component is a joint audit by Police and the Authority of the Electronic Custody Module record in a random sample of individual cases from individual custody units, undertaken quarterly on a

rolling District by District basis. We finalised the template for that work during the year and tested it in a sample of cases in April.

We also continued to identify systemic issues arising from individual cases and incidents. There were 26 such cases that were opened during this reporting year. These raised multiple issues including prisoner transport; inadequate risk assessment or monitoring; and poor handling of detainees with mental health problems. We used those cases to identify shortcomings in practice, and where required we visited the relevant custody unit to discuss these with supervisors and to agree on the actions required to address them.

We also expressed concerns about the number of young persons being held in Police cells and discussed with other agencies, including Oranga Tamariki, how these numbers could be reduced.

The Ministry of Justice has kept the Authority informed of progress in the ongoing programme of work to upgrade Court cells and we continue to monitor this to ensure that the risks posed to the safety of prisoners by the current state of many of these cells are mitigated as quickly as possible.

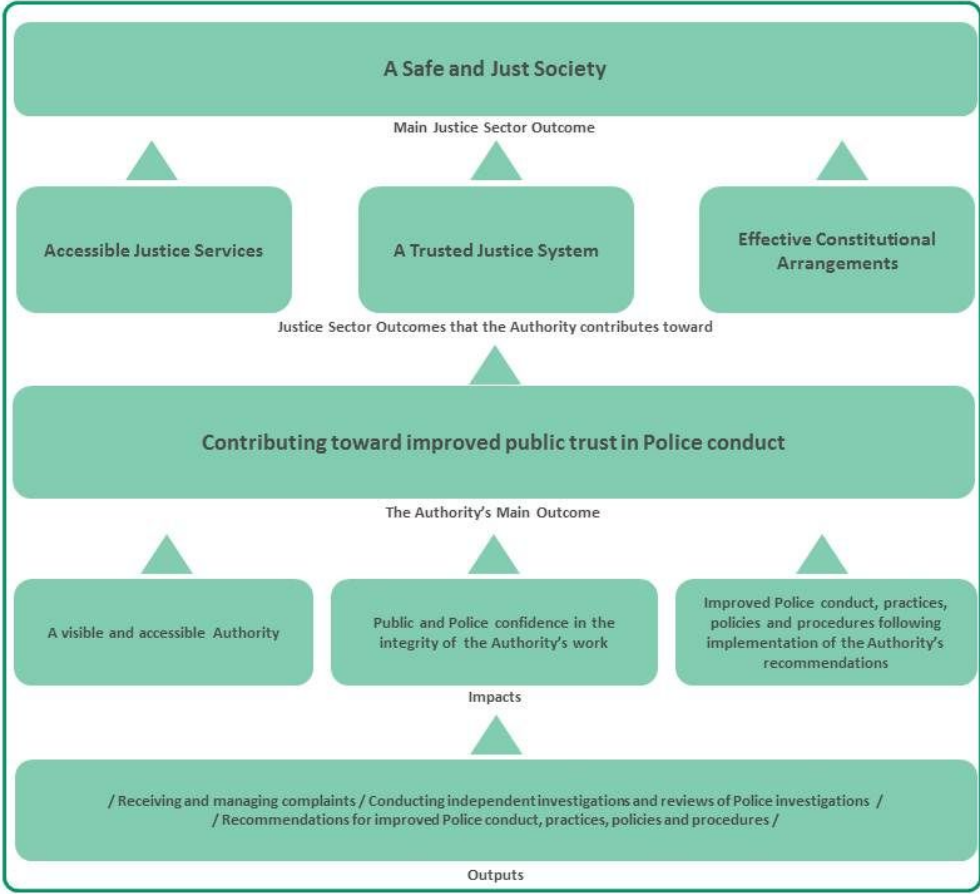
Finally, we undertook a small number of routine inspections of Police cells, including those in Auckland and Counties-Manukau, although these were infrequent because of resource constraints. We are expecting the number of such visits to increase in the 2017-18 financial year.

CORPORATE SERVICES REVIEW

Due to a resignation, the Authority operated without a Manager: Corporate until January 2017.

The areas of responsibility for the Manager: Corporate include finance, human resources, information & technology, communications and office administration. Some of the priority work completed prior to 30 June 2017 has included preparing strategic reports, policy review, renegotiation of the IT contract and commencing a project for the redevelopment of the Authority's website which is expected to be completed in December 2017.

Progress against our Outcomes Framework



MAIN OUTCOME: CONTRIBUTING TOWARD IMPROVED PUBLIC TRUST IN POLICE CONDUCT

The Authority's main outcome goes to the heart of our purpose, i.e. to ensure that people have confidence that complaints about, and incidents involving, Police conduct, or any Police practice, policy or procedure, will be fairly and impartially investigated or reviewed and any recommendations made and implemented will result in improved Police conduct.

The Authority believes that there is a link between our work and improved Police conduct. Improved Police conduct should lead to New Zealanders having increased confidence in Police and policing generally.

In terms of the particular impacts of our work, these are measured by reference to the visibility and accessibility of the Authority; public and Police confidence in the integrity of the Authority's work; and implementation of the Authority's recommendations about Police conduct, practices, policies and procedures.

Impact Measure 1: A Visible and Accessible Authority

Performance July 2016 – June 2017

<i>Measures³</i>	<i>Met / Not Met</i>
The existence of a plan, approved by the IPCA Board by 30 September 2016	Met
Outreach activities required by the Plan are undertaken by 30 June 2017	Met

The Authority has begun a programme to improve our profile and accessibility, particularly in respect of vulnerable and marginalised communities. An 'Outreach Plan' was developed and approved by the Board prior to 30 September 2016. Aspects of the Plan were then implemented, including revising and printing a new brochure and attending meetings involving a range of contacts and activities with such communities, as far as resources permitted.

