



Annual Report 2014–2015

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 2014 to 30 June 2015.



Judge Sir David Carruthers

Dianne Macaskill

Chair

Member

INDEPENDENT POLICE CONDUCT AUTHORITY

INDEPENDENT POLICE CONDUCT AUTHORITY

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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?

- The Authority received 2515 complaints last year.
- We conducted 70 independent investigations.
- 37 public reports were released and published on the Authority's website.
- 221 reviews of Police investigations of complaints were undertaken and 202 of these were completed within 28 days of receipt of the Police file.
- As a result of independent investigations and reviews by the Authority 31 recommendations for changes to Police policy, practice or procedure were made to Police.
- The Authority received 173 media enquiries.
- The Authority was mentioned in over 600 media reports throughout New Zealand and internationally.
- There were over 55,700 visits to the Authority's website.

Chair's Foreword

During the year, the Authority has worked extremely hard exercising its oversight functions to ensure public confidence in the performance and integrity of New Zealand Police.

An excellent result of this hard work has been a dramatic increase in timeliness in respect of independent investigations, reviews and complaint resolution.

New timeliness measures were adopted by the Authority in the 2014/2015 Statement of Performance Expectations.

By the end of this reporting year, almost all of the backlog in independent investigations had been concluded and the small remainder then outstanding have since been completed and published.

This is a remarkable achievement in view of the fact that in this reporting year, 37 public reports were issued by the Authority compared to 28 public reports in the 2013-2014 financial year and 9 in the year prior to that.

The elimination of the backlog and the increase in public reports can be attributed in large part to new and more efficient working processes.

There has been a significant increase in the Authority's work overall. In the last financial year the Authority received 2,515 complaints and referrals, an increase of 15% over the previous year. Much of this increase is probably due to the Authority's increased visibility and greater public recognition of the role we play. It may also reflect increasing public confidence in the effectiveness of our work.

We are continuing to ensure that we prioritise carefully and that appropriate cases are resolved quickly without the investment of significant investigative resource. To this end, the Authority and the Police are working together with the Government Centre for Dispute Resolution to develop comprehensive and systematic early resolution processes, with the intent of trialling these in three Police Districts in 2016. This work, which will have a significant impact on both the Police and the Authority, is well underway.

During the year the Authority relocated its premises for good business and operational reasons. However, this resulted in a number of substantial one-off costs. Combined with the increase in work and the fact the Authority has had an operating deficit for the last three financial years, this has put significant pressure on the Authority's cash flow during the reporting year. The Authority has monitored this carefully, and has reduced staff and adopted other efficiency measures to improve its cash position.

The Authority has also continued to emphasise, where possible and within restricted resources, the move towards prevention referred to in previous annual reports. In this financial year reports as the such as the Custodial Management Report, which highlighted themes and patterns emerging from Police management of custodial facilities, have had a significant effect. The identification in that report of the need for comprehensive and better coordinated mental health services has seen the Authority working directly with Police and Ministry of Health officials to achieve better results for all New Zealanders. These results are yet to be achieved and the work is ongoing.

Finally, a number of steps have been taken to assure that all of our work maintains the highest quality and contributes towards our performance goals. In particular we have introduced a new measure about external review of the quality and accuracy of our published reports, with highly satisfactory results.

The Authority has had an exceptionally busy year but has produced very good quality work achieving tangible and measurable results.

It is important to emphasise that our working relationship with Police is an excellent one and the Authority will continue to work hard to maintain and enhance this, as it is the key to effective and efficient policing and to achieving changes in Police practice and policy.

I put on record my appreciation to members of the IPCA staff who have worked so hard during the year and to Board members for their wise governance and support.

Next year, the Authority looks forward to maintaining timeliness in respect of its independent investigations, piloting new ways of achieving early resolution of Police complaints and to continuing to enhance its preventive work.

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

Judge Sir David Carruthers

Chair

Independent Police Conduct Authority

About The Independent Police Conduct Authority (IPCA)

OUR PURPOSE

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

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. 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, 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.

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 and auditing reports on 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 officers, 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

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,) Dianne Macaskill and Angela Hauk-Willis. 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.

2014/15 Achievements

The Authority is focusing on achieving greater effectiveness and efficiency in its work. The key features of our work over the past 12 months are as follows:

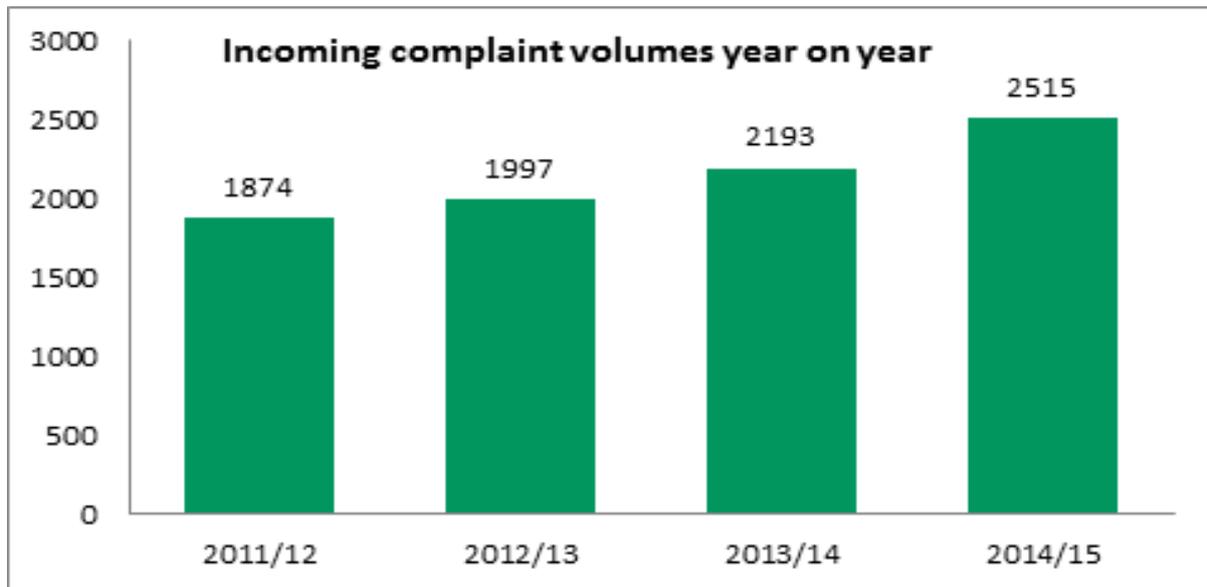
VOLUME OF COMPLAINTS, REFERRALS AND TRENDS

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. As outlined above the Authority may investigate a complaint from a member of the public, or act on a referral from the Police.

During the 12 month period to 30 June 2015, 2515 complaints and referrals were received compared to the 2193 complaints and referrals received in the previous year.

This increase has put added pressure on the Authority's operational resources, and has made it increasingly difficult to meet our performance measures.

Incoming complaint volumes



The Authority operates a triage system to allocate complaints and referrals it receives to the relevant business area, for example, the investigations and review team or the complaints management team.

