

Independent Police Conduct Authority

# ANNUAL REPORT 2012 – 2013



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 2012 to 30 June 2013.



Judge Sir David Carruthers

CHAIR, INDEPENDENT POLICE CONDUCT AUTHORITY

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November 2013

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## PART 1: INTRODUCTION

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### Did you know?

- The Authority contributes towards improved public trust and confidence in the New Zealand Police.
- We do this by managing complaints in a fair, impartial and considered manner and by producing findings that are balanced and appropriate to the circumstances.
- When we make findings and recommendations to Police we expect that these will be implemented and will result in improved Police conduct, policies, practices and procedures.
- The general trend of recent years showing an increasing level of public trust and confidence in Police continued during the 2012/13 year [source: New Zealand Police *Citizens' Satisfaction Survey*, Final Report for 2012/13 Fiscal Year].
- The Authority received 1997 complaints and opened 62 investigations in the 2012/13 year.
- 104 of the 144 complaints involving a review of Police investigations were completed within 60 days of receipt of the Police file.
- As a result of independent investigations by the Authority 39 recommendations were made to Police.
- 9 Public Reports, resulting from our investigations, were released and published on our website.

## 1.1. CHAIR'S FOREWORD

At the heart of a safe and just society lies an accessible and trusted justice system and effective constitutional arrangements. It is the expectation of the public, Government and the Authority's Board that we will contribute to these objectives.

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

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

The Authority's investigation and subsequent report, released in May, on the Police investigation of "Operation Eight" consumed substantial resources. This report was the result of a huge amount of work which was completed with the cooperation of Police who fully accepted it despite its criticism of Police conduct and behaviour. Whilst the report concluded Police intervention into the activities undertaken by a group of people in the Urewera Ranges was justified and necessary, some aspects of the way in which Police intervened were unjustified and unlawful. The report recognised a particular need to repair the damage to innocent people affected by the operation in October 2007. All recommendations have been accepted by Police and are being implemented.

Operation Eight was the largest Police operation undertaken for many years, and as such the Authority required significant additional resource, both financial and staff, to deliver its report. This in turn required the Authority to use part of its reserves to fund the extra cost – a matter which is reflected in the financial accounts. Due to its complexity the investigation report into Operation Eight also resulted in a delay in the completion of other work. However, since the report's release in May we have been working hard to address other outstanding work to ensure it is completed in a timely manner. We have also been embedding a new way of working to ensure timeliness and efficacy in future.

This new way of working includes improved filtering and prioritising of incoming complaints, completing more public reports, communicating better with the public, complainants and Police, and a greater focus on teamwork and efficiency. While this work began during 2012/13 we will likely see its result in greater focus in future years. Thus, I expect to be able to report on these efficiency gains, and improved performance overall as a result, in more detail in our next Annual Report.

These changes in turn have contributed to our very positive and constructive relationship with New Zealand Police led by Commissioner Peter Marshall who has been unfailingly courteous and helpful in our work, in spite of that being sometimes uncomfortable for obvious reasons.

Looking forward however, challenges remain. These include the timeliness of our reporting, building our organisational profile as an independent oversight body, and adequately resourcing a programme of professional development and capability-building in order to be an effective organisation contributing toward improved public trust and confidence in the Police.

I am proud of the quality of the work the Authority is now producing. After visiting similar organisations in England, Scotland and Northern Ireland I am satisfied that our work is comparable to that of our best international counterparts.

Here in New Zealand there will always be a need for a strong and independent authority overseeing Police actions and exposing any practices or abuse that can affect public confidence – an effective Police force in a democracy depends on that.

Finally I need to express my appreciation to the Authority's staff and to Board Members. I would like to acknowledge the excellent service provided by Richard Woods as a Board Member. Richard departed the Board during the year and we will miss his wise counsel and sound judgement. Our staff worked extremely hard this year to produce excellent results focusing on our core business. Their dedication and professionalism have made this difficult job a very constructive and worthwhile one.



**Judge Sir David Carruthers**

Chair

Independent Police Conduct Authority

## 1.2. WHAT WE DO

### Our organisation

The Authority provides reassurance for the public and Parliament that policing standards are of the highest calibre, through impartial and independent oversight. At the heart of our existence is the notion that issues for Police or for members of the public in their interaction with Police will be independently examined and constructively reported on. Reassurance around this is in the best interests of Police and the public.

In endeavouring to achieve these goals the Authority works to utilise its resources to best advantage.

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

The Authority is structured into an Operations Group and a Corporate Services Group. The Operations Group includes investigators, complaints reviewers and assessors, legal advisors, report writers and analysts.

Support for the Authority's operational activities is provided by a small Corporate Services Group providing strategic planning, communications, administration, human resources, finance, property management, and ICT services.

### Our legislative mandate and independence

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

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

Separately, but allied to the management of complaints against the Police, we have **responsibilities under the Crimes of Torture Act 1989 for monitoring places of Police detention**. Discharging our responsibilities in this area involves ensuring Police detention facilities are safe and humane and that they meet international standards. We will make recommendations for improvement based on our findings.

This function also requires that we report annually to the Human Rights Commission (as the central coordination agency in New Zealand for work in this area).

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

We were established under the Independent Police Conduct Authority Act 1988.

## Our independent oversight

We make our own judgements about the facts, based on evidence available and the applicable law.

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

We actively monitor less serious complaints that are referred to Police for their attention.

We are operationally independent and can utilise our resources to carry out investigations, to independently oversee Police investigations, to conduct our own review of those investigations, and to monitor Police performance – without undue reliance on Police.

It is critical that we are impartial in all aspects of our work. The Authority's investigators have extensive policing experience either in New Zealand or in other Commonwealth countries. The investigators work with lawyers and analysts that are accountable to the Authority Chair and Board.

## Working with Police

It is both appropriate and a practical necessity for the Authority to maintain a professionally cooperative relationship with the Commissioner of Police, the Police Executive, senior commanders, staff from the Professional Standards Group, and investigators.

In addition to the statutory jurisdiction of the Authority, a Memorandum of Understanding (MoU) with the Police provides for matters of serious misconduct or neglect of duty internally reported within the Police to be notified to the Authority, and for the Authority to deal with them in the same manner as if they were externally reported complaints.

In addition, when the Authority and Police investigators are both investigating a serious complaint or incident, procedures to be followed have been agreed in a protocol for cooperation. In broad terms this protocol defines the respective responsibilities for the two organisations when running 'parallel' investigations.

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

No serving member of any Police service is employed in the Authority, and it has policies and procedures to identify and manage possible conflicts of interest.

The Authority's current Board members include Judge Sir David Carruthers (Chair), Angela Hauk-Willis, and Dianne Macaskill. Richard Woods was also a Board member for part of the 2012/13 year. The Board meets monthly and may comprise up to five people.

The Board is committed to carrying out its legislative responsibilities as outlined in the Crown Entities Act.

## 1.3. WHO WE ARE

### Governance of the Authority

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

The Board is focused on two key issues in regards to its governance functions – **Performance**: assessing the effectiveness of the Authority's delivery of services, and **Conformance**: the extent to which the requirements of relevant legislation and public expectations are met.

The Board is also responsible for ensuring that the Authority is appropriately resourced and staffed. The Board also undertakes an annual review of its performance in order to evaluate specific areas of importance and high priority such as:

- setting strategic direction
- relationship management and effective communication
- monitoring performance and compliance
- organisational culture

The Board maintains a register of interests and ensures members are aware of their obligation to declare interests as specified under section 151(1) of the Crown Entities Act. In addition, the Board has a system for monitoring strategic risks and legislative compliance and receives advice on these areas regularly.