Planning was also commenced to enhance our website in the next reporting year to improve the availability of online information, including the provision of multi-lingual services of key information. We will also continue to ensure the visibility of our work by actively publicising the results of investigations and giving media interviews where appropriate.

Impact Measure 2: Improved satisfaction relating to the work of the Authority

We measure the level of satisfaction of complainants, and Police officers complained of, by way of a telephone survey. All complainants, victims and next of kin in all Category 1 and Category 2 files who have been in contact with our staff are contacted following the closure of the case, as well as 25% of subject

³ These were new measures introduced in the 2016/17 year.

officers. A target of 75% satisfaction level has been set. As part of the survey participants are asked to comment on their level of satisfaction relating to their contact with staff and our investigation and review processes.

<i>Measures</i>	<i>Performance July 2016 – June 2017</i>			<i>Comparative Performance</i>
	<i>Forecast</i>	<i>Actual</i>	<i>Met / Not Met</i>	<i>Actual</i>
Participants in surveys are satisfied with their contact with Authority staff	75% are satisfied	98%	Met	90%
Participants in surveys are satisfied with the Authority's investigation processes	75% are satisfied	88%	Met	73%
Participants in surveys are satisfied with the Authority's review processes	75% are satisfied	50%	Not met	67%

There was a high level of satisfaction with our level of contact and our investigative processes in Category 1 cases, with targets achieved or almost achieved. The degree of satisfaction with the Authority's review processes (that relate to Category 2 cases) was below the target. The numbers surveyed were relatively low, however, as it was the Authority's practice to contact complainants only where there had previously been extensive interaction with the Authority during the course of the Police investigation. It is expected that satisfaction levels will improve as a result of our new processes, which have as an explicit requirement that complainants and subject officers are informed of timeframes and have been contacted regularly.

Impact Measure 3: Make recommendations for improved Police conduct, policies, practices and procedures and monitoring during the course of investigations, and monitoring implementation of those recommendations.

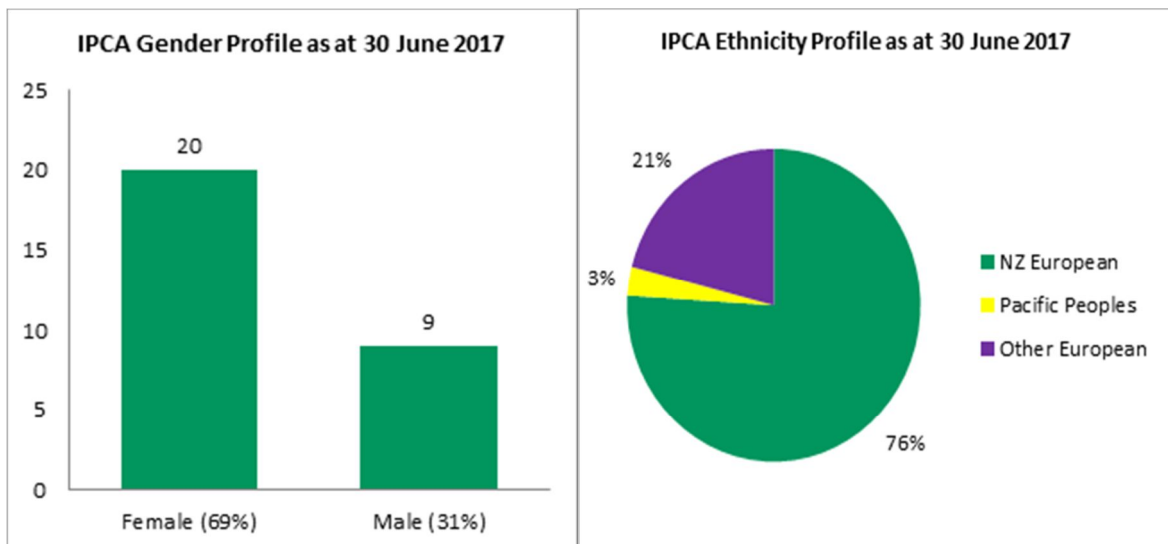
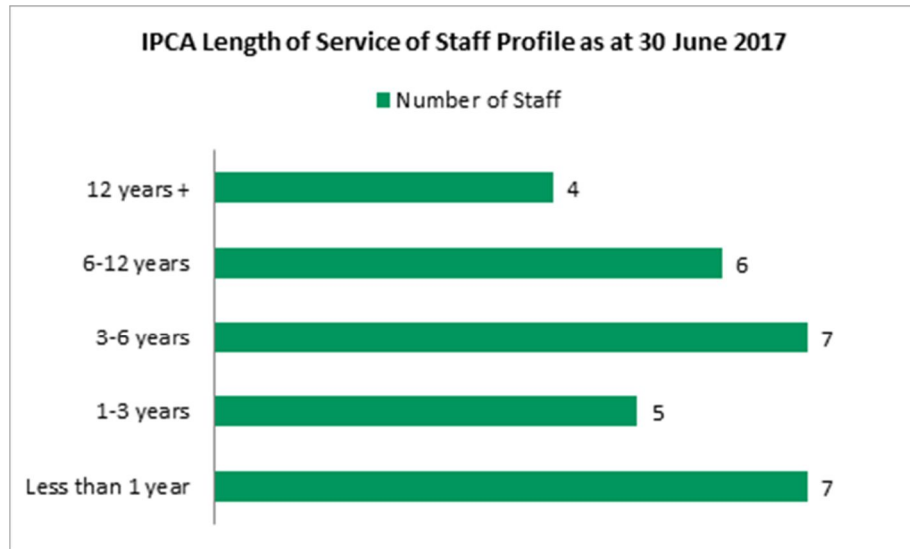
<i>Measures</i>	<i>Performance July 2016 – June 2017</i>			<i>Comparative Performance</i>
	<i>Forecast</i>	<i>Actual</i>	<i>Met / Not Met</i>	<i>Actual</i>
All recommendations for improved Police policies, practices and procedures are accepted by Police	90%	91%	Met	92%

The Authority made 11 recommendations during the year, 10 of which were formally accepted. We are awaiting Police response to the final recommendation.