Details of the categories to which cases are allocated are set out in Appendix One of this report. In brief the categories are:

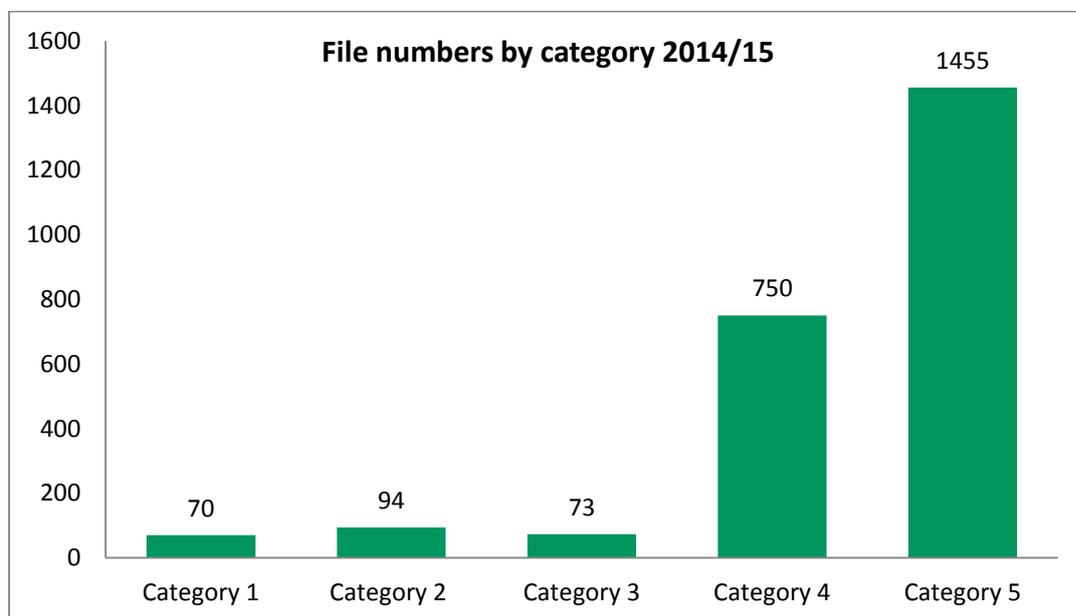
- **Category 1** – Independent investigation by the Authority.
- **Category 2** – Referral to Police for investigation with active oversight by the Authority and a full review of the file, by the Authority, at the conclusion of the investigation.
- **Category 3** – Referral to Police for investigation with a full review of the file by the Authority at its conclusion.
- **Category 4** – Referral to Police for resolution by mutual agreement with the complainant.
- **Category 5** – Complaint declined by the Authority.

The table below shows the number of complaints and incidents referred to the Authority in 2014/15 and the number of cases that remain open in each category and that have been closed during the reporting period.

Comparison of volume of complaints and referrals by the Authority

Action	2013/14	2014/15
New complaints received during the period	2193	2515
Total number of files closed during the period	2202	2543
Public reports released (during the period)	28	37
Current open Category 1 files	56	57
Current open Category 2 files	112	80
Current open Category 3 files	103	73

Breakdown of complaints allocated to the Authority's 5 categories¹

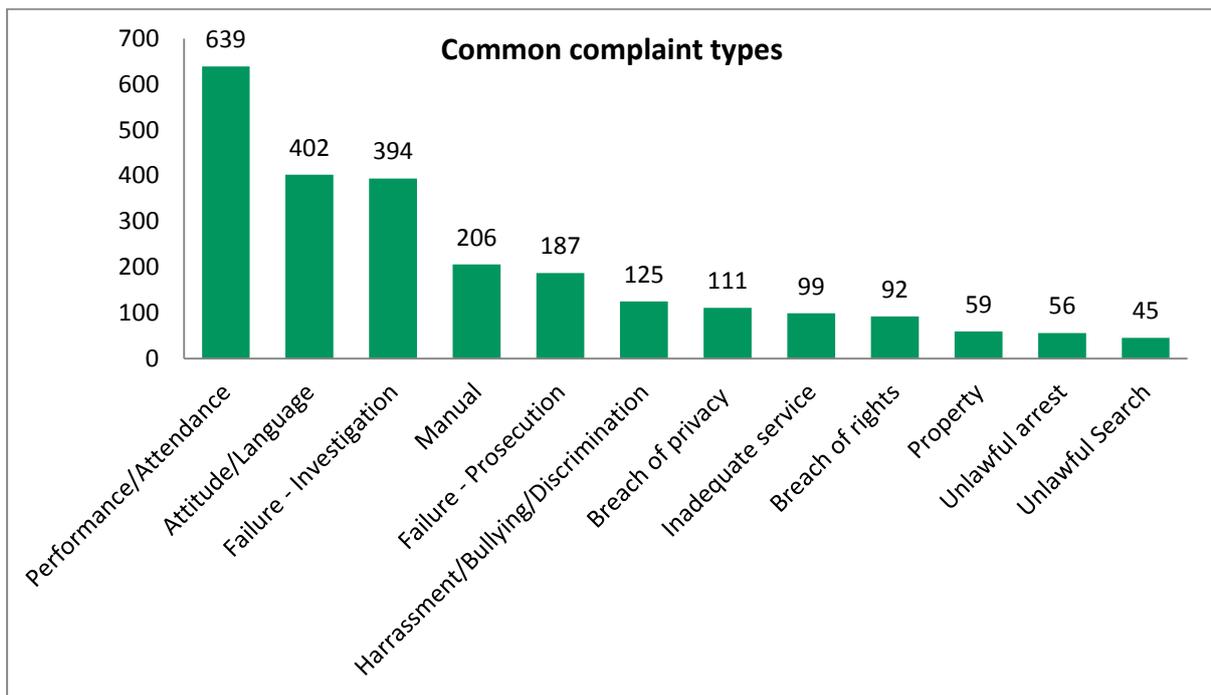


¹ The total number of files shown here is 2442. The Authority recorded a total of 2515 files for the year. The difference of 73 files relates to those that have not been categorised as at 30 June 2015 and are awaiting further information.

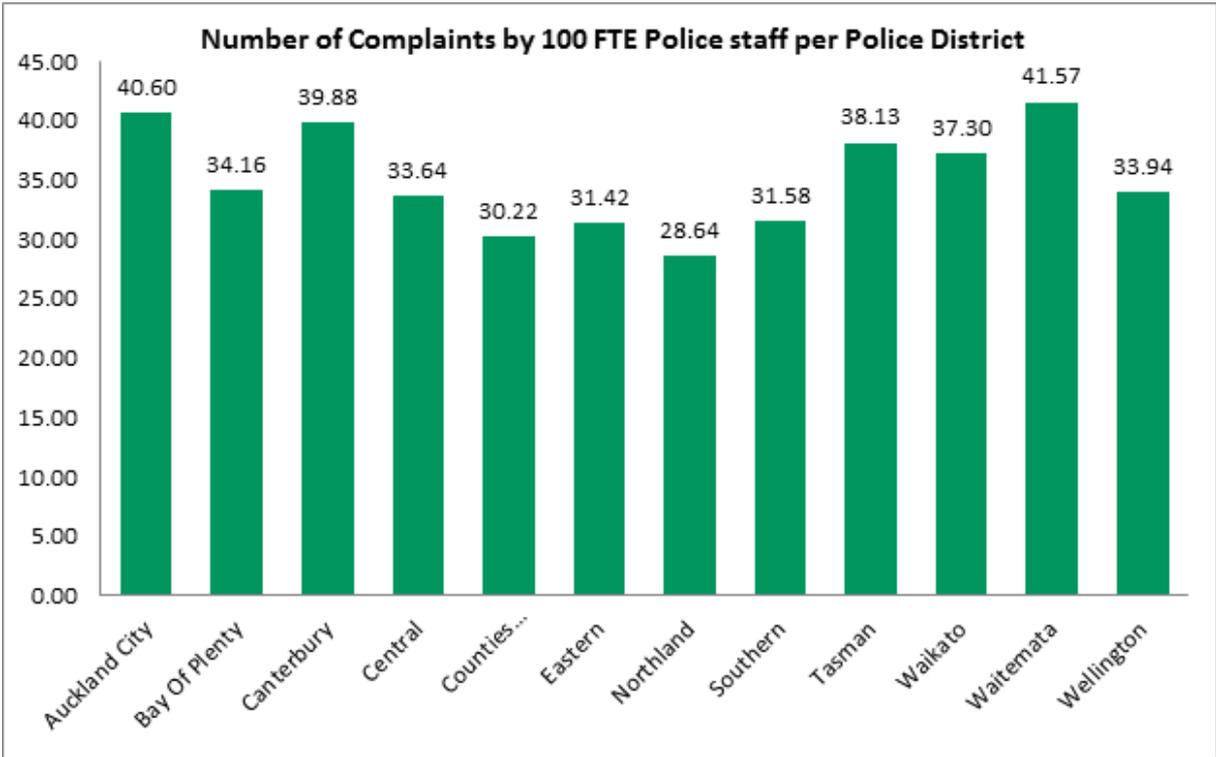
The Authority received 2515 complaints and referrals during 2014/15.

