



# **Independent Police Conduct Authority**

**Annual Report 2018-2019**

**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 2018 to 30 June 2019.



Judge Colin Doherty

Chair

INDEPENDENT POLICE CONDUCT AUTHORITY



Simon Murdoch

Member

INDEPENDENT POLICE CONDUCT AUTHORITY



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## Introduction

The Authority makes a significant contribution to improved public trust and confidence in the New Zealand Police. We do so by facilitating the provision of redress to complainants who have a reasonable grievance against the Police; independently undertaking or overseeing complaints in a fair and impartial manner; and reviewing and where necessary recommending changes to Police policy, practice or procedure. We are confident that our work not only ensures that Police are held to account when things go wrong but also improves overall policing practice.

### THE YEAR IN BRIEF

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During the year the Authority:

- received 3026 complaints, an increase of 434 files (17%) over the previous year;
- projects that the increase in complaint numbers will continue, with a forecast volume of about 3800 in the 2019/20 year.
- conducted 64 independent investigations;
- faced a continuing increase in the complexity of those investigations;
- released 35 public reports, by comparison with 22 in 2017/18 (an increase of 59%);
- reviewed 241 Police investigations of complaints, 62% of which were completed within 28 days of receipt of the Police file;
- resolved 702 cases by facilitating a resolution of the complaint between the complainant and the Police;
- made 12 recommendations for changes to Police policy, practice or procedure, 11 of which were accepted by year end;
- continued quarterly audits of District electronic custody records;
- continued to address custodial management issues that came within the Authority's jurisdiction comments at as a National Preventive Mechanism under the Crimes of Torture Act 1989;
- had in excess of 120,000 visits to the Authority's website – an increase of 36% over last year.

## Foreword by the Chair

In the last Annual Report, I optimistically anticipated an increased appropriation would assist the Authority to manage the then projected increase in the volume and complexity of complaints. That optimism was misplaced but only because of an avalanche of complaints over and above our projection. In the last six months of this year there was a volume growth of approximately 30%. In large part this has arisen because of misinterpretation by Police of what constitutes a 'complaint', which meant that significant volumes of complaints to police were not being reported to the Authority as required by section 15 of the IPCA Act. The increase in volume has been maintained into the next year and it appears there is a significant and permanent baseline step increase that will need to be absorbed.

While the volume increase has put pressure on operational performance outputs across the board, the Authority has continued to perform well in terms of the standard of its work. For example, the number of publicly reported investigation outcomes has increased by nearly 60%. The public and the media have shown an increasing interest in the work of the Authority and there has been a further increase in those accessing the Authority's website and social media accounts.

The Authority has reported on a number of lengthy, complex and high-profile investigations including one of alleged bullying in the workplace by the statutory Deputy Commissioner of Police, which was conducted concurrently with a separate Government Inquiry. There were reports on seven shootings by police officers. Ten recommendations were made to the Commissioner on subjects ranging from control and command of incidents to people in Police detention policy.

In March the report entitled "Fleeing Drivers in New Zealand: a collaborative review of events, practice, and procedure" was released. This was the first significant work jointly undertaken by the Authority and New Zealand Police; a mechanism which gave the Authority access to a far greater data set. The review of existing police policy made eight recommendations designed to enhance and improve officers' understanding and application of policy. The anticipated public debate was muted, as release of the report coincided with the Christchurch mosque shootings.

Another thematic work relating to the administration of firearms by Police was put on hold following the legislative changes made in the wake of the tragedy of the Christchurch mosque shootings. A number of complaints were received arising out of those incidents, one of which was referred directly to the Royal Commission of Inquiry into the Attack on Christchurch Mosques.

The major impact on the Authority in the wake of the Christchurch tragedies has been an increased delay in the provision of information sought during our triaging of complaints. The fact that large numbers of police were re-deployed to Christchurch for a period simply meant that those who were to provide information were not available to do so.

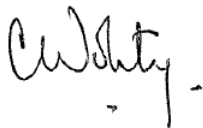
Our work as a National Preventive Mechanism under the Crimes of Torture Act 1989 (which implements the United Nations Optional Protocol to the Convention Against Torture - OPCAT) was enhanced by some additional joint funding from New Zealand Police and Ministry of Justice. This has enabled a separate piece of work to complete a baseline review of the 31 Police custody units in which detainees are routinely held overnight. The field work has been completed and the writing of individual reports, and an overall summary, is well underway.

We look forward to the final implementation of a new case management system later in the year. Over the latter part of the year reported on, management and staff have worked closely with the system supplier to ensure we have a modern and fit-for-purpose system that will enhance both our operational and corporate reporting functions. Changes to management staff have enhanced our corporate capability and we have maintained a constant review of Authority policies to ensure the Authority maintains a progressive and forward-looking focus on our regulatory role.

I am pleased to report that our relationship with Police continues in an appropriate manner to contribute to our general aim to ensure the New Zealand public can have confidence and trust in our police force. That is not to say the Authority and Police always see 'eye to eye' - far from it. However, our differences are handled professionally and appropriately. I am particularly appreciative of the cooperative working relationship between Authority and Police staff at every level, without which the Authority could not operate as effectively as it does.

The members of the Authority have worked tirelessly to give governance direction and advice. I thank them for their wisdom and support in challenging times.

The Authority is blessed with staff that are not only highly skilled, experienced and hardworking but sociable, friendly and fun. Their jobs are exacting and the work unrelenting and I continue to be amazed at their resilience and their positive attitude in working to enhance trust and confidence in Police. It is a joy for me to be part of their team.

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

Judge Colin Doherty

Chair

INDEPENDENT POLICE CONDUCT AUTHORITY

## About Us

### OUR PURPOSE

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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 reasonable grievances are appropriately addressed; 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 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

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

*We are established under the Independent Police Conduct Authority Act 1988 (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 Independent Police Conduct Authority Act 1988 (IPCA Act) and the Crown Entities Act 2004. 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 may make recommendations to Police, including 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 experience in governance, executive level management expertise, and public sector experience.

The current Board members are Judge Colin Doherty (Chair), Dianne Macaskill and Simon Murdoch.

The Board meets monthly and focuses on five 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; monitoring and addressing risks to the organisation; 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.

There are two teams in the operations area. As at 30 June 2019, the Case Resolution Team had a manager and 12 staff, and the Investigations Group (comprising two teams) had two managers and 15 staff. They are supported by a Corporate Manager and two staff.

# Our Achievements 2018/19

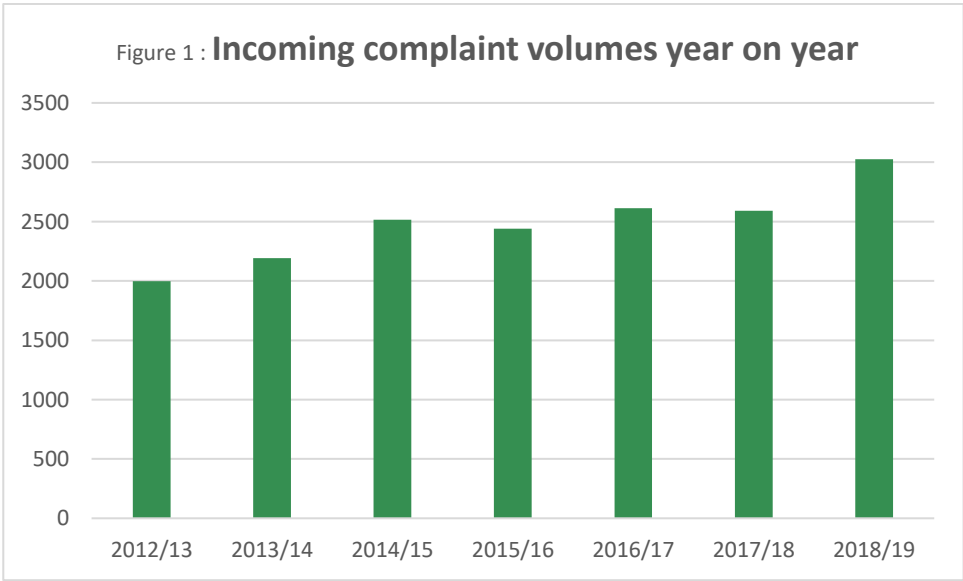
The key features of our work over the past 12 months are as follows:

## VOLUME OF COMPLAINTS, REFERRALS AND TRENDS

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<sup>1</sup> 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 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.

### Incoming complaint volumes



The Authority has experienced an overall trend of steadily increasing complaint numbers over the last 6 years, and anticipated that there would be continued steady growth in complaint volume during the year ended 30 June 2019.

1 . From 1 July 2019 the four category definitions will be referred to as Category A, Category B, Category C, Category D. Within the current category definitions Category 3 is an obsolete category that is no longer used for new complaints.

However, actual growth substantially exceeded our forecasts. While the volume of cases in 2018/19 was predicted to be 2850, it in fact reached 3026 (an increase over the 2017/18 figure of nearly 17%). Most of this increase occurred in the second six months, where there was growth of almost 30%.