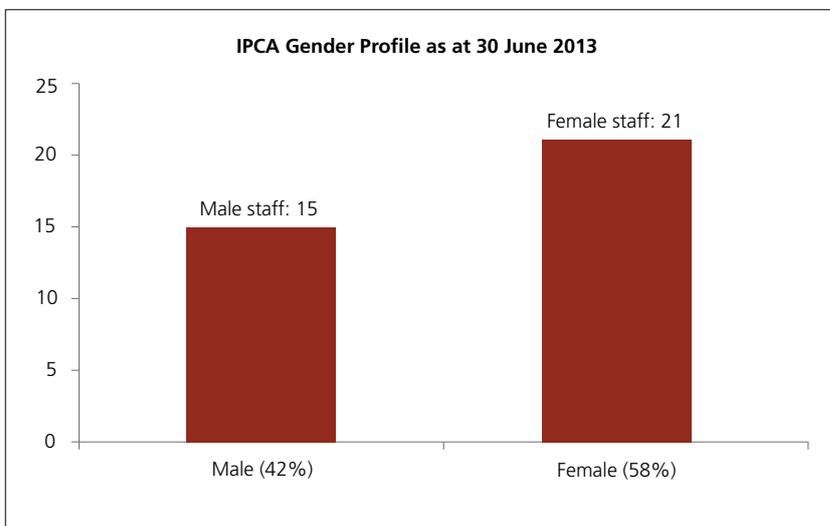
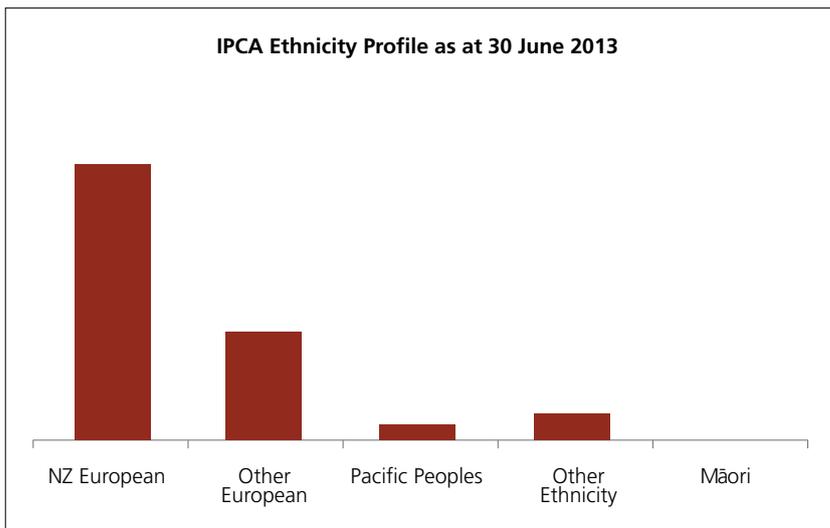
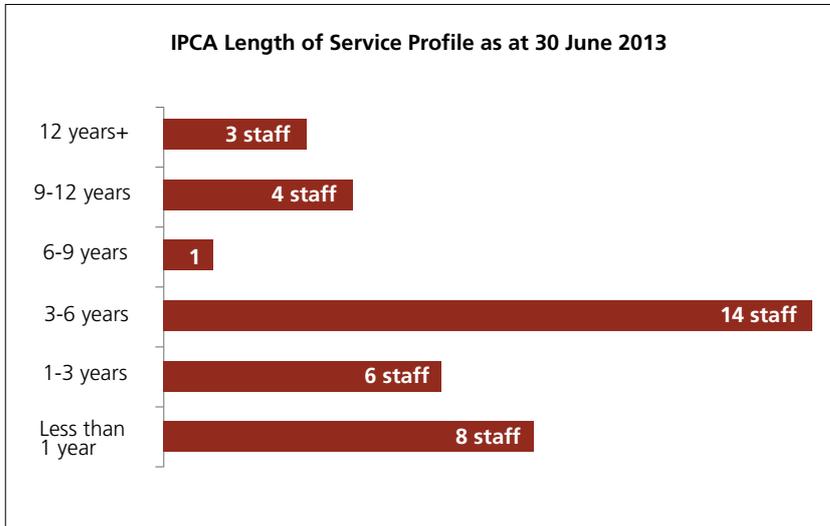
### Workplace profile and good employer practices

Key aspects of the Authority's workplace profile at the end of 2012/2013 were as follows.

There were:

- 36 individual staff (32.40 full-time equivalents) with a mix of permanent (24.20 full-time equivalents) and fixed term (8.20 full-time equivalents) appointments.
- Six staff left the Authority during the 2012/13 year. Of these three were permanent appointments and three were in short(er) term contract roles.

The only vacancy carried during the year was for a Business Analyst. No appointment was made to this role during the year.



## 'Good Employer' elements

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

<b>Leadership, accountability and culture</b>	An updated Capability Framework was implemented during 2012/13 which includes policies and criteria for identifying and developing high potential staff. An Equal Employment Opportunities (EEO) Framework is in place, including an EEO policy and a number of supporting systems and processes.
<b>Recruitment, selection and induction</b>	The Authority's recruitment, selection, and appointment processes are modelled on good practice public service policies.
<b>Employee development, promotion and exit</b>	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.
<b>Flexibility and work design</b>	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.
<b>Remuneration, recognition and conditions</b>	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.
<b>Harassment and bullying prevention</b>	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.
<b>Safe and healthy environment</b>	A staff representative for health and safety is in place and receives on-going training and development as needed.

## **1.4. STRATEGIC CONTEXT: RESPONDING TO OUR OPERATING ENVIRONMENT**

What we do (i.e. receiving and managing complaints and undertaking investigations) has remained relatively the same since the time of the Authority's establishment. The operating environment in which we work, however, has continued to evolve.

We continued to face challenges in responding to our operating environment during the year, particularly in regard to an appropriate profile with the public and Police, ensuring we complete our work in a timely manner, and being as accessible as we can to those members of the public wishing to make a complaint about Police conduct. As a result we have focused our efforts toward improving our performance in the context of these challenges to realise our intent to be a modern and high performing organisation that can respond with flexibility and adaptability to challenges as presented.

This work has involved initiating a planned and sequenced approach to transforming the way we work. The first phase of this work, completed during the year, encompassed an organisational review where the focus was to 're-fit' our organisational structure to enable a more managed approach to our work, with peer review processes, greater teamwork and a more rigorous complaint triaging and categorisation process.

Our updated organisational structure will require increased capability and we plan to evolve toward this within our current resource levels and in a financially sustainable way.

Underpinning the changes to the way we work was the need to consider where we work. As a result we were focused during the year on defining and then identifying a future office accommodation solution. We confirmed new premises shortly after the financial year ended.

Critically, our new premises will enable all Authority staff to be located on a single floor together. At present Authority staff are spread over two non-contiguous floors and we have found this physical impediment to be a factor in limiting our ability to move toward the type of collegial, quality-focused, multi-disciplinary working approach that is critical to our future success.