An individual complaint may fall into more than one category. 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; performance/attendance; practice and procedure; and failure to investigate.



Complaints by Police district



HIGH VISIBILITY AND INDEPENDENT REPORTS RELEASED

The increase in complaints and referrals received by the Authority in 2014/15 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.

The Authority’s primary methods of communicating with the public and media are through its public reports and its website www.ipca.govt.nz. They provide transparency about the Authority’s work, and accountability for the Authority and Police.

The Authority publishes the findings of all investigations unless there is an overriding privacy interest in maintaining confidentiality. During 2014/15 the Authority released 37 public reports compared with 28 during the previous financial year.

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

During the year the Authority released 37 public reports compared to nine the previous year.

High profile reports released during 2014/15 include:

- Report on Police investigation into John Banks 2010 electoral donations
- Report on review of Police Custodial Management
- Report on death in Police custody of Sentry Taitoko
- Report on Police's handling of the alleged offending by 'Roastbusters'
- Report on fatal Police shooting of Adam Morehu
- Report on Police shooting of Caleb Henry
- Report on Policing of Blockade the Budget demonstrations in May/June 2012
- Report on Police arrest and prosecution of Troy Reuben
- Report on the Police handling of 'out of control' parties
- Report on Police shooting of Anonty Ratahi
- Report on the Police investigations into offending by Malcolm Rewa
- Report on Police investigation of alleged unlawful interception of private communications by Government Communications Security Bureau.

ELIMINATING BACKLOG

As outlined above, the Authority continues to maintain a stable caseload of independent investigations in the face of increasing numbers of complaints and incidents by improving the efficiency and timeliness of its responses.

As at 30 June 2015 all historical files that had built up from earlier years, with the exception of three files that were completed in July 2015, had been disposed of. The Authority has been successful in developing a more timely response to serious incidents and complaints and is making substantial progress towards meeting new timeliness measures (outlined on pages 23 – 24).

In relation to cases in Categories 2, 3 and 4, primary responsibility for disposing of the case rests with the Police. The Authority has been continuing to work closely with the Police to reduce the backlog in some of the investigations being undertaken by Police. As a result, open files for Categories 2 and 3 have remained stable, and historical files have been substantially reduced.

STRATEGIC INITIATIVES

The Authority's strategic direction, in accordance with its Statement of Intent 2014/15 – 2017/18, includes placing greater emphasis on prevention and early resolution. This work has been progressed over the past 12 months to the extent that the limited resources available for this work have allowed.

Early Resolution

As a means of developing more effective and timely outcomes the Authority is working with Police to develop effective early resolution processes, as foreshadowed in this report.

This work has involved the Authority and the Police working together with the Government Centre for Dispute Resolution to develop a more comprehensive and systematic approach to early resolution processes with the intent of trialling these in three selected Police Districts during 2016.

The Authority considers work on early resolution to be an important component of its work and it is focussed on developing it to the extent that resources allow. The Authority believes it has the potential to not only produce better outcomes but in the long term free up resources that can be applied to those cases that require more in-depth investigations and reviews.

Prevention

The Authority has continued to raise, with Police as soon as possible, any issues relating to Police policy, practice or procedure that it identifies as part of an investigation or review. This ensures that issues can be discussed with and addressed by Police as they occur, rather than waiting until a case is concluded. To that end, the Authority is continuing to periodically attend meetings of the Operations Advisory Committee at Police National Headquarters.

During the year the Police have begun to use case examples of the Authority's work in their training of officers. In the first instance those case examples have been incorporated into a communications course for District Supervisors in the Northern Region. This initiative is set to continue in the coming months as more case examples are shared with Police and incorporated into relevant training programmes.

In March 2015 the Authority completed its generic custodial management report, which was released in conjunction with the Taitoko report. In releasing these reports, the Authority has drawn attention to the need for significant changes to current practices relating to those who come to the attention of Police because they are mentally distressed or intoxicated. In order to enable the identification of possible solutions the Authority hosted and facilitated a summit involving Police, Health, and a number of other stakeholders in April 2015.

Finally, during the reporting period the Authority continued to work with the Office of the Privacy Commission and Police to review Police employment vetting process. This work is continuing and the Authority anticipates that the project will be concluded, with a final report, by 31 December 2015.

MONITORING AND REPORTING ON PLACES OF POLICE DETENTION

As noted in last year's Annual Report the Authority has been working with Police to develop a new National Standard, against which the management of all people in Police custody can be assessed

The Statement of Performance Expectations set as a target that the Standards would be agreed with Police and operational by 31 December 2014. However, the Standards were not agreed to until the end of the financial year, and were not implemented until September 2015.

There were two reasons for the failure to make the expected progress. Firstly, the process of developing National Standards was a large and complex one involving the examination of a wide-range of custodial management issues (ranging from cell design to daily care and management of persons in custody). Secondly, the Authority's limited resources and the competing demands of complaints and investigations affected the extent to which staff time could be devoted to this project.