Good Employer Elements

The Authority is committed to being a good employer. We conduct annual performance reviews with all staff and advertise vacancies within the organisation as well as externally. We encourage staff development and assist 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, and there is a formal induction process within each team.
<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 2017

- We are responsible for the preparation of Independent Police Conduct Authority's financial statements and statements of performance, and for the judgements made in them.
- We are responsible for any end-of-year performance information provided by Independent Police Conduct Authority under section 19A of the Public Finance Act 1989.
- We have the responsibility for establishing and maintaining a system of internal control designed to provide reasonable assurance as to the integrity and reliability of financial reporting.
- In our opinion, these financial statements and statement of performance fairly reflect the financial position and operations of the Independent Police Conduct Authority for the year ended 30 June 2017.

Signed on behalf of the Board



Judge Colin Doherty
Chair
INDEPENDENT POLICE CONDUCT AUTHORITY
31 October 2017



Dianne Macaskill
Member
INDEPENDENT POLICE CONDUCT AUTHORITY
31 October 2017



Simon Murdoch
Member
INDEPENDENT POLICE CONDUCT AUTHORITY
31 October 2017

2016/17 Performance Reporting: Statement of Service Performance

In the Statement of Performance Expectations for this reporting year we revised our performance measures to ensure they adequately measure our effectiveness in achieving our objectives. The revised measures broadly fall into the following four categories:

- 1) receive, manage and ensure resolution of complaints;
- 2) carry out independent and timely investigations into Police conduct and report on these as required;
- 3) make recommendations for improved Police conduct, policies, practices and procedures, based on the results of investigations and monitor their implementation;
- 4) monitor and report on places of Police detention.

OUTPUT MEASURE 1: REVIEW, MANAGE AND ENSURE RESOLUTION OF COMPLAINTS

<i>Measures</i>	<i>Performance July 2016 – June 2017</i>			<i>Comparative Performance</i>
	<i>Forecast</i>	<i>Actual</i>	<i>Met / Not Met</i>	<i>July 2015 – June 2016</i>
All notifications of new complaints and incidents are acknowledged within seven days	95%	95%	Met	95%
All new complaints and incidents are categorised and decisions made about the appropriate actions are taken within 42 days	95%	74%	Not Met	91%

The timeliness targets for the initial processing and acknowledgement of complaints were generally met; however, the proportion of complaints that were categorised within 42 days fell short of the 95% performance standard. This is a direct result of the Authority changing its triaging processes this year towards increased engagement with complainants and Police at the outset. This was conducted with a view to more clearly identifying and agreeing upon the specific issues requiring resolution and the means to achieve this, before any categorisation decision is made. Better outcomes and increased satisfaction are being achieved through the front-end investment of time in dialogue with the parties. This measure has been adjusted for coming years.

OUTPUT MEASURE 2: INDEPENDENT, HIGH QUALITY AND TIMELY INVESTIGATIONS AND REVIEWS

<i>Measures</i>	<i>Performance July 2016 – June 2017</i>			<i>Comparative Performance</i>
	<i>Forecast</i>	<i>Actual</i>	<i>Met / Not Met</i>	<i>July 2015 – June 2016</i> <i>Actual</i>
Reviews of Police investigations for Category 2 and 3 files will be completed by the Authority within 28 days of receiving the file or Final Report from Police ⁴	90%	95%	Met	82%
Independent investigations carried out by the IPCA will be concluded as soon as practicable ⁴	90% within 12 months	69%	Not Met	90%
	99% within 24 months	100%	Met	99%
For each Category 1 case that proceeds to a full investigation, an investigation plan, milestones and a completion date will be set and monitored	100% of investigations	100%	Met	100%
Reports as a result of Category 1 investigations are clear, consistent and well-structured and have well-argued conclusions	100% of reports meet required standard	100%	Met	100%

Independent investigations in Category 1 cases did not achieve the target measures. In particular, we only completed investigations within 12 months in 69% of cases. This is a direct result of our increasing caseload, combined with the increasing complexity of Category 1 investigations. Only 17% of Category 1 investigations closed during 2015/16 were classified as having high complexity, but in 2016/17 this increased to 25%. Some of this increasing complexity can be attributed to the nature of a proportion of reported Police shootings, which have required substantial and time-consuming investigations.

By contrast, the timeliness measure for the completion of Category 2 and 3 reviews was met. This is a pleasing result and a substantial improvement on the previous year’s result. However, as previously foreshadowed the operational and staff pressures exerted by the change of process and increase in volume will require close scrutiny in the future.

In order to ensure our public reports are clear, consistent and well-structured and have well-argued conclusions, five reports were independently peer-reviewed. The results reflect the very high standard of our work in this area.

⁴ The measure is included in the Justice Advocacy, Advice and Promotion Services non-departmental appropriation in Vote Justice for 2016/17

OUTPUT MEASURE 3: MAKE RECOMMENDATIONS FOR IMPROVED POLICE CONDUCT, POLICIES, PRACTICES AND PROCEDURES AND MONITORING IMPLEMENTATION OF THOSE RECOMMENDATIONS

<i>Measures</i>	<i>Performance July 2016 – June 2017</i>			<i>Comparative Performance July 2015 – June 2016</i>	
	<i>Forecast</i>	<i>Actual</i>	<i>Met / Not Met</i>	<i>Actual</i>	
All systemic issues identified by the IPCA relating to Police practices, policies and procedures are raised and discussed with Police prior to the completion of the relevant review or independent investigation ⁵	100%	100%	Met	100%	

We have ensured that all of the issues identified during an investigation or review are raised with Police as soon as possible, and have achieved this measure.