The Authority received an additional one-off payment of \$100,000 from the Ministry of Justice in June 2019 to assist it in coping with the increased complaint volume.

The Authority has explored the reasons for this increase, and believes that it has resulted from an earlier misinterpretation by Police of what constitutes a complaint, so that large volumes of ‘complaints’ being made on the Police’s “Expression of Dissatisfaction” on-line form, and through the “Praise and Complaint” process, were not being notified to the Authority. The Police and the Authority agreed at the beginning of 2019 that all matters involving a complaint about an individual, an individual incident or a perceived systemic failure within policing were notifiable under section 15 of the IPCA Act, and relevant staff were notified of this. The sustained increase in complaint volume since February 2019 is therefore likely to have arisen from an earlier under-reporting by Police, which has now been remedied.

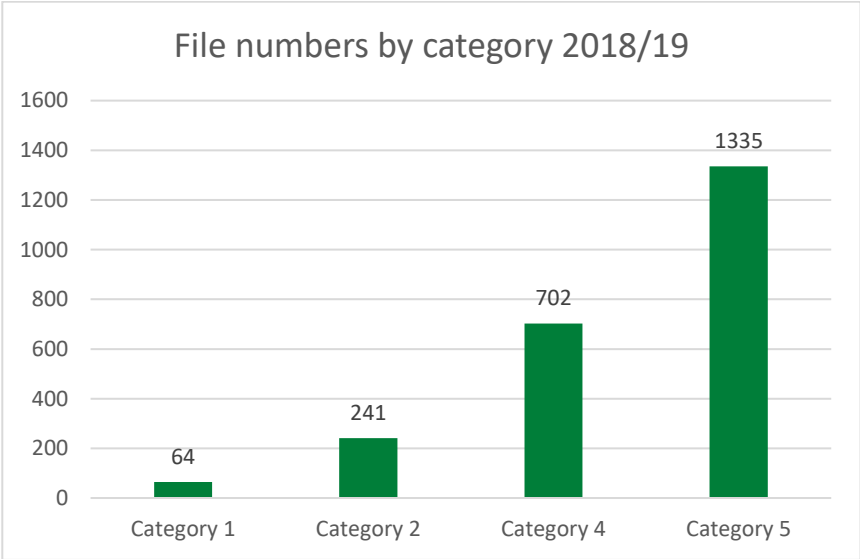
### Comparison of volume of complaints and referrals by the Authority

Action	2018/19	2017/18
New complaints received during the period	3026	2592
Total number of files closed during the period	2320	2925
Public reports released (during the period)	35	22
Current open Category 1 files	89	79
Current open Category 2 files	254	185
Current open Category 3 files <sup>2</sup>	1	6
Current open Category 4 files	134	68
Current open Category 5 files	41	20
Current files awaiting categorisation	684	121

2. Category 3 is no longer used in the categorisation process; the one file recorded under this category was categorised in a previous year.

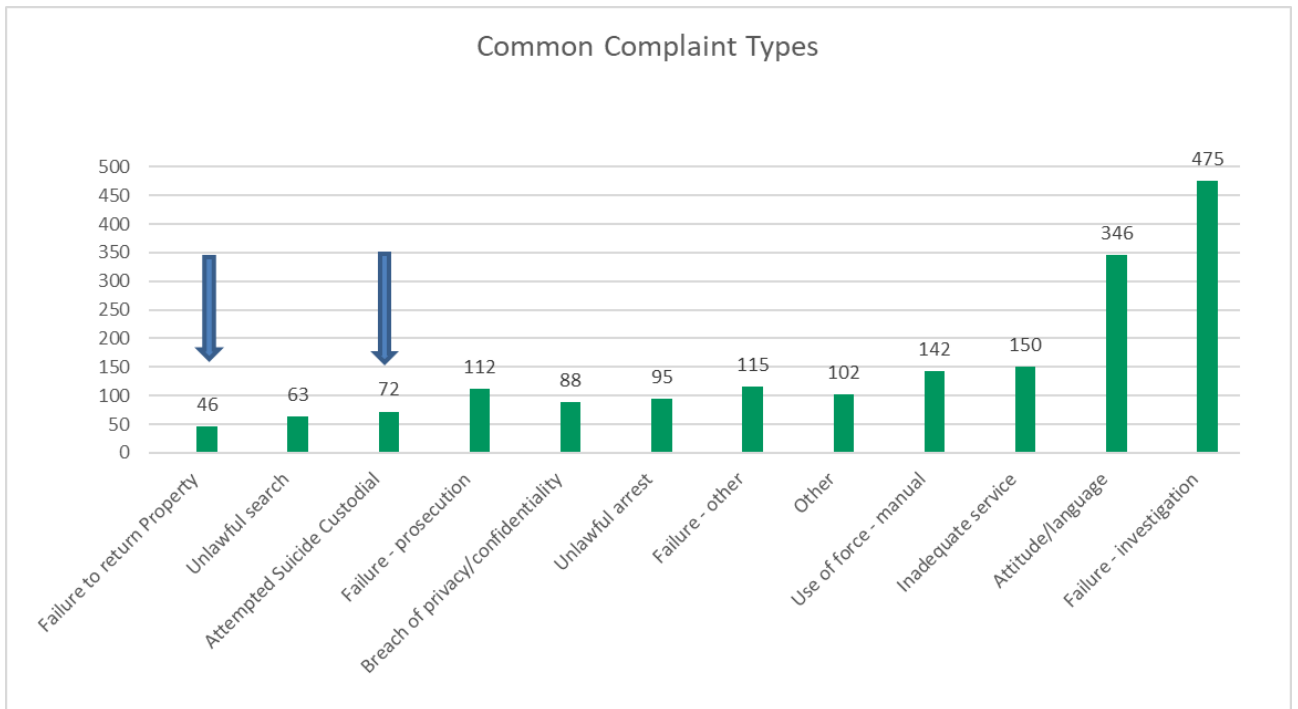
The unexpected increase in complaint numbers led to increases in every category of case. It affected our ability to bring cases to a close, so that there was a decline in the number of cases being closed by comparison with the previous year. It also directly impacted on our ability to meet performance expectations.

**Breakdown of complaints allocated to the Authority’s 4 categories**



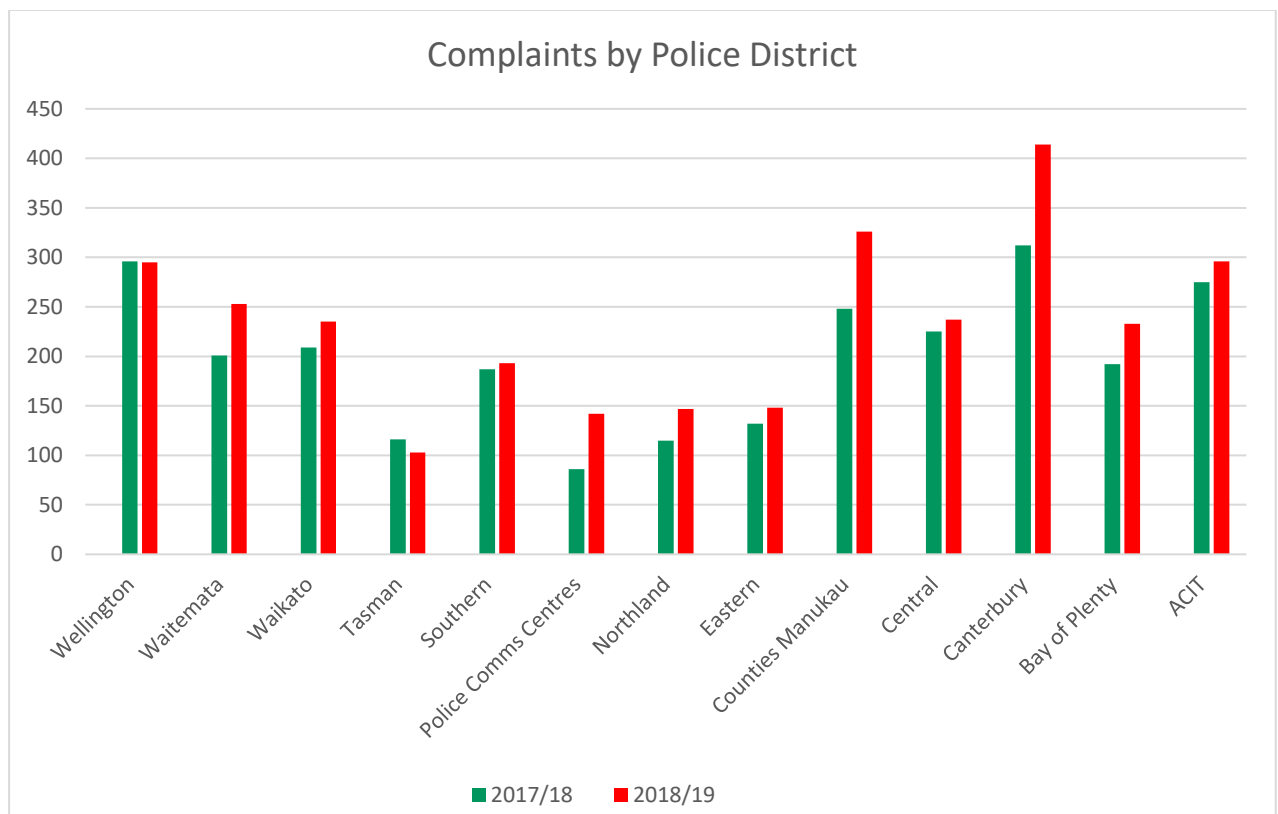
The number of files shown in the figure above is 2342. The Authority recorded a total of 3026 files for the year. The difference relates to those cases that were awaiting further information and had not been categorised as at 30 June 2019. There were 684 cases awaiting categorisation as at year end; the speed at which we were able to complete the initial assessment and triage process was severely impacted in the last half of the year when we received the highest complaint volume.