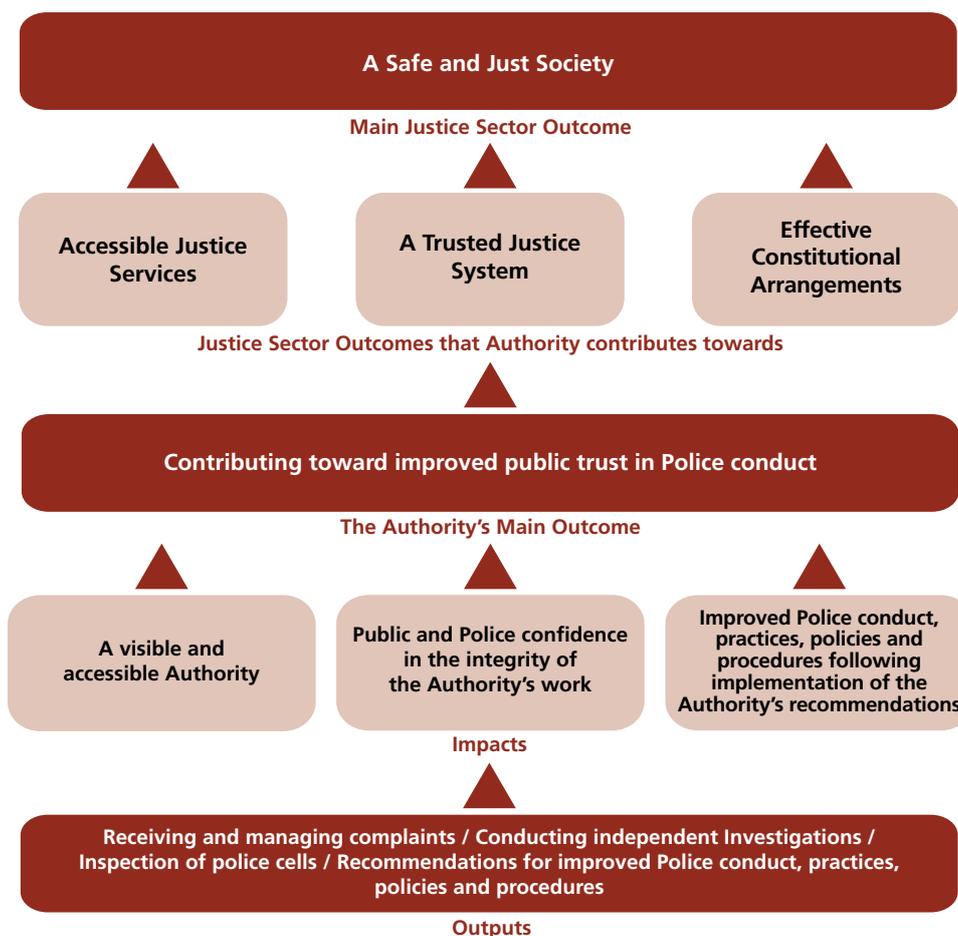
We also continued to operate in a tight fiscal environment and we have been mindful of Government's expectations that we deliver our services within available resource levels. In this regard, and as part of our transformation programme, we continued to review our service delivery approach with a view to finding more innovative and cost-effective ways of delivering within existing funding levels.

## PART 2: WHAT WE HAVE ACHIEVED THIS YEAR

### 2.1. PROGRESS AGAINST OUR OUTCOMES FRAMEWORK

This year we revised our Outcomes Framework to better reflect the outcomes and impacts we seek to achieve, how we contribute to and influence those goals in the medium term, how we measure them, and to strengthen the linkages between our services and our desired outcomes and impacts.

The Authority's revised Outcomes Framework is discussed below. In some cases priorities were adjusted during the year and we decided not to proceed with an activity or indicator area. The reason for this was that the Authority's Board wanted to concentrate on measuring the most critical indicators that best demonstrate where, when and how we are having an impact on our Main Outcome. Also, given the Authority's constrained resources it was felt that a more cost-effective and sustainable approach was to focus measurement activities and resources upon those 'vital few' indicators. When we report on our specific outcome and impact indicators later in the document we identify those outcomes and impacts that have been excluded from measurements and also discuss work that we have progressed despite discontinuing the area of a specific indicator.



## Main Outcome: Overall levels of public trust in Police conduct continues to improve

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

MAIN OUTCOME REPORTING: Contributing toward improved public trust in Police conduct		
Indicators	Forecast target 2012/13 – 2014/15	Actual performance
Public trust and confidence in Police conduct is improving	The percentage of people who express full or quite a lot of trust and confidence in Police increases	Police's 2012/13 Citizens' Satisfaction Survey shows that 79% of those surveyed expressed full or quite a lot of trust and confidence in Police. A 2% increase from the previous year. Over a five year period, i.e. 2008/09 – 2012/13, there has been a 7% increase in the 'full trust and confidence' rating for Police.

We have undertaken a range of activities during the year, and can point to a number of indicators that are aimed at impacting upon, and contributing toward, improved public trust in Police conduct. These are discussed and reported on below.

## Impact: A visible and accessible Authority

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

IMPACT REPORTING: A visible and accessible Authority		
Indicators	Forecast target 2012/13 – 2014/15	Actual performance
The Authority's complaint process is straightforward	Establish baseline in 12/13 year	Not measured – discontinued. Despite the indicator being discontinued we can comment on progress generally in this area. For example, we believe complainants do find it relatively easy to access information about how to make a complaint. In this regard 99% of complaints received came to us either by electronic processes (i.e. from our website or our 'enquiries' email address) or in written form demonstrating our existing complaint guidance information is clear and our processes straightforward.
Public trust, confidence and awareness in the Authority to investigate and manage complaints fairly is stable or increasing	Establish baseline in 12/13 year	The Authority conducted its first external survey to establish baseline levels of trust, confidence and awareness in our services during 2012/13. In regard to those surveyed baseline levels for 'declared awareness' of the Authority and its services was 70%; and, trust and confidence in the Authority to investigate and manage complaints fairly was 52%.
The percentage of Police who understand the role of the Authority is increasing	Establish baseline in 12/13 year	Not measured – discontinued. Despite the indicator being discontinued we have made progress during the year in establishing an enhanced relationship management and engagement framework with senior Police representatives. The key aspects of this engagement programme includes monthly scheduled meetings between the Authority's Chair and the Commissioner of Police, regular meetings between senior Authority managers and members of the Police Executive and a programme of meetings with Police District Commanders.

<p>People who want to make a complaint can easily find out information about the process</p>	<p>Establish baseline in 12/13 year</p>	<p>Not measured – discontinued. Information about the Authority's complaint processes is readily available through a number of channels, including a dedicated page on our website, distribution of our 'Complaints about Police' leaflet to Police stations, Community Law Centres and Citizens Advice Bureaus. We also have a dedicated '0800' number available for the public to call to get advice on complaint process management, generally from dedicated complaint assessment staff within our Complaint Management Team.</p>
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### Impact: Public and Police confidence in the integrity of the Authority's work

The Authority needs to be recognised and trusted by the public, Police and complainants to independently investigate or manage complaints about Police conduct. This means that our processes are seen as robust, fair and timely. We have undertaken work during the year to establish a baseline level regarding public perceptions of trust and confidence in the Authority (reported in detail below) while also considering feedback from complainants and Police officers on the fairness of our processes (again, reported in detail below).

<b>IMPACT REPORTING: Public and Police confidence in the integrity of the Authority's work</b>		
<b>Indicators</b>	<b>Forecast target 2012/13 – 2014/15</b>	<b>Actual performance</b>
<p>The percentage of cases reopened at complainants' request does not increase</p>	<p>The amount of cases reopened annually will not rise above 3% of total complaints</p>	<p>The 2012/13 percentage of cases reopened annually was at a three-year low of 0.25% (11/12 was 0.37% and 10/11 was 0.36%).</p>
<p>The percentage of complainants who agree the investigation process is fair increases</p>	<p>The percentage of complainants who agree the process is fair will be 50% or higher</p>	<p>Of those survey respondents who answered the question in the Authority's Complainant Satisfaction Questionnaire, 'Overall do you think you were fairly treated by the IPCA' – 50% thought they were fairly treated. This was a decrease from 2011/12 where 80% thought they were fairly treated.</p>
<p>The percentage of Police subject to investigation and/or review by the Authority who agree the Authority's process is fair increases</p>	<p>The percentage of Police subject to investigation and/or review who agree the process is fair will be 50% or higher</p>	<p>Of those survey respondents who answered the question in the Authority's Complainant Satisfaction Questionnaire, 'Overall do you think you were fairly treated by the IPCA' – 74% thought they were fairly treated. This was an increase from 2011/12 where 71% thought they were fairly treated.</p>