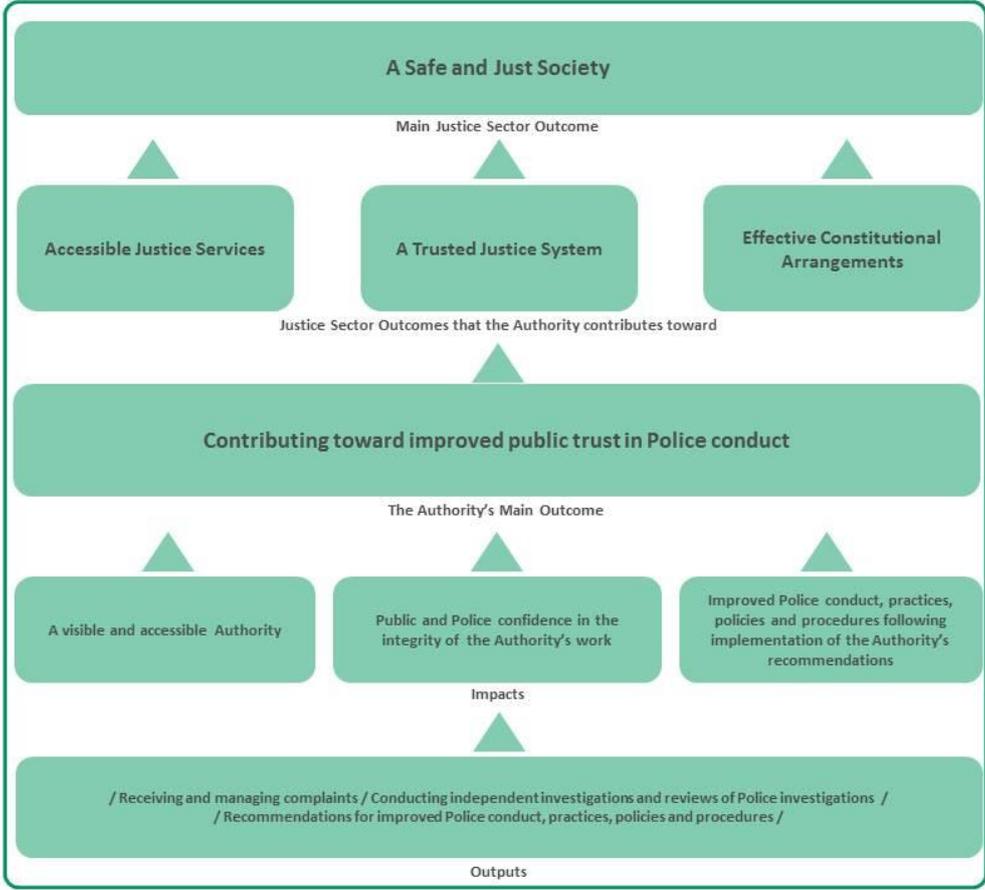
Throughout the year the Authority has fulfilled its OPCAT responsibilities by site visits (e.g. to Christchurch, Blenheim and Hawkes Bay Police cells) and by close attention to, and investigation of, complaints and incidents that have arisen in the custody context.

CORPORATE SERVICES REVIEW

Over the past 12 months the Authority has undertaken a thorough review of its Corporate Services area to ensure it is providing efficient and effective administrative and financial support. The review has enabled the Authority to streamline some of its functions and consequent cost savings have been achieved as a result of that exercise.

During the year the Authority also moved premises and is now located at 1 Grey Street, Wellington. Prior to the move the Authority occupied two non-contiguous floors at 342 Lambton Quay. The relocation has resulted in a more integrated Authority with better communications across the organisation and more effective use of its human resources.

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, 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 conduct.

The Authority believes that there is a link between improved Police conduct and our work. 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: A Visible and Accessible Authority

It is not possible to gather meaningful information about the extent to which the Authority is visible and accessible to all members of the public. However, during the financial year the Authority substantially enhanced its website and improved the availability of online information. It has also significantly increased the visibility of its work by actively publicising the results of its investigations. The Authority is confident the primary or sole reason for the substantial increase in the number of complaints received in 2014/15 is the result of the Authority's higher public profile and greater visibility.

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

Performance July 2014 – June 2015

<i>Measures</i>	<i>Forecast</i>	<i>Actual</i>	<i>Met / Not Met</i>
Participants in surveys are satisfied with their contact with Authority staff	75%	94.8%	Met
Participants in surveys are satisfied with the Authority's investigation processes	75%	79%	Met
Participants in surveys are satisfied with the Authority's review processes	75%	72.7%	Not met

The Authority has adopted a new way of measuring the level of satisfaction of complainants, and Police officers complained of. This involves a telephone survey of complainants, victims and next of kin who have been in contact with the Authority staff, as well as 25% of subject officers in all closed Category 1 and Category 2 files. 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 the Authority staff and the Authority’s investigation and review processes. There was a high level of satisfaction with the Authority’s level of contact and our investigative processes. The degree of satisfaction with the Authority’s review processes (that relate to Category 2 cases) was slightly lower at 72.7%, which was just below the target.

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

Performance July 2014 – June 2015

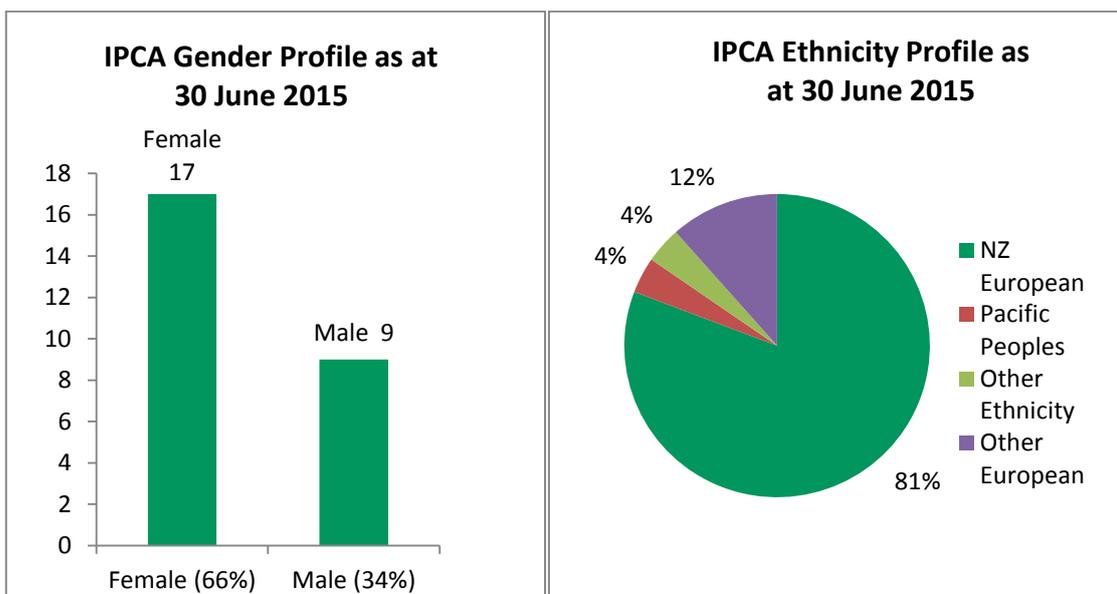
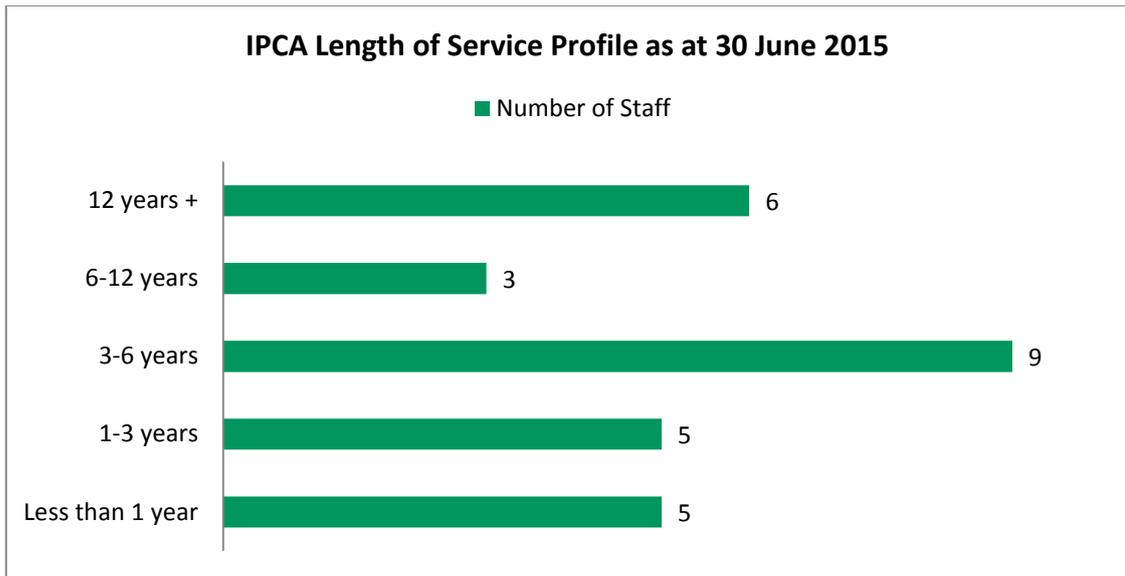
<i>Measures</i>	<i>Forecast</i>	<i>Actual</i>	<i>Met / Not Met</i>
All recommendations for improved Police policies, practices and procedures are accepted by Police	90%	91%	Met