The most common types of complaint were about: failure in an investigation, an officer’s attitude or use of language, inadequate service and the use of force without a weapon. These four complaint types feature consistently as the top 4 each year. Of note are two new complaint types that are being received more frequently, with Failure to Return Property and Attempted Suicide Custodial making it into the top 12 complaint types for the year.



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

### Complaints by Police District



With the exception of three districts (Wellington, Tasman, and Southern), the Authority received significantly more complaints from all Police districts. Not surprisingly there was a spike in complaint numbers from all districts following the Mosque shootings in Christchurch; these often related to failure to investigate and inadequate service.

## INDEPENDENT AND TRANSPARENT INVESTIGATIONS

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The Authority continues to maintain a stable, albeit increasing, caseload of independent investigations. We completed 64 independent investigations during the year and had 89 ongoing, open investigations at 30 June 2019.

An increasing proportion of these investigations are complex. The complexity and specific nature of some of these files has meant that they require more time and greater specialist investigative skills, requiring significantly more resources than in previous years.

During the year we released 35 public reports. This number indicates that there has been an appreciable increase in output by comparison with previous years; in 2017/18, 22 reports were published. Several of the public reports released during the year received a high level of public and media interest, and media sources frequently refer to findings and recommendations from public reports when they are reporting on subsequent incidents involving Police. As a result, the Authority's work appears to be having growing impact and visibility.

*During the year the Authority completed 64 independent investigations and released 35 public reports detailing findings from our investigations.*

### High profile reports released during 2018/19 include:

- **Police response to actions of Rhys Warren.** A report issued in July 2018 found that the tactical decision-making and control and command exercised by Police in response to shots fired near Kawerau on 9 March 2016 was highly flawed and placed Police officers at risk. The Authority also found that Police were justified in shooting at Rhys Warren in the circumstances.
- **Police response to actions of Quinn Patterson in Whangarei.** A report issued in July 2018 found that two Police officers acted appropriately when firing at Quinn Patterson at a property near Whangārei on 26 July 2017. Mr Patterson had earlier shot three civilians and was firing at Police.
- **Police dangerous driving during pursuit on Auckland motorway.** A report issued in November 2018 found that an officer's actions during a pursuit in Auckland on 23 October 2017 constituted dangerous driving. The officer drove at speeds reaching 200kph in an 80kph area during the pursuit. Ultimately the fleeing vehicle left the road at high speed and struck a tree.
- **Complaint regarding a police investigation into inappropriate contact between a teacher and student.** A report issued in December 2018 found that a Police investigation into inappropriate contact between a teacher and a student in Gisborne in 2014 was deficient in several respects, including; the investigating officer did not adequately assess the evidence; the investigating officer's supervisor had a conflict of interest which was not properly managed; the investigation

plan was inadequate and not all appropriate enquiries were conducted; and information obtained from interviews was not recorded or conducted appropriately.

- **Complaint of excessive force and unjustified arrest in Porirua.** A report issued in December 2018 found that the use of pepper spray against a man in Porirua on 16 April 2017, and his subsequent arrest, were unlawful.
- **Fatal pursuit of Mr X in Palmerston North.** A report issued in May 2019 found that a Police officer should not have tried to stop or pursue a car thought to contain young people in Palmerston North on 28 May 2018. The pursuit ended when the fleeing car crashed into a ditch. The driver, Mr X (aged 15) and passenger, Ms Z (aged 12) were killed. Another passenger (aged 16) was seriously injured.
- **Death of a man in custody at Hawkes Bay Area Custody Unit.** A report issued in May 2019 found that Police as an organisation, as well as individual officers, failed in their legal duty of care when a man in custody died after a drug overdose in November 2017.
- **Complaints about Deputy Commissioner Wallace Haumaha.** The Authority investigated 3 complaints concerning the behaviour of Deputy Commissioner Wallace Haumaha. The first and second complaints alleged bullying behaviour in 2016 in the course of work on the Improving Māori Justice Outcomes Project. The third complaint alleged that, in August 2018, DC Haumaha pressured members of his staff to provide information that would help him to defend the allegations made by the first two complainants.

The Investigation concluded that some of DC Haumaha's behaviour was inappropriate and unprofessional. However, while that behaviour was in many respects consistent with the common usage of the term 'bullying', it did not demonstrate the persistence implicit in the WorkSafe definition applicable to the workplace. The Authority also found that DC Haumaha should not have circulated personal information about a non-Police member of the project team, which he did to discredit them.

### 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 two fatal and five non-fatal Police shooting incidents during this reported year. Six are being independently investigated and are still under investigation; one was referred to the Police for investigation. There were eleven Police shooting investigations last year and the Authority has concluded seven of those investigations.

### Fleeing Drivers in New Zealand - a collaborative review of events, practices, and procedures

The Authority and the New Zealand Police jointly conducted a review of the fleeing driver environment and the application of existing policy. This report endorses the current policy approach to fleeing driver events but makes eight recommendations designed to enhance Police understanding and application of the policy. These include changes to the way these events are handled, the training given to officers; and the way the events are recorded and investigated. Additionally, the report highlights the need for further research to understand why some drivers flee.



The eight recommendations are as follows:

1. Police will review the Police Professional Driver Programme, including current driver classification systems, to identify opportunities for improving staff understanding and application of TENR (threat, exposure, necessity, response) assessment during fleeing driver events
2. Police will improve the skills, knowledge and experience of all staff involved in fleeing driver events, through different learning channels, to enable robust decision-making and support the effective management of events.
3. Police will review the policy against the findings of the Review and make any necessary adjustments to the fleeing driver policy and standard operating procedures to ensure that they remain fit-for-purpose, and support the effective management of fleeing driver events.
4. Police will investigate allowing units to undertake a non-compliant vehicle stop on offending vehicles that have been successfully spiked and are travelling at low speeds, to mitigate risks and improve the safe resolution of fleeing driver events.
5. Police will strengthen the accountability mechanisms of fleeing driver events, including improvements to post-event follow up, district review, and national oversight processes.
6. Police will review the Air Support Unit's (Eagle) involvement in the management of fleeing driver events, and clarify the role that they play if necessary.
7. Police will explore ways of improving Communication Centre's access to real-time information, including through the potential adoption of new technology, and in partnership with our sector partners.
8. Police will commission further research and analysis of fleeing drivers to improve our understanding of drivers' motivations for fleeing, including a focus on young people and alcohol/drug impaired drivers.

We are closely monitoring the implementation of these recommendations.

## STRATEGIC INITIATIVES

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The Authority's strategic objectives, in accordance with its Statement of Intent 2017/18-2020/21, include embedding our facilitated resolution processes; increasing the emphasis on prevention; and enhancing our ability to report on our own performance and on broader policing trends.

### Facilitated resolution of complaints

The processes that we trialled in 2016 and rolled out nationally in January 2017 are designed to ensure that, where appropriate remedies to address a complaint can be readily identified, these are implemented in a timely way without time-consuming and unnecessary investigations. While our investigations and

accompanying public reports remain an important part of our business, they are not our predominant focus. Our broader involvement in resolving justified grievances is equally important.

These processes are now fully embedded and part of the Authority's usual operating model. While we are constantly looking for ways to tweak these processes to improve efficiency and timeliness, the 30% increase in the volume of business in the second half of the year has militated against any further improvements in these respects. It has created a real and growing strain on staff resources and created a real risk that justified grievances go unaddressed or are dealt with so belatedly that the complainant's grievance remains. We are actively working with the Ministry of Justice to find ways to address this problem.

### **Increasing the emphasis on prevention**

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. Those recommendations are separately recorded on a schedule and followed up with Police until their response is received. 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.