OUTPUT MEASURE 4: MONITOR PLACES OF POLICE DETENTION

<i>Measures</i>	<i>Performance July 2016 – June 2017</i>			<i>Comparative Performance July 2015 – June 2016</i>		
	<i>Forecast</i>	<i>Actual</i>	<i>Met / Not Met</i>	<i>Forecast</i>	<i>Actual</i>	<i>Met / Not Met</i>
All systemic custodial management issues are raised and discussed with the Police prior to the completion of the relevant review or independent investigation	100%	100%	Met	100%	100%	Met
All on-going performance audits of compliance with the People in Detention Policy are undertaken as agreed with Police.	Achieved	Not Achieved	Not Met	Achieved	Unable to Measure	Not Met

⁵ The measure is included in the Justice Advocacy, Advice and Promotion Services non-departmental appropriation in Vote Justice for 2016/17

We did not achieve all our targets in this area. In particular, we failed to commence our full programme of quarterly audits during the financial year as planned. The delay in this work resulted from the fact that the work is being done jointly with the Police, and has depended upon the development of an agreed methodology for doing so. Resource constraints in both the Police and the Authority prevented the work on the development of an agreed methodology from being developed in the first half of the year, and the quarterly audit programme stalled as a result. We are expecting that this work will be fully operational in 2017-18.

Statement of Accounting Policies

Reporting Entity

The Independent Police Conduct Authority is an independent Crown entity for legislative purposes, established by the Crown Entities Act 2004. The Authority is domiciled in and operates in New Zealand. 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 (PBE) for financial reporting purposes.

The financial statements for the Independent Police Conduct Authority are for the year ended 30 June 2017, and were approved by the Board on 29 September 2017.

Basis for Preparation

The financial statements have been prepared on a going concern basis, and the accounting policies have been applied consistently throughout the period.

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 have been prepared in accordance with Tier 2 PBE accounting standards. This classification is because the Independent Police Conduct Authority has expenditure under \$30m and is not deemed to be publicly accountable as it does not have shares issues on a public market. Accordingly they comply with PBE accounting standards.

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.

Presentation currency

The financial statements are presented in New Zealand dollars, rounded to the nearest one dollar.

Summary of Significant Accounting Policies

Revenue

Revenue Funding from the Crown

The Independent Police Conduct Authority is primarily funded through revenue received from the Crown. This funding is restricted in its use for the purpose of the Independent Police Conduct Authority meeting its objectives as specified in legislation and the scope of the relevant government appropriations. Apart from these general restrictions, the Independent Police Conduct Authority considers there are no unfulfilled conditions or contingencies attached to the funding and it is recognised as revenue at the point of entitlement.

Interest revenue

Interest revenue is recognised using the effective interest method.

Leases

Operating leases

An operating lease is a lease that does not transfer substantially all the risks and rewards incidental to ownership of an asset to the Lessee. Lease payments under an operating lease are recognised as an expense on a straight line basis over the period of the lease.

Receivables

Short-term 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. 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.

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.

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 investments, 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.

Property, Plant and Equipment

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

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.

Work in progress is recognised at cost less impairment and is not depreciated.

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.

In most instances and item of property, plant and equipment is initially recognised at its cost.

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 reported net in surplus or deficit.

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 surplus or deficit as they are incurred.

Depreciation

Depreciation is calculated on a diminishing value basis on office equipment and furniture and fittings. The new Leasehold improvements are depreciated on a straight line basis over the useful life of the improvements. Depreciation is charged once the assets are on 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% -50.0% DV
- Furniture & fittings 25.0% DV
- Leasehold improvements 11.11%SL

The residual value and useful life of an asset is reviewed, and adjusted if applicable, at each financial year-end.

Intangible assets

Software acquisition

Acquired computer software licences 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 25.0% DV

Impairment of property, plant and equipment and intangible assets

The Independent Police Conduct Authority does not hold any cash generating assets. Assets are considered cash-generating where their primary objective is to generate a commercial return.

Property, plant and equipment and intangible assets held at cost 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 service amount. The recoverable service amount is the higher of an asset's fair value less costs to sell and value in use.

Value in use is determined using an approach based on a 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 service amount, the asset is regarded as impaired and the carrying amount is written down to the recoverable amount. The total impairment loss is recognised in the surplus or deficit.

Financial liabilities

Creditors and other payables

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

Employee entitlements

Short-term employee entitlements

Employee benefits that are expected to be settled within 12 months after the end of the period in which the employee renders the related service are measured at accrued entitlements at current rates of pay. These include salaries and wages accrued up to balance date and annual leave earned but not yet taken at balance date.

A liability and an expense for bonuses is recognised 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 are accounted for as a defined contribution superannuation scheme and are recognised as an expense in the surplus or deficit 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.

Provisions are measured at the present value of the expenditure expected to be required to settle the obligation using a pre-tax discount that reflects the current market assessment of the time value of money and the risks specific to the obligation.

Goods and Services 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 a net 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 in terms of the Income Tax Act 2007 and consequently is exempt from the payment of income tax. Accordingly no provision has been made for income tax.

Cash flow statement

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

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 2016/17 Statement of Performance Expectations as approved by the board at the beginning of the year.

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

In preparing these financial statements Management has exercised the following critical judgements in applying accounting policies for the year ended 30 June 2017:

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.