Only one recommendation (in the report into the death in Police custody of Sentry Taitoko) was not accepted. This was because it was determined, after discussions between the Police and the Authority that the recommendation was too inflexible and unworkable to implement in practice.

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 2015

- 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 2015.

Signed on behalf of the Board



Judge Sir David Carruthers

Dianne Macaskill

Chair

Member

INDEPENDENT POLICE CONDUCT AUTHORITY

INDEPENDENT POLICE CONDUCT AUTHORITY

30 October 2015

30 October 2015

2014/15 Performance Reporting: Statement of Service Performance

In the Statement of Performance Expectations for the current financial year the Authority completely revised our performance measures to ensure they adequately measure the Authority's effectiveness in achieving our objectives. The revised measures broadly fall into the following four categories:

- 1) Receive and manage complaints and incidents
- 2) Independent, high quality and timely investigations and reviews
- 3) Make recommendations for improved Police conduct, policies, practices and procedures, and monitoring implementation of those recommendations
- 4) Monitoring places of Police detention.

OUTPUT MEASURE 1: REVIEW AND MANAGE COMPLAINTS AND INCIDENTS

<i>Measures</i>	<i>Performance July 2014 – June 2015</i>		<i>Met / Not Met</i>
	<i>Forecast</i>	<i>Actual</i>	
All notifications of new complaints and incidents are acknowledged within seven days	95%	97.3%	Met
All new complaints and incidents are categorised and decisions made about the appropriate actions are taken within 42 days	95%	96.19%	Met

All timeliness targets set in the Statement and Performance Expectations have been achieved, with the exception of the time taken for the completion of Category 1 investigations.

The Authority has fallen well short of achieving the two targets in this category. This was to be expected. The targets were deliberately set to reflect the standard the Authority believes ought to be achieved, and is committed to achieving in the future. However, at the beginning of the financial year the Authority still had a backlog of "old" cases that were a legacy of the past. Since 30 June 2015 these cases have been completed and as a result the Authority is confident that it will meet timeliness measures in the future.

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

Performance July 2014 – June 2015

<i>Measures</i>	<i>Forecast</i>	<i>Actual</i>	<i>Met / Not Met</i>
Reviews of Police investigations for Category 2 and 3 files will be completed by the Authority within 28 days of receiving the file from Police	90%	91.4%	Met
Independent investigations carried out by the IPCA will be concluded as soon as practicable	90% within 12 months	64.38%	Not met
	99% within 24 months	91.78%	Not met
For each Category 1 case an investigation plan, milestones and a completion date will be set and monitored.	100%	81%	Not Met
Reports as a result of Category 1 investigations are clear, consistent and well-structured and have well-argued conclusions.	100%	100%	Met

Not all Category 1 cases have involved a full investigation by the Authority. Those that have not do not require an investigation plan. The Authority has adjusted the wording of this measure in its 2015/16 SPE to ensure a more meaningful figure is available for publication in next year's Annual Report.

In order to ensure its public reports are clear, consistent and well-structured and have well-argued conclusions the Authority organised for five of its reports to be independently peer-reviewed. The results are set out in the Table above.

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

Performance July 2014 – June 2015

<i>Measures</i>	<i>Forecast</i>	<i>Actual</i>	<i>Met / Not Met</i>
All 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	100%	100%	Met

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

OUTPUT MEASURE 4: MONITORING PLACES OF POLICE DETENTION

<i>Measures</i>	<i>Met / Not Met</i>
New National Standards for Police custodial facilities agreed with Police and operational by 31 December 2014.	Not Met
On-going performance audits of compliance with the National Standard are agreed with Police by 30 June 2015	Not Met

As noted above, these measures have not been met because the work involved in the development of the National Standards was more complicated and time consuming than expected. The Standards themselves were not agreed to until the end of the financial year and were not to be implemented until September 2015. As a result, no programme of audits has yet been established.

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 2015, and were approved by the Board on 30 October 2015.

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.

These financial statements are the first financial statements presented in accordance with the new PBE accounting standards. There will be no material adjustments arising on transition to the new 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.

Standards and interpretations effective in the current period

In May 2013, the External Reporting Board issued a new suite of PBE accounting standards for application by public sector entities for reporting periods beginning on or after 1 July 2014. The Independent Police Conduct Authority has applied these standards in preparing the 30 June 2015 financial statements.

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 an 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% 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 2014/15 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 2015:

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.

2014/15 Financial Statements and Supporting Information

INDEPENDENT POLICE CONDUCT AUTHORITY STATEMENT OF COMPREHENSIVE REVENUE & EXPENSE FOR THE YEAR ENDED 30 JUNE 2015

2014 Actual \$		Notes	2015 Actual \$	2015 Budget \$
	Revenue			
4,006,000	Funding from the Crown	1	3,811,000	3,811,000
35,763	Interest revenue		39,063	24,177
-	Other Revenue		979	-
<u>4,041,763</u>	Total Revenue		<u>3,851,042</u>	<u>3,835,177</u>
	Expenditure			
31,920	Audit fees	2	32,805	31,920
26,708	Amortisation	7	24,183	16,012
34,079	Communication charges		34,593	36,000
68,065	Depreciation	6	60,682	45,433
2,946,668	Personnel costs and Board Fees	3	2,690,748	2,784,660
40,677	Loss on sale of fixed assets		103,269	-
49,439	Printing & stationery		22,685	52,500
101,469	Professional fees and contract services		203,013	120,000
449,884	Rent		352,842	546,106
312,090	Services & supplies		243,144	287,500
17,097	Subscriptions		19,589	17,500
114,825	Travel & accommodation		71,035	90,000
<u>4,192,921</u>	Total Expenditure		<u>3,858,588</u>	<u>4,027,631</u>
<u>(151,158)</u>	Surplus/(Deficit)		<u>(7,546)</u>	<u>(192,454)</u>
-	Other Comprehensive Revenue and Expense		-	-
<u>(151,158)</u>	Total Comprehensive Revenue/(Deficit)		<u>(7,546)</u>	<u>(192,454)</u>

Explanations of major variances against budget are detailed in note 22.