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 the financial year, we completed the fieldwork for our review of the issues and challenges relating to the policing of small and isolated communities. This will result in a substantial report for Police, with associated recommendations, which will be completed and published in the 2019/20 financial year. As noted above, we also completed our review, jointly with the Police, of fleeing driver incidents in order to determine whether any changes to policy or practice are required.

We have commenced discussions with Police on how the results of our work can be more effectively incorporated within Police training and development. While staff speak to a number of different training course, this is somewhat ad hoc. The Authority is working to develop a more systematic approach so that a greater number of front-line officers and staff are exposed to our findings and recommendations.

### **Enhancing our reporting ability – New Case Management System**

The Authority's new case management system will go live in October 2019. We view the deployment of our new case management system as the opportunity to develop more consistent and sophisticated analysis capabilities as well as robust research and evaluation methods.

Our current basic and aging Access database has very limited reporting functionality. We expect that the new system will provide vastly improved reporting capability and enable us to develop enhanced monitoring systems and reporting measures.

Once embedded within the day-to-day operational practices of our complaints process, the new case management system will be an important component in achieving greater efficiencies within our service delivery.

## MONITORING AND REPORTING ON PLACES OF POLICE DETENTION

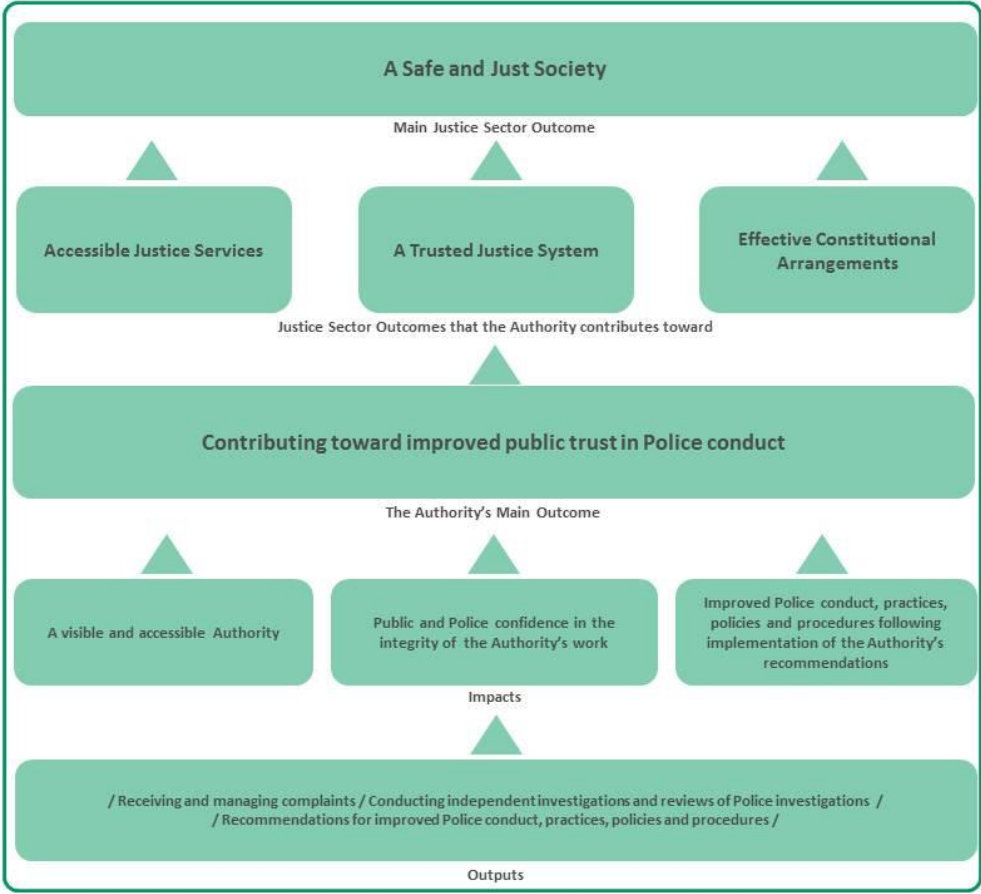
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The Authority was provided with funding from the Police and Ministry of Justice to undertake a programme of visits to Police custodial facilities as a result of concerns over the housing of remandees in police cells for significant periods. The fieldwork involved visits to 31 such facilities, comprising all those where detainees are routinely held overnight. The inspections looked at governance, infrastructure, rights of individuals, reception and detention processes as well as physical conditions. Individual reports are being prepared for each visit as well as a consolidated report looking at thematic issues.

Audits of District electronics custody records has continued, with audits completed at Central, Northland, Counties Manukau, Tasman, Waikato and Wellington custody units. We met with the Eastern and Counties Manukau District Commander and custody staff to discuss the results and identify areas for improvement. The other District feedback is being combined with the results of the inspections mentioned above.

The Authority identified all complaints and referrals indicating custodial management issues. If recommendations are made for improvement, the Authority monitors the subsequent police actions to ensure compliance.

# 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 trust and 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.

In the 2018/19 year we have made some progress in increasing our engagement with all sectors of the community, including those groups identified as being vulnerable and disadvantaged. The reconfiguration of our website has greatly enhanced the visibility of our work, and the accessibility of information about

our services and outputs. As well as continuing the publication of our Category 1 reports, we are now including summaries on the website of the vast majority of our Category 2 reviews and a sample of our Category 4 facilitated resolutions, so that there is a more balanced public picture of the nature and extent of our work. The increase of 36% in visits to our website and submission of complaints via our online complaints form strongly supports our objective of increased visibility and improved accessibility to our services.

We continue to expand our use of other social media via Facebook and Twitter. These two platforms are being actively monitored, and we are exploring the use of these forums as a potential conduit for further engagement with different demographics within the community. We are specifically focusing on improving our engagement with Māori, Pacific, and younger people, who are over-represented as complainants in the complaints we receive about Police.

As part of our project on the policing of small communities, we have talked to a number of those communities about their understanding of the role of the Authority and how they think our visibility and accessibility might be improved. Their feedback forms a vital part of the development of a more extensive and better targeted community engagement strategy.

Notwithstanding the progress we have made in this area, the increase in our workload has prevented us from undertaking all of the activities that we had planned for the year.

**Impact Measure 1: A visible and accessible Authority**

*Performance July 2018 – June 2019*

<i>Measures<sup>3</sup></i>	<i>How measured</i>	<i>Met / Not Met</i>	<i>Activities Undertaken</i>
The community is informed of the Authority’s role in enhancing Police accountability and Police performance: access to the Authority’s services is readily available	Strategies identified in the Authority’s Community Engagement Plan that will be implemented in 2018/19 are:		
	<ul style="list-style-type: none"> <li>Increasing the amount of the information available to the public on the Authority’s work and complaint outcomes</li> </ul>	Met	Overall increase in the number of public reports. Increased number of publications of Category B summary reports on website
	<ul style="list-style-type: none"> <li>Presenting to targeted Police training courses in order to increase awareness of the Authority’s role and functions</li> </ul>	Met	Presentation to 16 groups comprising recruit, Senior Sergeant, dog handler and AOS courses

<sup>3</sup> These were new measures introduced in the 2017/18 year.

<ul style="list-style-type: none"> <li>Engaging with a sample of small communities around New Zealand to ascertain their views on the complexity of policing their communities</li> </ul>	Met	Engagement with representatives in the Hokianga, Chatham Islands and the Coromandel
<ul style="list-style-type: none"> <li>Developing and implementing connection with the wider community through the expanded use of social media</li> </ul>	Met	Category A media statement and Category B summaries published on facebook and twitter. Further use of Te Reo on website and social media
<ul style="list-style-type: none"> <li>Widening circulation and use of the Authority's brochure</li> </ul>	Met	Provision of updated brochures to all Police stations and other relevant community agencies.

## Measure 2: Public and Police confidence in the integrity of the Authority's work

We measure by way of a telephone survey, the level of satisfaction of complainants, and Police officers complained of, with our work performance. A target of 75% satisfaction level has been set.

Unless it is inappropriate to do so, following the closure of the case we attempt to survey Police officers complainants, and victims or next of kin involved in Category 1 and Category 2 files providing they have had significant<sup>4</sup> contact with our staff. However not all parties are able to be contacted or agree to participate once they are spoken to. As part of the survey, participants who do agree to participate are asked to comment on their level of satisfaction relating to their contact with our staff and our investigation and review processes.

We also attempt to survey a random selection of one in ten complainants involved in the Category 4 'facilitated resolution processes' about their satisfaction with the nature and outcome of those processes.

The results are set out overleaf.

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4. Significant contact is determined as two or more substantial, interactions involving direct contact.