2016/17 Financial Statements and Supporting Information

INDEPENDENT POLICE CONDUCT AUTHORITY STATEMENT OF COMPREHENSIVE REVENUE & EXPENSE FOR THE YEAR ENDED 30 JUNE 2017

2016 Actual \$		Notes	2017 Actual \$	2017 Budget \$
	Revenue			
3,811,000	Funding from the Crown	1	4,111,000	4,111,000
28,624	Interest revenue		26,067	35,064
16,000	Other Revenue		16,651	16,000
<u>3,855,624</u>	Total Revenue		<u>4,153,718</u>	<u>4,162,064</u>
	Expenditure			
32,832	Audit fees	2	34,803	32,805
19,201	Amortisation	8	13,288	12,009
23,071	Communication charges		30,094	36,000
71,045	Depreciation	7	88,673	48,000
2,605,088	Personnel costs and Board Fees	3	2,946,688	3,109,075
26,441	Loss on sale of fixed assets		-	-
15,997	Printing & stationery		18,459	30,000
124,719	Professional fees and contract services		123,143	130,000
372,484	Rent		379,789	389,500
210,846	Services & supplies		212,969	210,000
18,072	Subscriptions		12,974	15,000
102,220	Travel & accommodation		80,977	123,000
<u>3,622,016</u>	Total Expenditure		<u>3,941,857</u>	<u>4,135,389</u>
<u>233,608</u>	Surplus/(Deficit)		<u>211,861</u>	<u>26,675</u>
	Other Comprehensive Revenue and Expense			
<u>233,608</u>	Total Comprehensive Revenue/(Deficit)		<u>211,861</u>	<u>26,675</u>

Explanations of major variances against budget are detailed in note 21.

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 2017

2016 Actual \$	Assets	Notes	2017 Actual \$	2017 Budget \$
	Current assets			
693,878	Cash and cash equivalents	4	432,259	740,537
-	Investments	5	600,000	-
30,951	Debtors and other receivables	6	31,245	25,592
-	Prepayments		-	1,322
<u>724,829</u>	Total Current Assets		<u>1,063,504</u>	<u>767,451</u>
	Non-current assets			
340,378	Property, plant & equipment	7	296,509	286,374
<u>53,152</u>	Intangible assets	8	<u>39,864</u>	<u>47,726</u>
393,530	Total Non-Current Assets		336,373	334,100
<u>1,118,359</u>	Total assets		<u>1,399,877</u>	<u>1,098,551</u>
	Liabilities			
	Current liabilities			
89,713	Creditors and other payables	9	88,683	80,278
<u>210,832</u>	Employee entitlements	11	<u>284,852</u>	<u>188,255</u>
300,545	Total Current Liabilities		373,535	268,533
	Non-current liabilities			
18,333	Make-good Provision	18	28,333	-
<u>82,222</u>	Leasehold Fit-out capital contribution	19	<u>68,889</u>	<u>63,334</u>
100,555	Total Non-Current Liabilities		97,222	63,334
<u>401,100</u>	Total Liabilities		<u>470,757</u>	<u>331,867</u>
<u>717,259</u>	Net assets		<u>929,120</u>	<u>766,684</u>
	Crown equity			
717,259	Total investment by the Crown		929,120	766,684
<u>717,259</u>	Total Crown Equity		<u>929,120</u>	<u>766,684</u>

Explanations of major variances against budget are detailed in note 21.

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 2017

2016 Actual \$		Notes	2017 Actual \$	2017 Budget \$
483,651	Total Crown Equity at beginning of year		717,259	740,009
233,608	Total Comprehensive Revenue		211,861	26,675
<u>717,259</u>	Total Crown Equity at end of year		<u>929,120</u>	<u>766,684</u>

Explanations of significant variances against budget are detailed in note 21.

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 2017

2016 Actual \$	Notes	2017 Actual \$	2017 Budget \$
	CASH FLOWS FROM OPERATING ACTIVITIES		
	Cash was provided from/(applied to)		
3,811,000	Receipts from the Crown	4,111,000	4,111,000
16,000	Receipts from Other Income	16,651	16,000
28,768	Interest received	20,703	35,064
(19,347)	Net GST received/(paid)	4,958	4,663
(3,493,236)	Payments to suppliers and employees	(3,756,795)	(4,112,204)
343,185	Net cash flow from operating activities	396,517	54,523
	CASH FLOWS FROM INVESTING ACTIVITIES		
	Cash was provided from/(applied to)		
(85,485)	Purchase of property, plant & equipment	(44,805)	(10,000)
-	Purchase of intangible assets	-	-
-	Sale / (Acquisition) of investments	(600,000)	
(85,485)	Net cash flow from investing activities	(644,805)	(10,000)
	CASH FLOWS FROM FINANCING ACTIVITIES		
	Repayment of Leasehold fit out	(13,333)	
-	Net cash flow from financing activities	(13,333)	-
257,700	Net increase/(decrease) in cash and cash equivalents	(261,621)	44,523
436,178	Cash and cash equivalents at beginning of year	693,878	696,014
693,878	Cash and cash equivalents at end of year	432,259	740,537
693,878	Represented by: Cash & cash equivalents	432,259	740,537

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 major variances against budget are detailed in note 21.

INDEPENDENT POLICE CONDUCT AUTHORITY
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 30 JUNE 2017

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. Crown funding is recognised as a non-exchange transaction.

2. Remuneration to Auditors

	2017 Actual \$	2016 Actual \$
Audit of the financial statements	34,803	32,832
	<u>34,803</u>	<u>32,832</u>

3. Personnel Expenses and Board Fees

		2017 Actual \$	2016 Actual \$
Salaries and wages		2,421,105	2,145,194
Defined contribution plan employer contributions		67,179	44,293
Increase/(decrease) in employee entitlements	11	74,020	41,227
Board fees	15	384,384	374,374
Total Personnel Expenses		<u>2,946,688</u>	<u>2,605,088</u>

Employer contributions to defined contribution plans include contributions to Kiwisaver.