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 2015

2014 Actual \$	Assets	Notes	2015 Actual \$	2015 Budget \$
	Current assets			
287,684	Cash and cash equivalents	4	436,178	322,714
252,942	Investments		-	-
41,368	Debtors and other receivables	5	28,529	23,159
52,059	Prepayments		5,930	-
<u>634,053</u>	Total Current Assets		<u>470,637</u>	<u>345,873</u>
	Non-current assets			
281,103	Property, plant & equipment	6	347,929	194,823
95,112	Intangible assets	7	76,803	67,752
<u>376,215</u>	Total Non-Current Assets		<u>424,732</u>	<u>262,575</u>
<u>1,010,268</u>	Total assets		<u>895,369</u>	<u>608,448</u>
	Liabilities			
	Current liabilities			
356,461	Creditors and other payables	8	138,224	63,603
162,610	Employee entitlements	9	169,605	166,280
<u>519,071</u>	Total Current Liabilities		<u>307,829</u>	<u>229,883</u>
	Non-current liabilities			
-	Make-good Provision	19	8,333	-
-	Leasehold Fit-out capital contribution	20	95,556	-
<u>-</u>	Total Non-Current Liabilities		<u>103,889</u>	<u>-</u>
<u>519,071</u>	Total Liabilities		<u>411,718</u>	<u>229,883</u>
<u>491,197</u>	Net assets		<u>483,651</u>	<u>229,883</u>
	Crown equity			
491,197	Total investment by the Crown		483,651	378,565
<u>491,197</u>	Total Crown Equity		<u>483,651</u>	<u>378,565</u>

Explanations of major variances against budget are detailed in note 22.

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 2015

2014 Actual \$		Notes	2015 Actual \$	2015 Budget \$
642,355	Total Crown Equity at beginning of year		491,197	571,019
(151,158)	Total Comprehensive Revenue		<u>(7,546)</u>	(192,454)
491,197	Total Crown Equity at end of year		483,651	378,565

Explanations of significant variances against budget are detailed in note 22.

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 2015

2014 Actual \$		Notes	2015 Actual \$	2015 Budget \$
	CASH FLOWS FROM OPERATING ACTIVITIES			
	Cash was provided from/(applied to)			
4,006,000	Receipts from the Crown		3,811,000	3,811,000
39,693	Interest received		39,342	24,177
2,443	Net GST received/(paid)		10,081	(25,031)
(3,963,230)	Payments to suppliers and employees		(3,728,220)	(3,945,471)
84,906	Net cash flow from operating activities	12	132,203	(135,325)
	CASH FLOWS FROM INVESTING ACTIVITIES			
	Cash was provided from/(applied to)			
(84,675)	Purchase of property, plant & equipment		(230,778)	-
(18,154)	Purchase of intangible assets		(5,874)	-
197,058	Sale / (Acquisition) of investments		252,943	-
94,229	Net cash flow from investing activities		16,291	-
179,135	Net increase/(decrease) in cash and cash equivalents		148,494	(135,325)
108,549	Cash and cash equivalents at beginning of year		287,684	458,039
287,684	Cash and cash equivalents at end of year		436,178	322,714
	Represented by:			
287,684	Cash & cash equivalents		436,178	322,714

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 22.

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 2015

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. Funding is provided under section 23 IPSAS and therefore are considered non-exchange transactions therefore there is no liability recognized for Crown funds received in advance. (2014: \$nil).

	2015 Actual \$	2014 Actual \$
Audit of the financial statements	32,805	31,920
	<u>32,805</u>	<u>31,920</u>

3. Personnel Expenses and Board Fees

	2015 Actual \$	2014 Actual \$
Salaries and wages	2,239,762	2,538,188
Defined contribution plan employer contributions	67,115	62,192
Increase/(decrease) in employee entitlements	9	6,995
Board fees	16	(14,151)
	<u>376,876</u>	<u>360,439</u>
Total Personnel Expenses	<u>2,690,748</u>	<u>2,946,668</u>

A former employee of the Independent Police Conduct Authority received compensation of and after taking voluntary redundancy. This sum included payment under s.123 of the employment Relations Act 2000. The amount of this payment has been estimated at \$25,000. (2014: \$27,788).

Employer contributions to defined contribution plans include contributions to Kiwisaver.

	2015 Actual \$	2014 Actual \$
Cash at bank	1,704	1,519
Term Deposit (7 July maturity)	50,614	-
Call account	383,860	286,165
	<u>436,178</u>	<u>287,684</u>
Total Cash and Cash Equivalents	<u>436,178</u>	<u>287,684</u>

INDEPENDENT POLICE CONDUCT AUTHORITY
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 FOR THE YEAR ENDED 30 JUNE 2015

5. Debtors and other receivables	2015 Actual \$	2014 Actual \$
Accrued interest	144	422
Sundry receivables	6,370	8,195
GST receivable	22,015	32,751
Total Debtors and other receivables	28,529	41,368

Total Comprises:

Receivables from exchange transactions	6,514	8,617
GST receivable (non-exchange transaction)	22,015	32,751

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.

6. 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 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
Balance at 1 July 2014	621,511	281,581	348,114	1,251,206
Additions	5,505	49,679	175,594	230,778
Sales/transfers	(350,653)	(267,436)	(274,529)	(892,618)
Balance at 30 June 2015	276,363	63,824	249,179	589,366

INDEPENDENT POLICE CONDUCT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2015

6. Property, Plant and Equipment (cont.)

	Office equipment	Furniture & fittings	Leasehold improvements	Total
Accumulated depreciation	\$	\$	\$	\$
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
Balance at 1 July 2014	468,347	263,841	237,915	970,103
Depreciation expense	26,004	12,103	22,575	60,682
Sales/transfers	(298,785)	(252,648)	(237,915)	(789,348)
Balance at 30 June 2015	195,566	23,296	22,575	241,437
Book Value				
At 1 July 2013	194,043	62,304	48,822	305,169
At 30 June 2014 & 1 July 2014	153,164	17,740	110,199	281,103
At 30 June 2015	80,797	40,528	226,604	347,929

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 2015

7. Intangible assets

	Total \$
Cost	
Balance at 1 July 2013	300,109
Additions	18,153
Disposals	-
Balance at 30 June 2014	<u>318,262</u>
Balance at 1 July 2014	318,262
Additions	5,873
Disposals	-
Balance at 30 June 2015	<u>324,136</u>
Accumulated amortisation	
Balance at 1 July 2013	196,442
Amortisation expense	26,708
Disposals	-
Balance at 30 June 2014	<u>223,150</u>
Balance at 1 July 2014	223,150
Amortisation expense	24,183
Disposals	-
Balance at 30 June 2015	<u>247,333</u>
Net carrying amount	
At 1 July 2013	103,667
At 30 June 2014 & 1 July 2014	95,112
At 30 June 2015	76,803

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 2015

	2015 Actual \$	2014 Actual \$
8. Creditors and Other Payables		
Payables under exchange transactions		
Trade creditors	50,884	55,911
Accrued expenses	87,340	300,550
Total creditor and other payables under exchange transactions	<u>138,224</u>	<u>356,461</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.