<i>Measures</i>	<i>Performance July 2018 – June 2019</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	89%	Met	84%
Participants in surveys are satisfied with the Authority's investigation processes	75% are satisfied	78%	Met	74%
Participants in surveys are satisfied with the Authority's review processes	75% are satisfied	29%	Not Met	75%
Participants in surveys are satisfied with the Authority's facilitated resolution processes	75% are satisfied	87.5%	Met	64%

Participants in surveys generally reported that they were satisfied with their contact with Authority staff. The level of satisfaction with Category 1 investigations was high and met the performance target, but it was much lower in respect of Category 2 reviews and fell very far short of the performance target. This is likely to be because there was a protracted delay before many of the Police investigation files being reviewed by the Authority were sent from the Police after the conclusion of the investigation. Although the relevant performance target focuses on the Authority's review processes, it is likely that complainants were not distinguishing between these and Police processes, and their survey responses may have reflected their overall dissatisfaction with the length of time taken to resolve their complaint. The Authority is working actively with the Police to ensure that investigations are concluded and reviewed in a more timely fashion. It should also be noted that, of the 90 complainants identified for survey, 37 (41%) were either unavailable to be contacted or declined to participate.

The proportion of total Category 4 cases (facilitated resolution processes) included in the survey was very low<sup>5</sup>, and little weight can therefore be placed on the result.

A full review of the current survey process is being undertaken. From this review we hope to improve our surveys to collect and collate much broader statistical data. We have received positive feedback from survey respondents that surveys conducted over the telephone is appreciated, so that this method of

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<sup>5</sup> A total of 8 participants were successfully contacted within this survey sample. Surveying of this group ceased in the later part of the year due to the increased complaint volume, and the prioritisation given to triaging incoming complaints.

survey will most likely continue. We will look to adopt a new process and set of survey questions within the first months of the 2019/20 year.

**Impact Measure 3: Improved Police conduct, practices, policies and procedures following implementation of the Authority’s recommendation**

<i>Measures</i>	<i>Performance July 2018 – June 2019</i>			<i>Comparative Performance</i>
	<i>Forecast<sup>6</sup></i>	<i>Actual</i>	<i>Met / Not Met</i>	<i>July 2017 – June 2018</i> <i>Actual</i>
Police accept Authority recommendations for changes and improvements in police conduct, practice, policy and procedures	95%	92%	Not Met	100%

The Authority made 12 recommendations during the year, 11 (92%) of which were formally accepted by 30 June 2019. While this fell short of the target, that was because the recommendation yet to be accepted by Police was made in the later part of the 2018/19 year and was still under active consideration at year end. Confirmation of the acceptance of this recommendation has subsequently been received from Police.

Notably the Authority made several recommendations on Police command and control procedures following its investigation of the tactical decision-making and control and command exercised by Police in response to the actions of Rhys Warren in 2015, which resulted in injuries to four Police officers. All recommendations made relating to this incident have been accepted by Police and monitoring of the implementation of these recommendations by Police is ongoing.

**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. Several internal promotions were made during the year. We encourage staff development and assist in this process where appropriate.

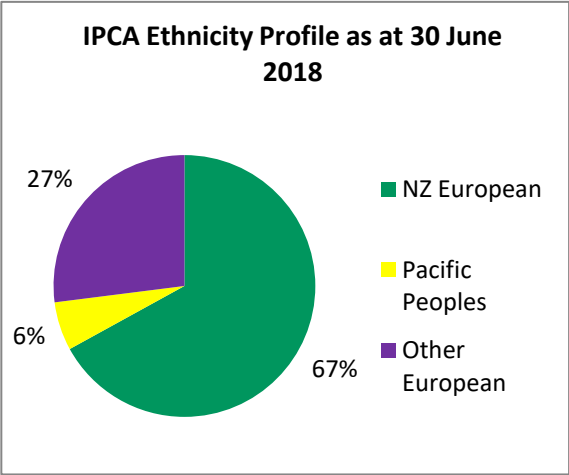
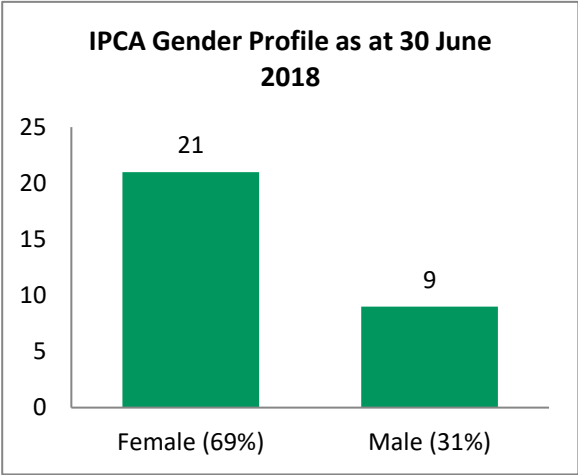
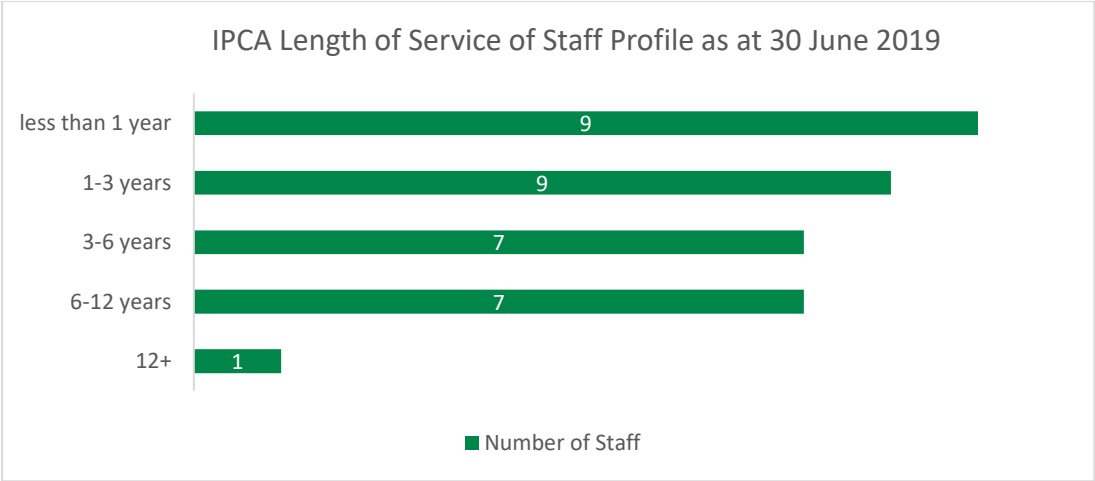
In relation to both gender and ethnicity reporting the Authority adopts the standards and classification system used by Statistics NZ.<sup>7</sup>

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<sup>6</sup> The previous year forecast measure, which was set at 90%, has been increased to 95%.  
<sup>7</sup> The Authority reports on gender identity as “male”, “female”, “gender diverse”, and “not stated”. The Authority adopts Level 2 of the Statistics NZ Ethnic Classification System, with the addition of New Zealander, English, Australian, Dutch, and Filipino. The term New Zealander rather than New Zealand European, has been used. This allows, for example, NZ born Asians to also identify with this category.



**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>	All staff have access to support and counselling through EAP Services Ltd.

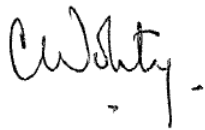
## Annual Accountability Statements

### STATEMENT OF RESPONSIBILITY FOR THE YEAR ENDED 30 JUNE 2019

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- 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 2018.

Signed on behalf of the Board



Judge Colin Doherty  
Chair  
INDEPENDENT POLICE CONDUCT AUTHORITY  
31 October 2019



Simon Murdoch  
Member  
INDEPENDENT POLICE CONDUCT AUTHORITY  
31 October 2019

## 2018/19 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: RECEIVE AND MANAGE COMPLAINTS AND INCIDENTS

<i>Measures</i>	<i>Performance July 2018 – June 2019</i>			<i>Comparative Performance</i>
	<i>Forecast</i>	<i>Actual</i>	<i>Met / Not Met</i>	<i>July 2017 – June 2018</i>
All notifications of new complaints and incidents are acknowledged within seven days.	95%	96.8%	Met	99%
All new complaints and incidents able to be assessed without the need for additional information are categorised and decisions made about the appropriate actions are taken within 28 days.	95%	61%	Not Met	New measure
All new complaints and incidents requiring additional information by Police or any other person are categorised and decisions made about the appropriate actions are taken within 56 days.	85%	70%	Not Met	New measure

Where a decision is made to take no action upon a complaint, the letters to Police and the complainant are issued within 21 days of making that decision	95%	86%	Not Met	92%
Where a complaint discloses a reasonable grievance, the Authority and Police agree on the actions that are appropriate to resolve that grievance and the agreed actions are undertaken	95%	100%	Met	100%
Where the Authority receives an 'Expression of Dissatisfaction' <sup>8</sup> on any complaint, the final outcome of the Authority's review will be communicated to the complainant within 35 days of the expression of dissatisfaction being received	85%	50%	Not Met	61%

The incremental improvement achieved in prior years against these performance measures has not been maintained. We attribute the deterioration in our ability to meet these expectations within the stipulated times wholly to the dramatic and largely unforeseen increase in complaint volume.