<p>Police strategies take account of the Authority's recommendations</p>	<p>Establish baseline in 12/13 year</p>	<p>Not measured – discontinued. Despite the measure being discontinued we can refer to examples of our impact on policing strategies as a result of recommendations made in public reports during the year, including:</p> <p>Police indicating a focus on adherence to directives on urgent duty driving, fleeing drivers, and abandonment procedures in regard to pursuits. In addition, the Authority has begun discussions with Police about a review of policies connected with the pursuit of fleeing drivers, following a number of Authority reports on Police pursuits.</p> <p>Police indicating they will amend the policy on planning for children and vulnerable people when executing search warrants and clarification of the policy in respect of photographs at road blocks, following the publication of the Operation Eight report.</p> <p>Police's review of processes for dealing with incidents involving mental health patients and a specific upgrade to the policy on People with Mental Impairments, following our public report on the Police response to events preceding the murder of Diane White.</p>
<p>Complaints are responded to and managed in a timely way</p>	<p>The Authority's annual timeliness complaint management output targets are met or exceeded</p>	<p>Not measured – discontinued. Despite the measure being discontinued we can comment that, for example, during the last three financial years (i.e. 2010/11-2012/13) the Authority has met or exceeded its target of responding to 95% of all new complaints within five working days.</p>

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

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

<b>IMPACT REPORTING: Improved Police conduct, practices, policies and procedures following implementation of the Authority's recommendations</b>		
<b>Indicators</b>	<b>Forecast target 2012/13 – 2014/15</b>	<b>Actual performance</b>
<p>Following investigations, Police accept the Authority's recommendations and implement them</p>	<p>Police have initiated the implementation process for 95% of recommendations that are more than six months old</p>	<p>We are unable to report on this indicator as the information management process for gathering data to support its reporting was fundamentally changed during the year. Instead of requesting updates on the acceptance or implementation of the recommendations made for a file by letter, all outstanding recommendations are now detailed in a shared spreadsheet between the Authority and Police. The spreadsheet lists the Police staff member responsible for implementation and key timeframe milestones. The Authority envisages being able to report on this process fully in its next Annual Report.</p>

The Authority received, assessed, categorised, allocated and monitored 1997 complaints during 2012/13.

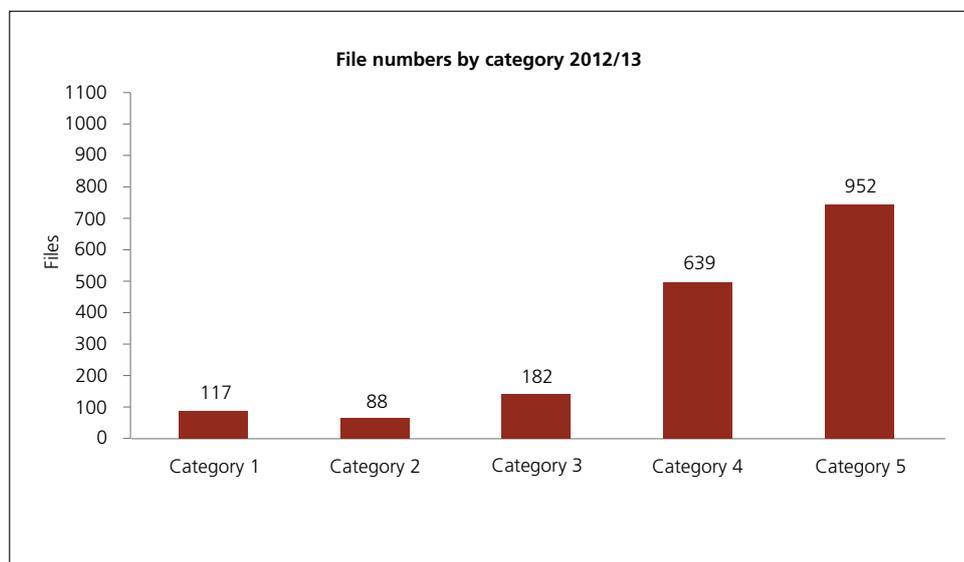
## 2.2. KEY ACTIVITIES AND SERVICE DELIVERY AREAS DURING 2012/13

### Complaint categorisation and review

In order to allocate resources most effectively, the Authority categorises cases by level of seriousness. The most serious complaints are investigated while those of a less serious nature are generally referred to Police for investigation under the Authority's oversight.

Categories range from the most serious, Category 1, to minor matters, Category 5.

- **Category 1:** The Authority's investigators will independently investigate or actively oversee Police investigations in this category. Category 1 covers all instances of death or serious bodily harm associated with Police actions, and serious complaints with high public interest.
- **Category 2:** The Authority reviews the full file on the Police investigation and determines whether any further investigation is required by either ourselves or the Police.
- **Category 3:** The Authority reviews a summary report on the outcome of the Police investigation at its conclusion and refers the case back to the Police for further investigation if we believe that the investigation is inadequate or their finding is not supported by the facts.
- **Category 4:** The Authority refers the matter to the Police because it is a low level complaint that should wherever possible be resolved by a process of engagement and conciliation between the Police and the complainant. The complainant is invited to contact us at the end of that process if they are dissatisfied with the outcome, and we may then investigate further.
- **Category 5:** The Authority takes no further action on the complaint for a number of reasons (e.g., the matter is before the court and the issues raised are likely to be addressed by the court; the complaint does not on its face raise any police misconduct or any issue relating to police policy, practice or procedure; the complaint raises an historical issue which there is no public interest in addressing etc.).



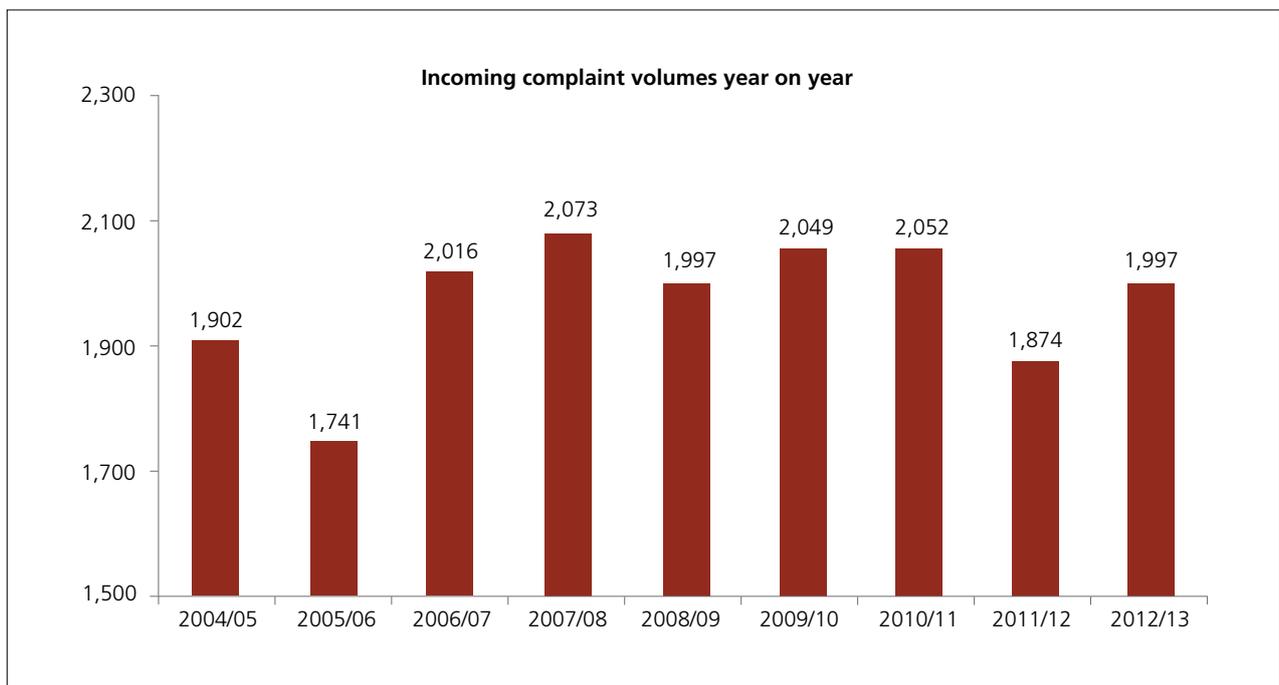
As part of our complaint management and resolution function we play a crucial role as a conduit through which complainants expressed dissatisfaction with the way in which their complaint was handled by Police.