	2015 Actual \$	2014 Actual \$
9. Employee Entitlements		
Accrued salaries and wages	25,363	21,599
Annual leave	144,242	141,011
Total Employee Entitlements	<u>169,605</u>	<u>162,610</u>

10. Financial Instruments

Categories of financial assets and liabilities

The carrying amounts of financial assets and liabilities in each of the IPSAS 30 categories are as follows:

	2015 Actual \$	2014 Actual \$
Loans and receivables		
Cash and cash equivalents	436,178	287,684
Investments – term deposits	-	252,942
Debtors and other receivables	28,529	41,368
Total Loans & Receivables	<u>464,707</u>	<u>581,994</u>

INDEPENDENT POLICE CONDUCT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2015

10. Financial Instruments (cont.)

	2015 Actual \$	2014 Actual \$
Financial Liabilities measured at amortised cost		
Creditors and other payables	138,224	356,461

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.

INDEPENDENT POLICE CONDUCT AUTHORITY
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 FOR THE YEAR ENDED 30 JUNE 2015

10. Financial Instruments (cont.)

The following table details the Independent Police Conduct Authority's exposure to interest rate risk as at 30 June 2015.

	Weighted average effective interest rate %	Variable interest rate bearing \$	Non-interest bearing \$	Total \$
Financial assets:				
Cash and cash equivalents				
- Cash at bank	0.25	1,482	222	1,704
- Call account	2.75	383,860	-	383,860
- term deposits	3.44	50,614	-	50,614
Debtors and other receivables	-	-	28,529	28,529
Total financial assets		<u>435,956</u>	<u>28,751</u>	<u>464,707</u>
Financial liabilities:				
Creditors and other payables	-	-	138,224	138,224
Total financial liabilities		<u>-</u>	<u>138,224</u>	<u>138,224</u>

INDEPENDENT POLICE CONDUCT AUTHORITY
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 FOR THE YEAR ENDED 30 JUNE 2015

10. Financial Instruments (cont.)

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 \$
Financial assets:				
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
Total financial assets		<u>540,592</u>	<u>41,402</u>	<u>581,994</u>
Financial liabilities:				
Creditors and other payables	-	-	356,461	356,461
Total financial liabilities		<u>-</u>	<u>356,461</u>	<u>356,461</u>

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.

INDEPENDENT POLICE CONDUCT AUTHORITY
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 FOR THE YEAR ENDED 30 JUNE 2015

10. Financial Instruments (cont.)

Maximum exposures to credit risk at reporting date are:

	2015 Actual \$	2014 Actual \$
Cash and cash equivalents	436,178	287,684
Investments – term deposits	-	252,942
Debtors and other receivables	28,529	41,368
	<u>464,707</u>	<u>581,994</u>

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 (2014: 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.

INDEPENDENT POLICE CONDUCT AUTHORITY
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 FOR THE YEAR ENDED 30 JUNE 2015

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

		2015 Actual \$	2014 Actual \$
Net surplus/(deficit) for the year		(7,546)	(151,158)
Add/(less) Non-cash items:			
Amortisation	7	24,183	26,708
Depreciation	6	60,682	68,065
Loss on sale of fixed assets		103,269	40,677
Total Non-cash items		<u>188,134</u>	<u>135,450</u>
Add/(less) movements in statement of financial position items:			
(Increase)/decrease in GST Receivable		10,737	2,443
(Increase)/decrease in sundry receivables		1,824	(8,195)
(Increase)/decrease in prepayments		46,129	(44,826)
(Increase)/decrease in accrued interest		278	3,931
(Decrease)/increase in creditors and other payables		(114,348)	161,412
(Decrease)/increase in employee entitlements		6,995	(14,151)
Net movement in working capital items		<u>(48,385)</u>	<u>100,614</u>
Net cash flow from operating activities		<u>132,203</u>	<u>84,906</u>

INDEPENDENT POLICE CONDUCT AUTHORITY
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 FOR THE YEAR ENDED 30 JUNE 2015

13. Employee Remuneration

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

	2015 Actual	2014 Actual
\$100,000 - \$109,999	4	5
\$120,000 - \$129,999	2	1
\$130,000 - \$139,999	0	2
\$140,000 - \$149,999	1	0
\$200,000 - \$209,999	1	0
\$220,000 - \$229,999	0	1
\$330,000 - \$339,999	0	1
\$340,000 - \$349,999	1	0

14. 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 2015 (2014: \$nil).

INDEPENDENT POLICE CONDUCT AUTHORITY
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 FOR THE YEAR ENDED 30 JUNE 2015

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:

	2015 Actual \$	2014 Actual \$
<i>Board Members</i>		
Remuneration	376,876	368,229
Full time equivalents	1.2	1.2
<i>Leadership Team</i>		
Remuneration	712,185	601,309
Full time equivalents	5	4
Total key management personnel remuneration	1,089,061	969,538
Total full time equivalent personnel	6.2	5.2

There were no post-employment benefits, other long-term employee benefits, termination benefits paid to key management personnel during the year (2014: \$nil)

Board member remuneration

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

	2015 Actual \$	2014 Actual \$
Judge Sir David J Carruthers	349,612	326,806
Angela Hauk-Willis	16,273	25,520
Dianne Macaskill	10,991	9,115
Richard Woods	-	6,788
Total Board member remuneration	376,876	368,229

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 (2014: \$nil).

17. Commitments

(i) Capital commitments

There are no capital commitments at reporting date (2014: \$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 2015

(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:

	2015 Actual \$	2014 Actual \$
Less than one year	303,182	454,196
Between one and five years	1,212,728	1,212,728
Later than five years	960,076	1,263,258
Total operating lease commitments	2,475,986	2,930,182

18. Contingency

There are no contingent liabilities or assets at reporting date (2014: \$nil).

19. 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, it is expected to be settled in 2023. Due to the 9 year lease of the property, this accounts for an annual provision of \$10,000 per year. As at balance date 10 months of this annual figure have been accrued based on the lease commencement date, the estimate for 2014 is: \$8,333. This is classified as non-current liability as it is expected to be settled in 2023.

20. Leasehold Fit-out Contribution

DNZ property Fund Limited contributed \$120,000 towards the fit-out for the Grey Street premises during the 2015 financial year. This leasehold fit-out was capitalised and will be depreciated on 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 \$95,556.

21. 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 2015. (2014: The Authority entered into a lease agreement with DNZ Property Fund Limited which is now detailed at note 17).

22. Major Budget Variances

Statement of Comprehensive Revenue & Expense

1. Rent

Actual - \$352,842; Budget - \$546,106

In the 2014 financial statements a provision for the onerous lease and rent make good were included in the accounts. This earlier recognition of this expense meant the budget was much higher than was the actual expense for 2015.

2. Loss on Disposals

Actual - \$103,269; Budget - \$0

With the move to Grey Street during the year a review of the asset register was performed. All of the leasehold improvements associated with the Lambton Quay property were disposed along with much of the furniture that resided there and much of the old office equipment. This was not a budgeted expense.

3. Personnel and Board Costs

Actual - \$2,690,748; Budget - \$2,784,660

Board and Personnel were down on budget due to a reduction in the number of full time staff employed during the year.

4. Professional Fees and Contracts

Actual - \$203,013; Budget - \$120,000

Professional fees and contract services are up on budget partly because the former Corporate Manager was operating on a fixed term contract, rather than being an Authority Employee.

Statement of Financial Position

1. Property Plant & Equipment

Actual - \$347,929; Budget - \$194,823

The large variance on this account represents the capitalisation of leasehold improvements associated with the move to the new premises.

INDEPENDENT POLICE CONDUCT AUTHORITY
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 FOR THE YEAR ENDED 30 JUNE 2015

1. Leasehold Capital Contribution

Actual - \$95,556; Budget - \$0

This balance was unbudgeted and represents DNZ Property's contribution to the leasehold fit-out.