The Authority changed its triaging process during the previous year to ensure increased engagement with complainants and Police at an early stage in the complaints process prior to categorisation decisions being made. It was hoped that this would speed up the categorisation process. While the rapid increase in complaint volumes impeded our ability to categorise cases as quickly as is desirable, we see real benefit in progressing complaints as quickly as possible during the initial assessment and triage stage and continue to make efforts to ensure that our process is as efficient as possible within the available resource.

We again fell well below our performance measure for responding to expressions of dissatisfaction. Despite providing a narrower definition of an expression of dissatisfaction, this specific performance measure has deteriorated further by comparison with the previous year. Again, this is purely a symptom of the increase

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<sup>8</sup> An 'Expression of Dissatisfaction' is recorded when the complainant provides the Authority with new evidence in support of their complaint or has a compelling argument that the existing evidence should be reconsidered.

in volume of new complaints. Expressions of dissatisfaction have generally received lesser priority than the assessment and triaging of new complaints.

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

<i>Measures</i>	<i>Performance July 2018 – June 2019</i>			<i>Comparative Performance</i>
	<i>Forecast</i>	<i>Actual</i>	<i>Met / Not Met</i>	<i>Actual</i> <i>July 2017 – June 2018</i>
Reviews of Police investigations for Category 2 cases will be completed by the Authority within 28 days of receiving the file or Final Report from Police <sup>9</sup> *	90%	62%	Not Met	87%
Independent investigations carried out by the IPCA will be concluded as soon as practicable <sup>9</sup>	90% within 12 months <sup>10</sup>	58%	Not Met	84%
	99% within 24 months <sup>11</sup>	89%	Met	100%
For each Category 1 case that proceeds to a full investigation, an investigation plan, milestones and a completion date will be set and monitored <sup>12</sup>	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%

The deterioration of performance in regard to the review of Category 2 cases is wholly attributable to the significant increase in complaint volume in the latter half of the year. Whilst a modest increase in complaints categorised as Category 2 was anticipated, there was in fact a dramatic increase of 30% in the months January to June 2019, by comparison with the same period in the previous year.

<sup>9</sup> The 28-day period excludes any period during which the IPCA is awaiting further information requested from Police.

<sup>10</sup> This measure is included in the services from the Independent Police Conduct Authority non-departmental appropriation for Vote Justice for 2018/19

<sup>11</sup> This measure is included in the services from the Independent Police Conduct Authority's non-departmental appropriation for Vote Justice 2018/19

<sup>12</sup> This measure is calculated on the basis of investigation files closed during the 2018/19 year.

We were able to complete Category 1 investigations within 12 months in only 58% of cases. This was again driven by increasing volumes, combined with increasing complexity. We are conscious of the need to ensure timeliness, but are also committed to ensuring that the pressure of work does not compromise the quality of our investigations or the robustness of our findings.

The number of public reports increased by 59% over the previous year. A sample of five of our public reports were independently peer-reviewed in order to ensure our public reports are clear, consistent and well-structured and have well-argued conclusions. All reports met the required standard, reflecting the very high quality of our work in this area.

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

<i>Measures</i>	<i>Performance July 2018 – June 2019</i>			<i>Comparative Performance</i>
	<i>Forecast</i>	<i>Actual</i>	<i>Met / Not Met</i>	<i>Actual</i>
All systemic issues <sup>13</sup> identified by the IPCA relating to Police practices, policies and procedures are raised and discussed with Police and appropriate recommendations made where required, before the closure of the case *	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.

<sup>13</sup> This excludes OPCAT issues, which are addressed under Output measure 4.

<sup>14</sup> This measure is included in the Services from the Independent Police Conduct Authority non-departmental appropriation for Vote Justice for 2018/19

## OUTPUT MEASURE 4: MONITOR PLACES OF POLICE DETENTION

<i>Measures</i>	<i>Performance July 2018 – June 2019</i>			<i>Comparative Performance July 2017 – June 2018</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 * <sup>15</sup>	100%	100%	Met	100%	100%	Met
Reviews of police audits of District Custodial Management files being conducted bi-monthly according to a programme agreed with Police, are completed within 60 days. * <sup>16</sup>	100%	100%	Met	100%	100%	Met

Our programme of audits of Police custodial facilities continued in this financial year. Although our performance target specified quarterly audits, we subsequently agreed with Police during the course of the year that they should be undertaken on a bi-monthly basis so that all 12 districts would be audited every two years. We therefore audited six districts - Central, Northland, Counties Manukau, Tasman, Waikato and Wellington custody units. We experienced some delay in the receipt of audit files, and the request for further information relating to files from two of the six districts audited. We met with the Eastern and Counties Manukau District Commanders and custody staff to discuss the results from audits completed in the previous year and identified areas for improvement.

<sup>15</sup> This measure is included in the Services from the Independent Police Conduct Authority non-departmental appropriation for Vote Justice for 2018/19

<sup>16</sup> This measure is included in the Services from the Independent Police Conduct Authority non-departmental appropriation for Vote Justice for 2018/19



## 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 2019 and were approved by the Board on 30 October 2019.

### 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.

### *Standard early adopted*

In line with the Financial Statements of Government, the Independent Police Conduct Authority has elected to early adopt PBE IFRS 9 *Financial Instruments*. PBE IFRS 9 replaces PBE IPSAS 29 *Financial Instruments: Recognition and Measurement*. Information about the adoption of PBE IFRS 9 is provided in note 22.

## **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% -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 2018/19 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 2019:

#### *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.

## 2018/19 Financial Statements and Supporting Information

### INDEPENDENT POLICE CONDUCT AUTHORITY STATEMENT OF COMPREHENSIVE REVENUE & EXPENSE FOR THE YEAR ENDED 30 JUNE 2019

2018 Actual \$		Notes	2019 Actual \$	2019 Budget \$
	<b>Revenue</b>			
4,111,000	Funding from the Crown	1	4,992,000	4,892,000
30,960	Interest revenue		45,785	25,394
160,000	OPCAT Project Revenue		-	-
16,174	Other Revenue		40,001	16,000
<u>4,318,134</u>	<b>Total Revenue</b>		<u>5,077,786</u>	<u>4,933,394</u>
	<b>Expenditure</b>			
35,847	Audit fees	2	36,632	34,474
10,312	Amortisation	8	9,462	7,237
27,414	Communication charges		27,835	30,300
73,979	Depreciation	7	67,511	55,796
3,232,881	Personnel costs and Board Fees	3	3,495,945	3,682,955
13,478	Printing & stationery		16,936	18,180
192,221	Professional fees and contract services		202,250	156,853
389,877	Rent		395,975	397,062
203,739	Services & supplies		178,668	210,000
11,438	Subscriptions		10,850	12,272
115,167	Travel & accommodation		117,100	110,000
<u>4,306,353</u>	<b>Total Expenditure</b>		<u>4,559,164</u>	<u>4,715,129</u>
<u>11,781</u>	<b>Surplus/(Deficit)</b>		<u>518,622</u>	<u>218,265</u>
	<b>Other Comprehensive Revenue and Expense</b>			
<u>11,781</u>	<b>Total Comprehensive Revenue/(Deficit)</b>		<u>518,622</u>	<u>218,265</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 2019

2018 Actual \$	Assets	Notes	2019 Actual \$	2019 Budget \$
	<b>Current assets</b>			
462,125	Cash and cash equivalents	4	581,428	74,191
400,000	Investments	5	900,000	450,000
209,979	Debtors and other receivables	6	60,641	83,766
<u>1,072,104</u>	<b>Total Current Assets</b>		<u>1,542,069</u>	<u>607,957</u>
	<b>Non-current assets</b>			
243,565	Property, plant & equipment	7	232,353	221,163
37,848	Intangible assets	8	149,526	515,186
<u>281,413</u>	<b>Total Non-Current Assets</b>		<u>381,879</u>	<u>736,349</u>
<u>1,353,517</u>	<b>Total assets</b>		<u>1,923,948</u>	<u>1,344,306</u>
	<b>Liabilities</b>			
	<b>Current liabilities</b>			
127,006	Creditors and other payables	9	170,019	192,756
183,720	Employee entitlements	11	203,851	170,382
8,000	Revenue in Advance		-	-
<u>318,726</u>	<b>Total Current Liabilities</b>		<u>373,870</u>	<u>363,138</u>
	<b>Non-current liabilities</b>			
38,333	Make-good Provision	18	48,333	-
55,556	Leasehold Fit-out capital contribution	19	42,222	42,223
<u>93,889</u>	<b>Total Non-Current Liabilities</b>		<u>90,555</u>	<u>42,223</u>
<u>412,615</u>	<b>Total Liabilities</b>		<u>464,425</u>	<u>405,361</u>
<u>940,902</u>	<b>Net assets</b>		<u>1,459,523</u>	<u>938,945</u>
	<b>Crown equity</b>			
940,902	Total investment by the Crown		1,459,523	938,945
<u>940,902</u>	<b>Total Crown Equity</b>		<u>1,459,523</u>	<u>938,945</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 2019