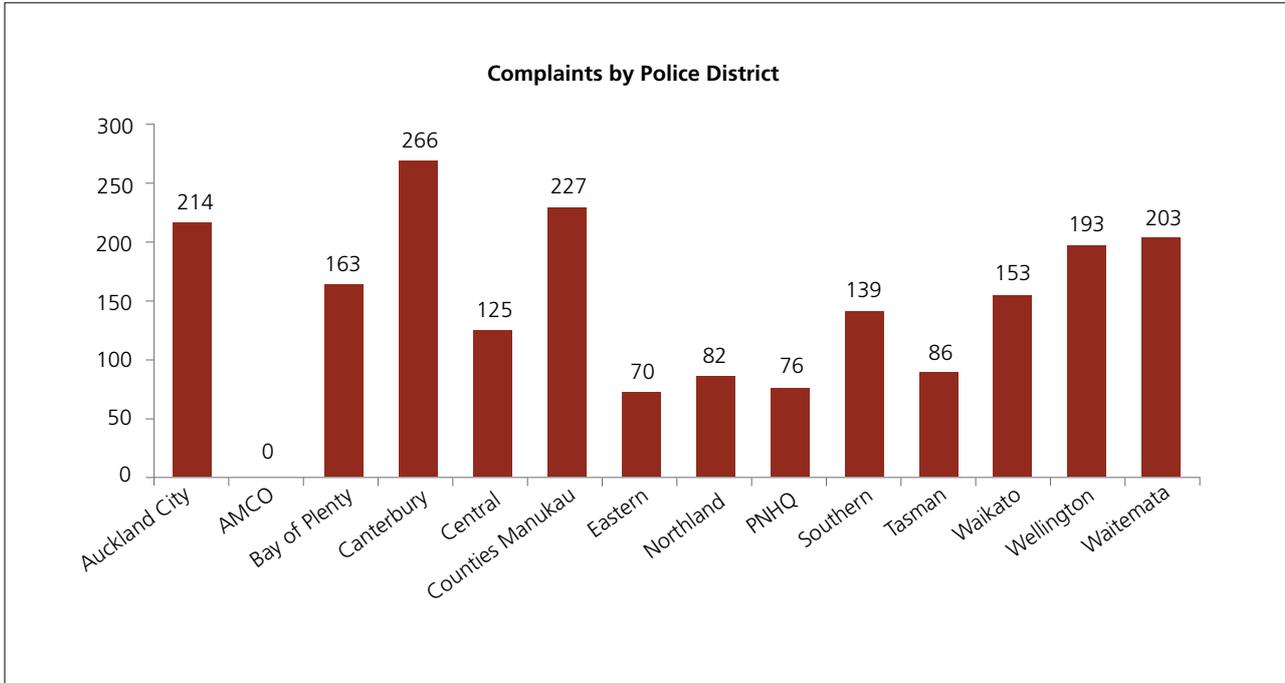
- At 1 July 2012 the Authority had 306 open files.
- During the 12 month period to June 2013, the Authority recorded 1997 complaints.
- The Authority closed 1973 files during the 12 month period.
- As at 30 June 2013 the Authority had 330 open files. This represents a 7% increase in the number of open files.
- 98.6% of all new incoming complaints received a response within five working days.
- 72.2% of complaint investigation reviews were completed within 60 days of receipt.
- 0.25% of complainant and investigation review files were re-opened due to expressions of dissatisfaction.

## Nature and source of complaints received

Of the 1997 complaints received, 1546 were received electronically via the IPCA website and through email, as complaints from the public or referrals from Police. 444 arrived by way of letter. A very small amount (seven or 0.35%) of complaints received were oral.

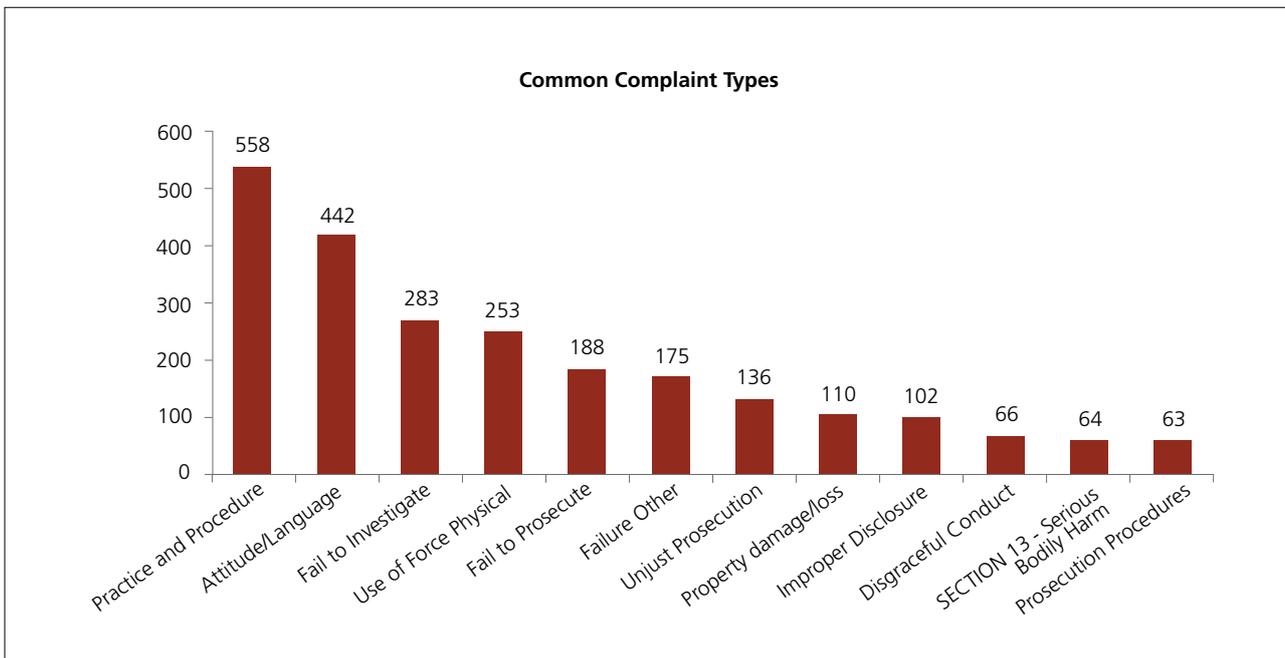
The Police Districts responsible for the highest number of files (cases) accepted by the Authority were the major metropolitan centres where there are also high numbers of Police employees: Canterbury, Counties Manukau, Auckland City and Wellington.





Within each individual complaint there may also be several Heads of Complaint. For example, *failure to investigate and attitude/language* complaints may arise from the same incident.

The most common types of complaint were about: practice and procedure, attitude/language, failure to investigate and use of physical force.



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

## Progressing the investigative work programme and evolving our approach to allocating resources for investigations

During the year the Authority restructured its resources so that all Category 1 and 2 matters are dealt with by the Investigations Team. As such this team now incorporates Reviewing Officers and has been renamed 'Investigations and Reviews' to reflect this. The new way of working will improve the timely disposition of files and create a more cohesive way of working for the Authority.