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 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>2014/15 Actual</i>	<i>2014/15 Budget</i>	<i>2014/15 Variance</i>	<i>2013/154 Actual</i>
Crown Funding	3,811,000	3,811,000	-	4,006,000
Interest & Other Revenue	40,042	24,177	15,865	35,763
Total Revenue	3,851,042	3,835,177	15,865	4,041,763
Expenses	3,858,588	4,027,631	(169,043)	4,192,921
<i>Net Surplus/(Deficit)</i>	<i>(\$7,546)</i>	<i>(\$192,454)</i>	<i>184,908</i>	<i>(\$151,158)</i>

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 2015**

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

Opinion on the financial statements and the performance information

We have audited:

- the financial statements of the Authority on pages 27 to 53, that comprise the statement of financial position as at 30 June 2015, the statement of comprehensive revenue and expense, statement of changes in equity and statement of cash flows for the year ended on that date and the notes to the financial statements that include accounting policies and other explanatory information; and
- the performance information of the Authority on pages 17 to 19 and 23 to 26.

In our opinion:

- the financial statements of the Authority:
 - present fairly, in all material respects:
 - its financial position as at 30 June 2015;
 - its financial performance and cash flows for the year then ended; and
 - comply with generally accepted accounting practice in New Zealand and have been prepared in accordance with Public Benefit Entity Reporting Standards with reduced disclosure requirements.
- the performance information:
 - presents fairly, in all material respects, the Authority's performance for the year ended 30 June 2015, including:
- for each class of reportable outputs:

- its standards of performance achieved as compared with forecasts included in the statement of performance expectations for the financial year;
 - its actual revenue and output expenses as compared with the forecasts included in the statement of performance expectations for the financial year;
 - what has been achieved with the appropriation;
 - the actual expenses or capital expenditure incurred compared with the appropriated or forecast expenses or capital expenditure; and
- o complies with generally accepted accounting practice in New Zealand.

Our audit was completed on 30 October 2015. 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 Board and our responsibilities, and 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 the 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 the 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 the performance information. The procedures selected depend on our judgement, including our assessment of risks of material misstatement of the financial statements and the 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 performance information 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 Board;

- the appropriateness of the reported performance information within the Authority's framework for reporting performance;
- the adequacy of the disclosures in the financial statements and the performance information; and
- the overall presentation of the financial statements and the performance information.

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

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

Responsibilities of the Board

The Board is responsible for preparing financial statements and performance information that:

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

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

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

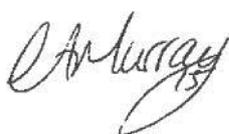
Responsibilities of the Auditor

We are responsible for expressing an independent opinion on the financial statements and the performance information and reporting that opinion to you based on our audit. Our responsibility arises from the Public Audit Act 2001.

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 'Chrissie Murray', with a stylized flourish at the end.

Chrissie Murray
Audit New Zealand
On behalf of the Auditor-General
Wellington, New Zealand

Appendix One

In order to allocate resources most effectively, the Authority categorises cases by level of seriousness.

There are five categories which are described in more detail below.

CASES REQUIRING INVESTIGATION OR REVIEW

The cases that require investigation or review by the Authority fall into three categories:

Category 1 – IPCA independent investigation

Principle

There is a category of cases which, in the public interest, need to be independently investigated in order to ensure public confidence in the integrity and objectivity of the investigative process and the outcome.

Guidelines

There are a number of cases that are so serious that they will typically lead to a Category 1 investigation. These include:

- a) cases involving death or serious injury causing or appearing to be caused by Police actions;
- b) cases containing elements of corruption or serious criminal misconduct;
- c) other cases of deliberate wrongdoing or other serious misconduct that would significantly impact on public trust and confidence in the Police.

A case that meets one of the above criteria will not necessarily be independently investigated if the Authority is satisfied that it has been or is being responded to robustly and expeditiously by the Police (eg by investigation with a view to possible criminal prosecution or disciplinary proceedings against one or more officers). Conversely, a case that does not meet one of the above criteria may be deemed suitable for a Category 1 investigation if:

- d) it raises significant systemic issues;
- e) it shows a pattern of significant misconduct by an individual officer;
- f) It raises integrity issues in relation to a senior officer or an area, District, or Police generally;
- g) a Police investigation on its own is unlikely, in the view of the Authority, to be perceived as having sufficient robustness to attract public credibility; or

- h) the Police have indicated that for public interest reasons it is preferable for the Authority rather than the Police to investigate.

Category 2 –Police investigation with active IPCA oversight

Principle

Where a case does not meet the criteria for independent investigation, the investigation by the Police should be actively overseen where this is required to assist in ensuring a focus on all relevant issues and a timely outcome.

Guidelines

This category of complaints has one or more of the following characteristics:

- a) some initial investigation by Police is required to determine the issues in the case before a final decision can be taken as to whether further investigation by either the Authority or the Police is required;
- b) the complaint is sufficiently serious or complex that ongoing dialogue between the Authority and the Police is desirable to facilitate a robust investigation;
- c) the significance or public profile of the incident requires active oversight of the investigation by the Authority in order to ensure public confidence in the objectivity and integrity of the outcome;
- d) the case involves a complaint against an officer who has a history of misconduct that does not meet the criteria for a Category 1 investigation but is sufficiently serious that ongoing Authority involvement is required to ensure the maintenance of public confidence in the Police.

Category 3 – Significant complaints of substance – Police investigation

Principle

Police should take primary responsibility for the investigation and resolution of all complaints that require investigation or review but do not meet the criteria for Category 1 or Category 2.

Guidelines

This category of complaints has no prescribed characteristics. It encompasses all matters that do not meet the criteria for disposition without investigation, but do not require either an independent investigation or active ongoing oversight by the Authority.

CASES NOT REQUIRING INVESTIGATION OR REVIEW

There is a substantial volume of complaints that do not require any investigation or review by the Authority. These fall into two categories:

Category 4 – Conciliation

Principle

It is important that there be a process to enable Police to accept responsibility for their actions quickly and with the least possible formality, thus avoiding protracted investigation and consequent delay.

Guidelines

This category of complaints has all the following characteristics:

- a) they appear to the Authority to be capable of resolution by mutual agreement between the Police and complainant;
- b) they do not have significant systemic or organisational issues or other wider ramifications beyond the incident itself;
- c) they indicate the existence of one or more issues underlying the complaint that have been acknowledged by the Police, and can and should be resolved without further investigation; and
- d) the Authority and the Police have agreed that the matter should be resolved in this way.

Complaints in this category often include investigative delays, rude or inappropriate comments, lack of respect, and/or inappropriate behaviour or conduct that is relatively minor.

Category 5 – No further action

Principle

It is in the interests of both the complainant and Police that matters of no real substance are identified and dismissed at the earliest possible opportunity.

Guidelines

This category of complaints has one or more the following characteristics:

- a) they are matters which the Authority considers as minor, frivolous or vexatious;
- b) they are matters where there is no support from the person centrally aggrieved;
- c) they have been, are about to be or are able to be decided by another tribunal or by the Court;

- d) they are matters which disclose no issue requiring investigation;
- e) they are matters which relate to an incident of which the complainant has had knowledge for over one year;
- f) there is a conflict in the evidence about the issues complained of that are unlikely to be resolved by further investigation.



Whaia te pono, kia puawai ko te tika

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