2018 Actual \$	Notes	2019 Actual \$	2019 Budget \$
929,120	Total Crown Equity at beginning of year	940,902	720,680
11,781	Total Comprehensive Revenue	518,622	218,265
<u>940,902</u>	Total Crown Equity at end of year	<u>1,459,523</u>	<u>938,945</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 2019

2018 Actual \$	Notes	2019 Actual \$	2019 Budget \$
	<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
	<b>Cash was provided from/(applied to)</b>		
4,111,000	Receipts from the Crown	4,992,000	4,892,000
8,174	Receipts from Other Income	224,827	16,000
32,520	Interest received	42,721	25,394
(7,319)	Net GST received/(paid)	(28,109)	(13,270)
<u>(4,285,177)</u>	Payments to suppliers and employees	<u>(4,465,135)</u>	<u>(5,036,567)</u>
(140,802)	<b>Net cash flow from operating activities</b>	766,304	(116,443)
	<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
	<b>Cash was provided from/(applied to)</b>		
(21,035)	Purchase of property, plant & equipment	(56,298)	(25,000)
(8,295)	Purchase of intangible assets	(90,703)	-
<u>199,999</u>	Sale / (Acquisition) of investments	<u>(500,000)</u>	<u>70,000</u>
170,669	<b>Net cash flow from investing activities</b>	(647,001)	45,000
	<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
-	Repayment of Leasehold fit out	-	-
-	<b>Net cash flow from financing activities</b>	-	-
29,867	<b>Net increase/(decrease) in cash and cash equivalents</b>	119,303	(71,443)
432,258	<b>Cash and cash equivalents at beginning of year</b>	462,125	145,634
<u>462,125</u>	<b>Cash and cash equivalents at end of year</b>	<u>581,428</u>	<u>74,191</u>
<u>462,125</u>	<b>Represented by: Cash &amp; cash equivalents</b>	<u>581,428</u>	<u>74,191</u>

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 2019

**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. Additional one-off funding of \$100,000 was received from the Crown to facilitate employment of additional contract staff in the Case Resolution Team to ease the backlog of cases.

**2. Remuneration to Auditors**

	2019 Actual \$	2018 Actual \$
Audit of the financial statements	36,632	35,847
	<u>36,632</u>	<u>35,847</u>

**3. Personnel Expenses and Board Fees**

		2019 Actual \$	2018 Actual \$
Salaries and wages		2,960,834	2,725,919
Defined contribution plan employer contributions		82,856	76,854
Increase/(decrease) in employee entitlements	11	20,131	(101,132)
Board fees	15	<u>432,124</u>	<u>531,240</u>
<b>Total Personnel Expenses</b>		<u>3,495,945</u>	<u>3,232,881</u>

Employer contributions to defined contribution plans include contributions to Kiwisaver.

**4. Cash and Cash Equivalents**

	2019 Actual \$	2018 Actual \$
Cash at bank	581,428	45,477
Call account	<u>-</u>	<u>416,648</u>
<b>Total Cash and Cash Equivalents</b>	<u>581,428</u>	<u>462,125</u>

While cash and cash equivalents at 30 June 2019 are subject to the expected credit loss requirements of PBE IFRS 9, no loss allowance has been recognised because there is minimal risk of credit losses.

INDEPENDENT POLICE CONDUCT AUTHORITY  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 30 JUNE 2019

	2019 Actual \$	2018 Actual \$
<b>5. Investments</b>		
Term Deposits – Current	900,000	400,000
Term Deposits – Non Current	-	-
<b>Total Investments</b>	<u>900,000</u>	<u>400,000</u>

No loss allowance for expected credit losses has been recognised because the estimated 12-month expected loss allowance for credit losses is trivial.

	2019 Actual \$	2018 Actual \$
<b>6. Debtors and other receivables</b>		
Accrued interest	6,868	3,804
Sundry receivables	8,461	193,286
GST receivable	<u>45,312</u>	<u>12,889</u>
<b>Total Debtors and other receivables</b>	<u>60,641</u>	<u>209,979</u>
<b>Total Comprises:</b>		
Receivables from exchange transactions	15,329	197,090
GST receivable (non-exchange transaction)	45,312	12,889

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.

While debtors and other receivables at 30 June 2019 are subject to the expected credit loss requirements of PBE IFRS 9, no loss allowance has been recognised because there is a minimal risk of credit losses.

INDEPENDENT POLICE CONDUCT AUTHORITY  
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
 FOR THE YEAR ENDED 30 JUNE 2019

**7. Property, Plant and Equipment**

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

	Office equipment	Furniture & fittings	Leasehold improvements	Total
<b>Cost</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Balance at 1 July 2017	246,111	63,824	266,300	576,235
Additions	21,036	-	-	21,036
Sales/transfers	-	-	-	-
Balance at 30 June 2018	267,147	63,824	266,300	597,271
Balance at 1 July 2018	267,147	63,824	266,300	597,271
Additions	55,385	914	-	56,299
Sales/transfers	-	-	-	-
Balance at 30 June 2019	322,532	64,738	266,300	653,560
	Office equipment	Furniture & fittings	Leasehold improvements	Total
<b>Accumulated depreciation</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Balance at 1 July 2017	160,756	41,027	77,943	279,726
Depreciation expense	38,884	5,699	29,397	73,979
Sales/transfers	-	-	-	-
Balance at 30 June 2018	199,640	46,726	107,340	353,705
Balance at 1 July 2018	199,640	46,726	107,340	353,705
Depreciation expense	33,802	4,313	29,396	67,511
Sales/transfers	-	-	-	-
Balance at 30 June 2019	233,442	51,039	136,736	421,217
<b>Book Value</b>				
At 1 July 2017	85,355	22,797	188,357	296,509
At 30 June 2018 & 1 July 2018	67,507	17,098	158,960	243,565
At 30 June 2019	89,090	13,699	129,564	232,353

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 2019

**8. Intangible Assets**

	Software	Case Management System / WIP	Total
<b>Cost</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Balance at 1 July 2017	287,739	-	287,739
Additions	8,294	-	8,294
Sales/transfers	-	-	-
Balance at 30 June 2018	296,033	-	296,033
Balance at 1 July 2018	296,033	-	296,033
Additions	-	121,140	121,140
Sales/transfers	-	-	-
Balance at 30 June 2019	296,033	121,140	417,173
	<b>Software</b>	<b>Case Management System / WIP</b>	<b>Total</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Accumulated depreciation</b>			
Balance at 1 July 2017	247,873	-	247,873
Depreciation expense	10,312	-	10,312
Sales/transfers	-	-	-
Balance at 30 June 2018	258,185	-	258,185
Balance at 1 July 2018	258,185	-	258,185
Depreciation expense	9,462	-	9,462
Sales/transfers	-	-	-
Balance at 30 June 2019	267,647	-	267,647
<b>Book Value</b>			
At 1 July 2017	39,864	-	39,864
At 30 June 2018 & 1 July 2018	37,848	-	37,848
At 30 June 2019	28,386	121,140	149,526

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 2019

	2019 Actual \$	2018 Actual \$
<b>9. Creditors and Other Payables</b>		
<b>Payables under exchange transactions</b>		
Trade creditors	136,764	95,683
Leasehold Fit-out capital contribution (current portion)	13,333	13,333
Accrued expenses	19,921	17,990
<b>Total creditor and other payables under exchange transactions</b>	<b>170,019</b>	<b>127,006</b>

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 2018.

	Weighted average effective interest rate %	Variable interest rate bearing \$	Non-interest bearing \$	Total \$
<b>Financial assets measured at amortised cost:</b>				
Cash and cash equivalents				
- Cash at bank	-	45,255	222	45,477
- Call account	0.10	416,648	-	416,648
- term deposits	3.37	400,000	-	400,000
Debtors and other receivables	-	-	209,979	209,979
<b>Total financial assets</b>		<b>861,903</b>	<b>210,201</b>	<b>1,072,104</b>
<b>Financial liabilities measured at amortised cost:</b>				
Creditors and other payables				
	-	-	127,007	127,007
<b>Total financial liabilities</b>		<b>-</b>	<b>127,007</b>	<b>127,007</b>



INDEPENDENT POLICE CONDUCT AUTHORITY  
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
 FOR THE YEAR ENDED 30 JUNE 2019

**10. Financial Instruments (cont.)**

The following table details the Independent Police Conduct Authority's exposure to interest rate risk as at 30 June 2019.