However, as the restructure only occurred in May 2013 the information included in this publication will report on the same basis as previously.

- At 1 July 2012 the Investigations Team had 44 open investigation files. By 30 June 2013 there were 59 open investigation files.
- During the 12 month period the Investigations Team opened 62 files on the most serious complaints or referrals.
- 19 of the 59 open investigation files at 30 June 2013 were aged 12 months or older. Of the 19, however, eight involved circumstances that meant progression within the 12 month period was beyond the Authority's control (e.g. they were awaiting court processes or Police action).

## Nature and type of Investigations undertaken

The nature and type of investigative work undertaken by the Authority was diverse and required multi-disciplinary capability. The diversity of the investigative work programme can be described as follows:

- **Fatal and non-fatal shootings:** Two Police shootings, one of them fatal, were referred to the Authority in 2012/13.
- **Category 1 complaints:** During the year we classified 117 complaints as Category 1. Those complaints were of the most serious type and required independent investigation or oversight by the Authority. The included allegations of pursuit injury, dog bites and physical misconduct.
- **Death and serious injury (notification under section 13 of the IPCA Act):** Under section 13 of the IPCA Act, the Commissioner of Police must notify the Authority of incidents "where a Police employee acting in the execution of his or her duty causes, or appears to have caused, death or serious bodily harm". During the year we received 59 notifications under section 13. 24 notifications did not meet the criteria for investigation or review. Of the 35 notifications accepted for investigation or review, 15 related to deaths or injuries arising from Police pursuits.
- **Memorandum of Understanding (Police referrals):** During the year we received eight MoU notifications classified as Category 1 and 12 classified as Category 2 requiring review of the Police investigation by the Authority. Some examples of the types of notification received include inappropriate behaviours, alleged corruption and assaults.

## Public Reports released during the 2012/13 year

In some significant cases a timely and independent investigation warranted a public report.

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

Where the Authority proposes to make an adverse finding about any person in a public report or in correspondence to the Commissioner of Police, the Authority first undertakes a 'natural justice' process as required under section 31 of its Act. The section 31 process provides an opportunity for that person to be heard, and the Authority takes such submissions into account.

The overriding criterion for determining whether or not a public report will be issued is that it is in the public interest to do so. Towards the end of this year the Authority adopted a new way of working that involves publishing summary reports on all of our independent investigations unless there is an overriding private interest in maintaining confidentiality. This new approach will assist in the interests of timely reporting.

The Authority is also adopting a new approach that will see investigators and report writers working together on an investigation from the outset. This is expected to result in a more timely conclusion to investigations and public reporting.

That said, that the Authority is less concerned with the aggregate number of public reports than it is with ensuring the effective impact of its work through improved Police conduct, practices, policies and procedures.

- **Operation Eight: The Report of the Independent Police Conduct Authority.** 22 May 2013 – A lengthy investigation into the Police operation which focused on the activities of a group of people who appeared to be involved in military-style training camps based in the remote Urewera forest in the Eastern Bay of Plenty found that Police acted unlawfully in establishing road blocks and detaining and searching people during 'Operation Eight'. A more detailed case study on the Operation Eight investigation and public report is provided on page 25 of this report.
- **Deaths of Dylan Kingi, Peter Bunyan and Holly Gunn and serious injury to Claire Badger following Police pursuit.** 9 May 2013 – An investigation into three deaths and a serious injury following a Police pursuit of a fleeing car in Gisborne last year found that commencement of the Police pursuit was justified but criticised some aspects of the pursuit, including that Police reached excessive speeds and did not fully comply with policy in some respects.

During the year the Authority released nine public reports, including the report into the Police investigation relating to Operation Eight.

- **Summary report of investigation into the arrest of Bruce Robert Roulston.** 14 March 2013 – An investigation found that a Police officer was justified in using a Taser to arrest a man during an incident in Hornby, Christchurch, in 13 May 2010.
- **Police response to events preceding the murder of Diane White.** 28 February 2013 – An investigation showed that Police had the information and the ability to prevent the death of Mrs White, had they responded appropriately.
- **Serious bodily harm to Dion Troy Batt during Police pursuit.** 4 February 2013 – Recommendations that Police review and change their policies were made following a pursuit of a motorcyclist who suffered serious bodily harm, including a severe brain injury, when he crashed during a Police pursuit.
- **Summary Report of investigation into the non-fatal shooting of William Robert Hartley.** 30 November 2012 – An independent investigation found a Police officer was justified in shooting a man during an incident in Otaki in February 2011.
- **Joint thematic review of young persons in Police detention.** 23 October 2012 – A new review of young persons in Police detention called for Police to improve their training and the treatment of young people in custody.
- **Fatal Police pursuit of Harley Wilson and Michael Keepa.** 28 September 2012 – An independent investigation of a fatal Police pursuit in Te Puke in October 2010 found Police were justified in initially trying to stop the driver but should have subsequently abandoned the pursuit because of a number of risk factors.
- **Fatal pursuit of Luke John Bowman Yates.** 31 August 2012 – An investigation found Police breached policy during a pursuit that ended when the fleeing driver crashed and died near Taipa in Northland in April 2011.

## CASE STUDIES

### The 'Operation Eight' Investigation and Report

On 22 May 2013 the Authority released the results of its independent investigation into the Police operation which focused on the activities of a group of people who appeared to be involved in military-style training camps based in the remote Urewera forest in the Eastern Bay of Plenty.

The Authority received multiple complaints about the Police operation which began in late 2005 and ended on 15 October 2007 with the coordinated execution of 41 search warrants throughout the country, along with the establishment of road blocks at Ruatoki and Taneatua.

The nature of complaints received by the Authority ranged from the impact on the community of armed AOS officers at a road block to feelings of ill-treatment by Police during the execution of search warrants at properties.

The Authority investigated Police actions at 11 properties in undertaking what was the largest and most complex investigation carried out by the Authority.

As such an internal 'project team' of investigators, legal advisors and analysts was pulled together to focus specifically on Operation Eight. This work involved interviewing complainants and Police, analysing information, and writing the 90 page report. The Authority's Chair, Judge Sir David Carruthers, publicly released the final report which found that Police acted unlawfully in establishing road blocks and detaining and searching people during 'Operation Eight'.

Despite the criticisms highlighted, Police fully accepted the report and have advised the Authority that they will apologise to the people of Ruatoki for the harm that was caused and re-engage with Tuhoë.

### Focusing on prevention through constructive engagement on Police policy and practice

The Authority has been working to improve the effectiveness of its preventive role.

One initiative has been that, when the Authority identifies an issue with Police policy and practice, it raises the issue with the Police as soon as practicable and engages in discussions about how it should be addressed.

For example, in its investigations of police pursuits of fleeing drivers that result in death or serious injury, the Authority has determined that the existing policy (partly developed on the basis of the Authority's own previous recommendations) is too prescriptive and difficult to comply with, and has not sufficiently reduced preventable deaths and injuries. The Authority has outlined its concerns to the Police and is participating in a fundamental review of the policy.

The Authority has also had a number of complaints relating to police actions in dealing with "out-of-control" parties. It has called into question the lawfulness and reasonableness of some Police actions in particular cases, and has drawn to the attention of the Police that these actions may have been taken because there is no explicit policy on how such incidents should be handled. As a result, a review of policy and practice in this area is now underway.

## **Evolving our approach to monitoring and reporting on places of Police detention**

During the year we continued to discharge our responsibilities for monitoring and reporting on Police places of detention.

Towards the end of this year the Authority adopted a new approach to managing its monitoring of places of Police detention. Until now the Authority has followed a three step approach to inspecting Police detention facilities. Firstly, the Authority has sought to arrange inspections of Police detention facilities. Secondly, it has followed up such inspections with a detailed report on matters which required attention. Thirdly, it has tried to monitor compliance with the recommendations in each report.