4. Cash and Cash Equivalents

	2017 Actual \$	2016 Actual \$
Cash at bank	45,125	935
Call account	387,134	692,943
Total Cash and Cash Equivalents	<u>432,259</u>	<u>693,878</u>

5. Investments

	2017 Actual \$	2016 Actual \$
Term Deposits – Current	600,000	-
Term Deposits – Non Current	-	-
Total Investments	<u>600,000</u>	<u>-</u>

INDEPENDENT POLICE CONDUCT AUTHORITY
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 FOR THE YEAR ENDED 30 JUNE 2017

6. Debtors and other receivables	2017 Actual \$	2016 Actual \$
Accrued interest	5,364	-
Sundry receivables	-	-
GST receivable	25,881	30,951
Total Debtors and other receivables	31,245	30,951

Total Comprises:

Receivables from exchange transactions	5,364	-
GST receivable (non-exchange transaction)	25,881	30,951

Accrued interest and sundry receivables have been classified as exchange transactions while outstanding GST receivable has been classified as non-exchange in line with PBE IPSAS 9 and PBE IPSAS 23. The carrying value of debtors and other receivables approximate their fair value.

No receivables are past 30 days overdue.

7. Property, Plant and Equipment

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

Cost	Office equipment \$	Furniture & fittings \$	Leasehold improvements \$	Total \$
Balance at 1 July 2015	276,363	63,824	249,179	589,366
Additions	85,484	-	-	85,484
Sales/transfers	(143,419)	-	-	(143,419)
Balance at 30 June 2016	218,428	63,824	249,179	531,431
Balance at 1 July 2016	218,428	63,824	249,179	531,431
Additions	27,683	-	17,121	44,804
Sales/transfers	-	-	-	-
Balance at 30 June 2017	246,111	63,824	266,300	576,235

INDEPENDENT POLICE CONDUCT AUTHORITY
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 FOR THE YEAR ENDED 30 JUNE 2017

7. Property, Plant and Equipment (cont.)

Accumulated depreciation	Office equipment	Furniture & fittings	Leasehold improvements	Total
	\$	\$	\$	\$
Balance at 1 July 2015	195,566	23,296	22,575	241,437
Depreciation expense	33,229	10,132	27,684	71,045
Sales/transfers	(121,429)			(121,429)
Balance at 30 June 2016	107,366	33,428	50,259	191,053
Balance at 1 July 2016	107,366	33,428	50,259	191,053
Depreciation expense	53,390	7,599	27,684	88,673
Sales/transfers	-	-	-	-
Balance at 30 June 2017	160,756	41,027	77,943	279,726
Book Value				
At 1 July 2015	80,797	40,528	226,604	347,929
At 30 June 2016 & 1 July 2016	111,062	30,396	198,920	340,378
At 30 June 2017	85,355	22,797	188,357	296,509

There are no restrictions over the title of the IPCA's property plant and equipment nor are any property, plant and equipment pledged as security for liabilities.

INDEPENDENT POLICE CONDUCT AUTHORITY
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 FOR THE YEAR ENDED 30 JUNE 2017

8. Intangible assets

	Total \$
Cost	
Balance at 1 July 2015	324,135
Additions	-
Disposals	(36,396)
Balance at 30 June 2016	<u>287,739</u>
Balance at 1 July 2016	287,739
Additions	-
Disposals	-
Balance at 30 June 2017	<u>287,739</u>
Accumulated amortisation	
Balance at 1 July 2015	247,333
Amortisation expense	19,201
Disposals	(31,947)
Balance at 30 June 2016	<u>234,587</u>
Balance at 1 July 2016	234,587
Amortisation expense	13,288
Disposals	-
Balance at 30 June 2017	<u>247,875</u>
Net carrying amount	
At 1 July 2015	76,803
At 30 June 2016 & 1 July 2016	53,152
At 30 June 2017	39,864

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

INDEPENDENT POLICE CONDUCT AUTHORITY
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 FOR THE YEAR ENDED 30 JUNE 2017

	2017 Actual \$	2016 Actual \$
9. Creditors and Other Payables		
Payables under exchange transactions		
Trade creditors	57,546	58,410
Leasehold Fit-out capital contribution (current portion)	13,333	13,333
Accrued expenses	17,803	17,970
	<u>88,683</u>	<u>17,970</u>
Total creditor and other payables under exchange transactions	<u>88,683</u>	<u>89,713</u>

All payables and creditors were classified as exchange transactions as at balance date. 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.

10. Financial Instruments

The following table details the Independent Police Conduct Authority's exposure to interest rate risk as at 30 June 2017.

	Weighted average effective interest rate %	Variable interest rate bearing \$	Non-interest bearing \$	Total \$
Financial assets:				
Cash and cash equivalents				
- Cash at bank	0.25	44,903	222	45,125
- Call account	2.75	387,134	-	387,134
Investments	3.10	600,000	-	600,000-
Debtors and other receivables	-	-	31,245	31,245
		<u>1,032,037</u>	<u>31,467</u>	<u>1,063,504</u>
Total financial assets		<u>1,032,037</u>	<u>31,467</u>	<u>1,063,504</u>
Financial liabilities:				
Creditors and other payables	-	-	88,683	88,683
		<u>-</u>	<u>88,683</u>	<u>88,683</u>
Total financial liabilities		<u>-</u>	<u>88,683</u>	<u>88,683</u>

INDEPENDENT POLICE CONDUCT AUTHORITY
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 FOR THE YEAR ENDED 30 JUNE 2017

10. Financial Instruments (cont.)

The following table details the Independent Police Conduct Authority's exposure to interest rate risk as at 30 June 2016.