	Weighted average effective interest rate %	Variable interest rate bearing \$	Non-interest bearing \$	Total \$
<b>Financial assets measured at amortised cost:</b>				
Cash and cash equivalents				
- Cash at bank	1.25	581,206	222	581,428
- term deposits	3.25	900,000	-	900,000
Debtors and other receivables	-	-	60,641	60,591
<b>Total financial assets</b>		<u>1,481,206</u>	<u>60,863</u>	<u>1,542,069</u>
<b>Financial liabilities measured at amortised cost:</b>				
Creditors and other payables				
	-	-	170,019	170,019
<b>Total financial liabilities</b>		<u>-</u>	<u>170,019</u>	<u>170,019</u>

**11. Employee Entitlements**

	2019 Actual \$	2018 Actual \$
Accrued salaries and wages	85,579	54,615
Annual leave	<u>118,272</u>	<u>129,105</u>
<b>Total Employee Entitlements</b>	<u>203,851</u>	<u>183,720</u>

INDEPENDENT POLICE CONDUCT AUTHORITY  
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
 FOR THE YEAR ENDED 30 JUNE 2019

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**12. Employee Remuneration**

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

	2019 Actual	2018 Actual
\$100,000 - \$109,999	2	3
\$110,000 - \$119,999	4	2
\$120,000 - \$129,999	0	0
\$130,000 - \$139,999	0	1
\$140,000 - \$149,999	0	0
\$150,000 - \$159,999	1	2
\$160,000 - \$179,999	0	0
\$180,000 - \$199,999	0	0
\$200,000 - \$219,999	0	0
\$220,000 - \$239,999	1	0
\$240,000 - \$259,999	0	1
	8	9

**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 2019 (2018: \$nil).

INDEPENDENT POLICE CONDUCT AUTHORITY  
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
 FOR THE YEAR ENDED 30 JUNE 2019

**14. Key Management Personnel Compensation**

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

	2019 Actual \$	2018 Actual \$
<i>Board Members</i>		
Remuneration	432,123	531,240
Full time equivalents	1.1	1.2
<i>Leadership Team</i>		
Remuneration	814,511	702,049
Full time equivalents	4.9	3.8
<b>Total key management personnel remuneration</b>	1,246,634	1,233,289
<b>Total full time equivalent personnel</b>	6.0	5.0

There were no post-employment benefits, other long-term employee benefits, termination benefits paid to key management personnel during the year (2018: \$nil).

**15. Board member remuneration**

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

	2019 Actual \$	2018 Actual \$
Judge Colin Doherty	405,857	375,427
Judge Sir David J Carruthers	-	129,253
Dianne Macaskill	11,130	10,440
Simon Murdoch	15,136	16,120
<b>Total Board member remuneration</b>	432,123	531,240

Ministry of Justice are paying for Judge Colin Doherty's salary and invoicing Independent Police Conduct Authority for his services.

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 (2018: \$nil).

**16. Commitments**

(i) Capital commitments

Capital commitments of \$24,654 relate to an unbilled amount for the Case Management System project (2018: \$nil).

INDEPENDENT POLICE CONDUCT AUTHORITY  
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
 FOR THE YEAR ENDED 30 JUNE 2019

**16. Commitments (cont.)**

(ii) Operating lease commitments as lessee

Operating lease commitments relate to the lease with Stride Property Limited for building accommodation at 1 Grey Street, Wellington. The lease term 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:

	2019 Actual \$	2018 Actual \$
Less than one year	310,788	303,182
Between one and five years	984,161	1,212,728
Later than five years	-	50,530
<b>Total operating lease commitments</b>	<u>1,294,949</u>	<u>1,566,440</u>

(iii) Operating lease commitments as lessor

Operating lease commitments relate to the lease with Maritime New Zealand for 6% of the office space, including shared areas, at 1 Grey Street, Wellington. The lease term 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.

	2019 Actual \$	2018 Actual \$
Less than one year	16,000	16,000
Between one and five years	50,667	64,000
Later than five years	-	2,667
<b>Total operating lease commitments</b>	<u>66,667</u>	<u>82,667</u>

**17. Contingency**

There are no contingent liabilities or assets at reporting date (2018: \$nil).

INDEPENDENT POLICE CONDUCT AUTHORITY  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 30 JUNE 2019

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**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, fifty-eight months of this figure have been accrued, based on the lease commencement date. The estimate for 2019 is: \$48,333. 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 \$42,223.

**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 2019 (2018: nil).

**21. Major Budget Variances**

**Statement of Comprehensive Revenue & Expense**

**1. Funding from the Crown**

Actual - \$4,992,000; Budget - \$4,892,000

Additional one-off funding of \$100,000 was received from the Crown to facilitate employment of additional contract staff in the Case Resolution Team to ease the backlog of cases.

**2. Interest Revenue**

Actual - \$45,785; Budget - \$25,394

Interest revenue was higher than originally forecast due to the interest rates on term deposits being higher than anticipated.

### 3. *Other Revenue*

Actual - \$40,001; Budget - \$16,000

Other revenue was higher than originally forecast because the Authority was reimbursed by the Ministry of Justice for the General Manager's time as a member of Te Uēpu, the Safe and Effective Justice Advisory Group.

## INDEPENDENT POLICE CONDUCT AUTHORITY NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2019

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### 4. *Depreciation*

Actual - \$67,511; Budget - \$55,796

Depreciation was higher than originally forecast due to the purchase of some additional computers and workstations in September, November and June. The budget for the 2019 year had already been completed prior to these purchases.

### 5. *Personnel costs and Board Fees*

Actual - \$3,495,945; Budget - \$3,682,955

### 6. *Professional Fees and Contract Services*

Actual - \$202,250; Budget - \$156,853

## Statement of Financial Position

### 1. *Intangible Assets*

Actual - \$149,526; Budget - \$515,186

The intangible asset balance at year end is lower than forecast due to less expenditure on developing the case management system than originally anticipated, with expenditure being delayed to the following year.

### 2. *Cash and Cash Equivalents*

Actual - \$581,428; Budget - \$74,191

The cash and cash equivalents balance at year end was higher than forecast for two reasons. Firstly, the surplus was higher because of under-spends in personnel and services and supplies. Secondly, there was less expenditure on developing the cash management system than originally anticipated.

### 3. *Investments*

Actual - \$900,000; Budget - \$450,000

The investments balance at year end was higher than forecast due to lower than anticipated expenditure on personnel, services and supplies, and the cash management system resulting in more cash being available to invest in term deposits.

## INDEPENDENT POLICE CONDUCT AUTHORITY NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2019

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### Statement of Cash Flows

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

### 22. Adoption of PBE IFRS 9 Financial Instruments

Accounting policies have been updated to comply with PBE IFRS 9. The main updates are:

#### Note 4: Cash and Cash Equivalents

This policy has been updated to explain that while cash and cash equivalents are subject to the expected credit loss requirements of PBE IFRS 9, no loss allowance has been recognised because there is minimal risk of credit losses.

#### Note 5: Investments

This policy has been updated to explain that no loss allowance for expected credit losses has been recognised because the estimated 12-month expected loss allowance for credit losses is trivial.

#### Note 6: Debtors and Other Receivables

This policy has been updated to explain that while debtors and other receivables at 30 June 2019 are subject to the expected credit loss requirements of PBE IFRS 9, no loss allowance has been recognised because there is a minimal risk of credit losses.

The measurement categories and carrying amounts for financial liabilities have not been changed between the closing 30 June 2018 and opening 1 July 2018 as a result of the transition to PBE IFRS 9.

INDEPENDENT POLICE CONDUCT AUTHORITY  
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
 FOR THE YEAR ENDED 30 JUNE 2019

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**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>2018/19 Actual</i>	<i>2018/19 Budget</i>	<i>2018/19 Variance</i>	<i>2017/18 Actual</i>
Crown Funding *	4,992,000	4,892,000	100,000	4,111,000
Interest & Other Revenue	85,786	41,394	44,392	207,134
Total Revenue	5,077,786	4,933,394	144,392	4,318,134
Expenses	4,559,164	4,715,129	155,965	4,306,353
<i>Net Surplus/(Deficit)</i>	<i>518,622</i>	<i>218,265</i>	<i>300,357</i>	<i>11,781</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 Conducts Authority's financial statements and performance information for the year ended 30 June 2019

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, including the performance information for an appropriation, of the Authority on his behalf.

### Opinion

We have audited:

- the financial statements of the Authority on pages 33 to 55, that comprise the statement of financial position as at 30 June 2019, 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 including a summary of significant accounting policies and other explanatory information; and
- the performance information of the Authority on pages 20 to 24, 28 to 32 and 56.

In our opinion:

- The financial statements of the Authority on pages 33 to 55:
  - present fairly, in all material respects:
    - its financial position as at 30 June 2019; 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 24, 28 to 32 and 56:
  - presents fairly, in all material respects, the Authority's performance for the year ended 30 June 2019, 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; and
- what has been achieved with the appropriation; and
- the actual expenses or capital expenditure incurred compared with the appropriated or forecast expenses or capital expenditure; and
- complies with generally accepted accounting practice in New Zealand.

Our audit was completed on 31 October 2019. 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 56, but does not include the financial statements and the performance information.

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









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