The Authority also received directions from the UN Subcommittee suggesting it make random inspections from time to time without prior notice.

Under the new way of working the Authority has decided to establish an agreed National Standard for Police Custodial Facilities. Going forward Police will provide the Authority with annual reports on the extent to which custodial facilities meet those Standards. The Authority will then periodically audit those reports by undertaking planned visits to particular facilities. This approach has been endorsed by the Police Commissioner.

The Authority envisages the development of a programme of action to address substandard issues over time.

The Authority is also changing its recording function so that complaints received on a daily basis capture more clearly those matters which refer to Police activities in detention facilities. That will provide a base of information about what actually happens, including patterns of complaints that will provide material for preventive work by way of changes to Police policy and practice.

## PART 3: ANNUAL ACCOUNTABILITY STATEMENTS

### 3.1. STATEMENT OF RESPONSIBILITY FOR THE YEAR ENDED 30 JUNE 2013

Requirements under the Crown Entities Act 2004, section 155:

- The Board and management of the Independent Police Conduct Authority (the Authority) accept responsibility for the preparation of financial statements and statements of service performance and for the judgements made in them.
- The Board and management are responsible for establishing and maintaining systems of internal control designed to provide reasonable assurance as to the integrity and reliability of financial and non-financial reporting.
- In the opinion of the Board and management of the Authority, the annual financial statements and statement of service performance for the financial year ended 30 June 2013 fairly reflect the financial position and operations of the Authority.

Signed on behalf of the Board



**Judge Sir David Carruthers**  
Chair  
Independent Police Conduct Authority

31 October 2013



**Angela Hauk-Willis**  
Member  
Independent Police Conduct Authority

31 October 2013

## 3.2. INDEPENDENT AUDIT REPORT

AUDIT NEW ZEALAND  
Mana Arotake Aotearoa

### Independent Audit Report

#### Independent Auditor's Report To the readers of the Independent Police Conduct Authority's financial statements and non-financial performance information for the year ended 30 June 2013

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

We have audited:

- the financial statements of the Authority on pages 35 to 55, that comprise the statement of financial position as at 30 June 2013, the statement of comprehensive income, statement of changes in equity and cash flows statement for the year ended on that date and notes to the financial statements that include accounting policies and other explanatory information; and
- the non-financial performance information of the Authority that comprises the statement of service performance on pages 31 to 34 and 56 and the report about outcomes on pages 14 to 17.

#### Opinion

In our opinion:

- the financial statements of the Authority on pages 33 to 55:
  - comply with generally accepted accounting practice in New Zealand; and
  - fairly reflect the Authority's:
    - financial position as at 30 June 2013; and
    - financial performance and cash flows for the year ended on that date.
- the non-financial performance information of the Authority on pages 31 to 34 and 56 and 14 to 17:
  - complies with generally accepted accounting practice in New Zealand; and
  - fairly reflects the Authority's service performance and outcomes for the year ended 30 June 2013, including for each class of outputs:
    - its service performance compared with forecasts in the statement of forecast service performance at the start of the financial year; and
    - its actual revenue and output expenses compared with the forecasts in the statement of forecast service performance at the start of the financial year.

Our audit was completed on 31 October 2013. This is the date at which our opinion is expressed.

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

### **Basis of opinion**

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

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

An audit involves carrying out procedures to obtain audit evidence about the amounts and disclosures in the financial statements and non-financial performance information. The procedures selected depend on our judgement, including our assessment of risks of material misstatement of the financial statements and non-financial performance information, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the preparation of the Authority's financial statements and non-financial performance information that fairly reflect the matters to which they relate. We consider internal control in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control.

An audit also involves evaluating:

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

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

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

### **Responsibilities of the Authority**

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

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

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

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

### **Responsibilities of the Auditor**

We are responsible for expressing an independent opinion on the financial statements and non-financial performance information and reporting that opinion to you based on our audit. Our responsibility arises from section 15 of the Public Audit Act 2001 and the Crown Entities Act 2004.

### **Independence**

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

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



### **Clint Ramoo**

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

### 3.3. 2012/13 STATEMENT OF SERVICE PERFORMANCE

#### Output: Receive, Manage, and Ensure Resolution of Complaints

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

	Performance: Jul 12-Jun 13		Notes
	Forecast	Actual	
<b>Quantity measure:</b>			
All complaints are received and processed	100%	100%	Complaints are received through the Authority's website or email; by mail, and telephone, facsimile and also at the public counter. All complaint enquiries are processed and recorded as either a complaint file or as a miscellaneous enquiry.
<b>Quality measures:</b>			
The percentage of complainants who agree complaint management processes are satisfactory or better increases	The % of complainants who agree processes are satisfactory or better will be 50% or higher	11.11%	34 surveys were sent since 01/07/2012 (for Category 2 files). 9 responses were received. Only 1 respondent was satisfied with the service they received.
Percentage of complaint and review files re-opened, on an annual basis, after closure due to expressions of dissatisfaction	3% or less	0.25%	Achieved
<b>Timeliness measure:</b>			
All new complaints received are responded to within five working days	95% of all cases	98.6%	Achieved
Except in circumstances that are beyond the control of the Authority, Police complaint investigation files reviewed by the Authority will have that review completed within 60 days of receipt of the file	85% of all reviews	72.2%	Not achieved (Due to two reviewing officers being seconded for nine months to the Operation Eight project).
Percentage of open complaint files 12 months or older against the annual total of files (performance may be subject to circumstances beyond the control of the Authority)	5%	3.2%	Achieved

## Output: Carry out Independent Investigations into Police Conduct and Report on these as required

We will independently investigate, when it is in the public interest, deaths and serious bodily harm caused or appearing to have been caused by Police employees.

	Performance: Jul 12-Jun 13		Notes															
	Forecast	Actual																
<b>Quantity measure:</b>																		
Where it is in the public interest, the IPCA will independently investigate incidents where a Police employee acting in the execution of his or her duty causes, or appears to have caused, death or serious bodily harm	100% of incidents	100%	This measure records files received under s.13 of IPCA Act  Total s.13 referrals: 59 Independent Investigation: 31 Oversee: 4 Decline to Investigate: 24															
Independently investigate, or oversee the investigation of, complaints against the Police alleging serious criminal offending, serious misconduct, neglect of duty, or corruption that are likely to cause the greatest level of public concern, or having serious implications for the reputation of the Police	100% of incidents	100%	<table border="1"> <thead> <tr> <th></th> <th>Comp</th> <th>MOU</th> </tr> </thead> <tbody> <tr> <td>Independent Investigation</td> <td>8</td> <td>4</td> </tr> <tr> <td>Oversee</td> <td>3</td> <td>4</td> </tr> <tr> <td>No further action</td> <td>1</td> <td>2</td> </tr> <tr> <td>Total</td> <td>12</td> <td>10</td> </tr> </tbody> </table>		Comp	MOU	Independent Investigation	8	4	Oversee	3	4	No further action	1	2	Total	12	10
	Comp	MOU																
Independent Investigation	8	4																
Oversee	3	4																
No further action	1	2																
Total	12	10																
<b>Quantity measure:</b>																		
The percentage of complainants and subject officers who agree that the IPCA's management of investigations are satisfactory or better increases	The % of complainants and subject officers who agree processes are satisfactory or better will be 50% or higher	45.71% (Officers)  50% (Complainants)	Officers: 81 surveys were sent since 1/07/2012 and 35 responses received. 16 of the 35 were satisfied with the overall service they received.  Complainants: 26 surveys were sent since 1/07/2012 (for Category 1 files). Four responses have been received with two of them expressing satisfaction.															
<b>Timeliness measure:</b>																		
Except in circumstances that are beyond the control of the IPCA, investigations will be completed within 12 months of notification	85% of investigations	62%	The total number of investigation files closed during the year were 44: <ul style="list-style-type: none"> <li>• 23 were closed within 12 months of notification.</li> <li>• 14 were closed outside of 12 months of notification in circumstances within the control of the IPCA.</li> <li>• 7 were closed outside of 12 months of notification in circumstances that were beyond the control of the IPCA.</li> </ul>															