	Weighted average effective interest rate %	Variable interest rate bearing \$	Non-interest bearing \$	Total \$
Financial assets:				
Cash and cash equivalents				
- Cash at bank	0.25	713	222	935
- Call account	2.75	692,943	-	692,943
- term deposits	-	-	-	-
Debtors and other receivables	-	-	30,951	30,951
Total financial assets		<u>693,656</u>	<u>31,173</u>	<u>724,829</u>
Financial liabilities:				
Creditors and other payables	-	-	89,713	89,713
Total financial liabilities		<u>-</u>	<u>89,713</u>	<u>89,713</u>

2017 Actual \$ 2016 Actual \$

11. Employee Entitlements

Accrued salaries and wages	80,993	47,024
Annual leave	<u>203,859</u>	<u>163,808</u>
Total Employee Entitlements	<u>284,852</u>	<u>210,832</u>

INDEPENDENT POLICE CONDUCT AUTHORITY
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 FOR THE YEAR ENDED 30 JUNE 2017

12. Employee Remuneration

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

	2017 Actual	2016 Actual
\$100,000 - \$109,999	1	3
\$110,000 - \$119,999	1	0
\$120,000 - \$129,999	1	0
\$130,000 - \$139,999	0	1
\$140,000 - \$149,999	1	0
\$160,000 - \$169,999	1	1
\$170,000 - \$179,999	0	0
\$180,000 - \$189,999	0	0
\$190,000 - \$199,999	0	1
\$200,000 - \$219,999	0	0
\$220,000 - \$239,999	1	0
	6	6

13. Related Party Transactions

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. However, transactions with other government agencies (for example, Government departments and Crown Entities) are not disclosed as related party transactions when they are consistent with the normal operating arrangements between government agencies and undertaken on the normal terms and conditions for such transactions.

There were no transactions with close family members of key management personnel employed by the Independent Police Conduct Authority in 2017 (2016: \$nil).

INDEPENDENT POLICE CONDUCT AUTHORITY
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 FOR THE YEAR ENDED 30 JUNE 2017

14. Key Management Personnel Compensation

The compensation of the Authority's Chair, three board members and the Leadership team being the key management personnel of the Independent Police Conduct Authority, is set out below:

	2017 Actual \$	2016 Actual \$
<i>Board Members</i>		
Remuneration	384,384	374,374
Full time equivalents	1.2	1.2
<i>Leadership Team</i>		
Remuneration	660,825	696,162
Full time equivalents	3.8	4.3
Total key management personnel remuneration	1,045,209	1,070,536
Total full time equivalent personnel	5.0	5.5

There were no post-employment benefits, other long-term employee benefits, termination benefits paid to key management personnel during the year (2016: \$nil).

15. Board member remuneration

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

	2017 Actual \$	2016 Actual \$
Judge Sir David J Carruthers	361,414	355,676
Angela Hauk-Willis	-	1,910
Dianne Macaskill	12,200	9,550
Simon Murdoch	10,770	7,238
Total Board member remuneration	384,384	374,374

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 (2016: \$nil).

16. Commitments

(i) Capital commitments

There are no capital commitments at reporting date (2016: \$nil).

(ii) Operating lease commitments

Operating lease commitments relate to the lease with DNZ Property Fund for building accommodation at 1 Grey Street, Wellington.

INDEPENDENT POLICE CONDUCT AUTHORITY
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 FOR THE YEAR ENDED 30 JUNE 2017

16. Commitments (cont.)

(ii) Operating lease commitments (cont.)

The lease term with DNZ Property Fund is for a period of nine years commencing 1 September 2014, with rights of renewal for a term of six years after 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 future aggregate minimum lease payments to be paid under non-cancellable operating leases are as follows:

	2017 Actual \$	2016 Actual \$
Less than one year	303,182	303,182
Between one and five years	1,212,728	1,212,728
Later than five years	353,712	656,894
Total operating lease commitments	1,869,622	2,172,804

17. Contingency

There are no contingent liabilities or assets at reporting date (2016: \$nil).

18. Make Good Provision

A provision for an expected make-good payment has been accrued in the accounts relating to the Grey Street Property. This final payment has been estimated at \$90,000 based on prior make-good payments that the Authority has paid and adjusted for inflation, and it is expected to be settled in 2023. Due to the nine-year lease of the property, this accounts for an annual provision of \$10,000 per year. As at balance date, thirty-four months of this figure have been accrued, based on the lease commencement date. The estimate for 2017 is: \$28,333. This is classified as a non-current liability, as it is expected to be settled in 2023.

19. Leasehold Fit-out Contribution

DNZ property Fund Limited contributed \$120,000 towards the fit-out for the Grey Street premises during the 2016 financial year. This leasehold fit-out was capitalised and will be depreciated on a straight line basis over 9 years as detailed in the Accounting policies. A liability was recognised for the \$120,000 contribution payment received from DNZ which will be released over the term of the lease, being nine years. As at balance date the current portion of the liability is \$13,333 and the non-current portion is \$68,889.

20. 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 2017 (2016: nil).

INDEPENDENT POLICE CONDUCT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2017

21. Major Budget Variances

Statement of Comprehensive Revenue & Expense

1. Personnel costs and Board Fees

Actual - \$2,946,688; Budget - \$3,109,075

Actual expenditure on personnel was under budget because a contingency of \$150,000 was built into the budget but additional appointments that were to be set against that contingency were made late in the financial year and had only a small impact on the personnel budget in the 2016/17 year. While there was an under-spend in 2016/17, the additional appointments will put pressure on the Authority's budget in 2017/18.

2. Depreciation

Actual - \$88,673; Budget - \$48,000

Depreciation was higher than originally forecast due to the purchase of some additional computers and the replacement of the server at the end of the June 2016 year. The budget for the 2017 year had already been completed prior to this purchase.

Statement of Financial Position

1. Cash and Cash Equivalents

Actual - \$432,259; Budget - \$740,537

The cash balance in the budget did not include any term deposits. There were additional funds at year end so \$600,000 was invested in term Deposits. The combined cash and investment balance at year end was higher than forecast for two reasons. Firstly, the surplus was higher because of under-spends in personnel and travel. Secondly, allowances for creditors and holiday pay, which had not yet been paid, were higher than budgeted (\$115k).

Statement of Cash Flows

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

INDEPENDENT POLICE CONDUCT AUTHORITY
 APPROPRIATION REPORTING
 FOR THE YEAR ENDED 30 JUNE 2017

Summary of income and expenditure on outputs

The Authority has one output class: Investigate and resolve complaints against the police and to uphold the rights of persons in police detention.

<i>Output Financials</i>	<i>2016/17 Actual</i>	<i>2016/17 Budget</i>	<i>2016/17 Variance</i>	<i>2015/16 Actual</i>
Crown Funding *	4,111,000	4,111,000	-	3,811,000
Interest & Other Revenue	42,718	51,064	(8,346)	44,624
Total Revenue	4,153,718	4,162,064	(8,346)	3,855,624
Expenses	3,941,857	4,135,389	193,532	3,622,016
<i>Net Surplus/(Deficit)</i>	<i>211,861</i>	<i>26,675</i>	<i>185,186</i>	<i>233,608</i>

*The Crown revenue received by the Independent Police Conduct Authority is equal to the actual appropriation provided to the Authority under the Vote Justice output class 'Justice Advocacy, Advice and Promotion Services'.

Independent Auditor's Report

To the readers of the Independent Police Conduct Authority's financial statements and performance information for the year ended 30 June 2017

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

Opinion

We have audited:

- the financial statements of the Authority on pages 29 to 49, that comprise the statement of financial position as at 30 June 2017, the statement of comprehensive revenue and expense, statement of changes in equity and statement of cash flows for the year ended on that date, the statement of accounting policies and the notes to the financial statements including other explanatory information; and
- the performance information of the Authority on pages 20 to 21, 25 to 28 and 50.

In our opinion:

- the financial statements of the Authority on pages 29 to 49:
 - present fairly, in all material respects:
 - its financial position as at 30 June 2017; and
 - its financial performance and cash flows for the year then ended; and
 - comply with generally accepted accounting practice in New Zealand in accordance with Public Benefit Entity Standards Reduced Disclosure Regime.
- the performance information on pages 20 to 21, 25 to 28 and 50:
 - presents fairly, in all material respects, the Authority's performance for the year ended 30 June 2017, including:

- for each class of reportable outputs:
 - its standards of delivery performance achieved as compared with forecasts included in the statement of performance expectations for the financial year; and
 - its actual revenue and output expenses as compared with the forecasts included in the statement of performance expectations for the financial year;
- complies with generally accepted accounting practice in New Zealand.

Our audit was completed on 31 October 2017. This is the date at which our opinion is expressed.

The basis for our opinion is explained below. In addition, we outline the responsibilities of the Board and our responsibilities relating to the financial statements and the performance information, we comment on other information, and we explain our independence.

Basis for our opinion

We carried out our audit in accordance with the Auditor-General's Auditing Standards, which incorporate the Professional and Ethical Standards and the International Standards on Auditing (New Zealand) issued by the New Zealand Auditing and Assurance Standards Board. Our responsibilities under those standards are further described in the Responsibilities of the auditor section of our report.

We have fulfilled our responsibilities in accordance with the Auditor-General's Auditing Standards.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of the Board for the financial statements and the performance information

The Board is responsible on behalf of the Authority for preparing financial statements and performance information that are fairly presented and comply with generally accepted accounting practice in New Zealand. The Board is responsible for such internal control as they determine is necessary to enable them to prepare financial statements and performance information that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements and the performance information, the Board is responsible on behalf of the Authority for assessing the Authority's ability to continue as a going concern. The Board is also responsible for disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless there is an intention to merge or to terminate the activities of the Authority, or there is no realistic alternative but to do so.

The Board's responsibilities arise from the Crown Entities Act 2004 and the Public Finance Act 1989.

Responsibilities of the auditor for the audit of the financial statements and the performance information

Our objectives are to obtain reasonable assurance about whether the financial statements and the performance information, as a whole, are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit carried out in accordance with the Auditor-General's Auditing Standards will always detect a material misstatement when it exists. Misstatements are differences or omissions of amounts or disclosures, and can arise from fraud or error. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of readers, taken on the basis of these financial statements and the performance information.

For the budget information reported in the financial statements and the performance information, our procedures were limited to checking that the information agreed to the Authority's statement of performance expectations.

We did not evaluate the security and controls over the electronic publication of the financial statements and the performance information.

As part of an audit in accordance with the Auditor-General's Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. Also:

- We identify and assess the risks of material misstatement of the financial statements and the performance information, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- We obtain an understanding of internal control relevant to the audit 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.
- We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board.
- We evaluate the appropriateness of the reported performance information within the Authority's framework for reporting its performance.
- We conclude on the appropriateness of the use of the going concern basis of accounting by the Board and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Authority's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements and the performance information or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Authority to cease to continue as a going concern.

- We evaluate the overall presentation, structure and content of the financial statements and the performance information, including the disclosures, and whether the financial statements and the performance information represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Our responsibilities arise from the Public Audit Act 2001.

Other information

The Board is responsible for the other information. The other information comprises the information included on pages 4 to 19 and 22 to 23, but does not include the financial statements and the performance information, and our auditor's report thereon.

Our opinion on the financial statements and the performance information does not cover the other information and we do not express any form of audit opinion or assurance conclusion thereon.

In connection with our audit of the financial statements and the performance information, our responsibility is to read the other information. In doing so, we consider whether the other information is materially inconsistent with the financial statements and the performance information or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on our work, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Independence

We are independent of the Authority in accordance with the independence requirements of the Auditor-General's Auditing Standards, which incorporate the independence requirements of Professional and Ethical Standard 1 (Revised): Code of Ethics for Assurance Practitioners issued by the New Zealand Auditing and Assurance Standards Board.

Other than in our capacity as auditor, we have no relationship with, or interests, in the Authority.



Andrew Clark
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