## Output: Monitor and Report on Police Places of Detention

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

	Performance: Jul 12-Jun 13		Notes
	Forecast	Actual	
<b>Quantity measures:</b>			
Inspect 15 detention facilities in the year to 30 June 2013	100%	73%	Only 11 inspections were undertaken following a decision by the Authority to forego the remaining four inspections while a new overall approach was developed for the output area.
Report on annual basis to Parliament and the Human Rights Commission pursuant to sections 27(c)(ii) and 27(d) of the Crimes of Torture Act 1989	Annual Report to be provided	Provided and tabled in November 2012	No comment
<b>Quality measure:</b>			
Conduct inspections of Police detention facilities and detention records and documentation in accordance with the IPCA's OPCAT indicator checklist <sup>1</sup>	100% of inspections	100%	No comment
<b>Timeliness measure:</b>			
Provide a preliminary report on site visits to Police Districts and Police National Headquarters within 20 working days of these visits, and plan timeframes for reporting fully on all findings and recommendations arising from the site visits	100% of visits	63%	Seven of the 11 visits had preliminary reports sent within the 20 day time limit. Verbal feedback has been provided to the other four.

<sup>1</sup> The OPCAT indicator checklist specifies that where possible and appropriate at least one detainee is interviewed during each IPCA site visit and that these interviews are conducted in private, and, Police staff who have responsibility for the detention and treatment of persons in custody are interviewed during each Authority site visit.

## Output: Make Recommendations for Improved Police Conduct, Practices, Policies and Procedures, based on the results of Investigations, and monitoring implementation of those recommendations

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

	Performance: Jul 12-Jun 13		Notes
	Forecast	Forecast	
<b>Quantity measure:</b>			
The % of recommendations for improved Police conduct, practices, policies and procedures arising from Authority reports that are agreed to by Police for implementation	95% of recommendations <sup>2</sup>	67%	Total = 58 (39 from IPCA reports plus 19 from Joint Thematic Review of Young Persons in Police Detention Report)  Accepted by Police = 39  Awaiting response from police = 19 (of these 10 recommendations were made in May 2013)
<b>Timeliness measure:</b>			
Recommendations are made to Police within 12 months of notification of the incident or complaint except in circumstances beyond the control of the IPCA	85% of investigations where recommendations are made	38%	The total number of recommendations made during the year were 39:  10 were made within 12 months of notification.  16 were made outside of 12 months of notification in circumstances within the control of the IPCA.  13 were made outside of 12 months of notification in circumstances that were beyond the control of the IPCA.

\*Joint Thematic Review of Young Persons in Police Detention is not included in this figure as the Authority was not notified of an incident or complaint.

2 Annual performance in regard to the % of recommendations that are implemented indicates how well we doing in the short-term as well as feeding in to the longer-term performance picture. As we cannot reliably estimate how many recommendations we could make, as we do not know how many reports will be undertaken or the nature of those reports, we have included Quantity and Quality together in this measure area.

### 3.4. 2012/13 FINANCIAL STATEMENTS AND SUPPORTING INFORMATION

#### Independent Police Conduct Authority Statement of Comprehensive Income for the year ended 30 June 2013

2012 Actual \$		Notes	2013 Actual \$	2013 Budget \$
	<b>Revenue</b>			
3,811,000	Revenue from Crown	1	3,811,000	3,811,000
56,182	Interest received		50,208	49,307
34,039	Defined contribution plan employer contributions		-	-
<u>3,901,221</u>	<b>Total Revenue</b>		<u>3,861,208</u>	<u>3,860,307</u>
	<b>Expenses</b>			
23,040	Audit fees	2	30,845	21,000
32,271	Amortisation	7	32,292	24,939
53,058	Communication charges		41,264	46,000
104,938	Depreciation	6	93,068	91,596
2,799,540	Personnel and Board Fees	3	2,988,215	2,726,347
43,447	Printing and stationery		46,610	45,000
111,320	Professional fees and contract services		307,327	115,000
306,614	Rent		307,754	307,000
222,248	Services and supplies		306,567	205,000
22,740	Subscriptions		20,600	15,000
75,452	Travel and accommodation		113,788	105,000
<u>3,794,668</u>	<b>Total Expenses</b>		<u>4,288,330</u>	<u>3,701,882</u>
<u>106,553</u>	<b>Total Comprehensive Income</b>		<u>(427,122)</u>	<u>158,425</u>

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

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

### Independent Police Conduct Authority Statement of Financial Position as at 30 June 2013

2012 Actual \$		Notes	2013 Actual \$	2013 Budget \$
<b>CURRENT ASSETS</b>				
204,567	Cash and cash equivalents	4	108,549	485,489
700,000	Investments		450,000	500,000
56,389	Debtors and other receivables	5	39,547	22,225
18,871	Prepayments		7,233	-
<u>979,827</u>	<b>Total Current Assets</b>		<u>605,329</u>	<u>1,007,714</u>
<b>NON-CURRENT ASSETS</b>				
363,270	Property, plant and equipment	6	305,169	288,539
118,374	Intangible assets	7	103,667	74,816
<u>481,644</u>	<b>Total Non-Current Assets</b>		<u>408,836</u>	<u>363,355</u>
<u>1,461,471</u>	<b>TOTAL ASSETS</b>		<u>1,014,165</u>	<u>1,371,069</u>
<b>CURRENT LIABILITIES</b>				
239,271	Creditors and other payables	8	195,049	55,775
152,723	Employee entitlements	9	176,761	116,767
<u>391,994</u>	<b>Total Current Liabilities</b>		<u>371,810</u>	<u>172,542</u>
<u>1,069,477</u>	<b>NET ASSETS</b>		<u>642,355</u>	<u>1,198,527</u>
<b>CROWN EQUITY</b>				
1,069,477	Total investment by the Crown		642,355	1,198,527
<u>1,069,477</u>	<b>Total Crown Equity</b>		<u>642,355</u>	<u>1,198,527</u>

### Independent Police Conduct Authority Statement of Changes in Equity for the year ended 30 June 2013

2012 Actual \$		Notes	2013 Actual \$	2013 Budget \$
962,924	<b>Total Crown Equity at beginning of year</b>		1,069,477	1,040,102
106,553	<b>Total Comprehensive Income</b>		(427,122)	158,425
<u>1,069,477</u>	<b>Total Crown Equity at end of year</b>		<u>642,355</u>	<u>1,198,527</u>

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

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

### Independent Police Conduct Authority Cash flows statement for the year ended 30 June 2013

2012 Actual \$		Notes	2013 Actual \$	2013 Budget \$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
<b>Cash was provided from/(applied to)</b>				
3,811,000	Receipts from Crown revenue		3,811,000	3,811,000
57,109	Interest received		52,985	49,307
34,039	Defined contribution plan employer contributions		-	-
(20,109)	Net GST received/(paid)		10,167	2,329
(3,539,134)	Payments to suppliers and employees		(4,167,618)	(3,701,049)
342,905	<b>Net cash flow from operating activities</b>	12	(293,466)	161,587
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
<b>Cash was provided from/(applied to)</b>				
(59,776)	Purchase of property, plant and equipment		(34,967)	(30,000)
(24,872)	Purchase of intangible assets		(17,585)	-
(200,000)	Sale / (Acquisition) of investments		250,000	100,000
(284,648)	<b>Net cash flows from investing activities</b>		197,448	70,000
58,257	<b>Net increase/(decrease) in cash and cash equivalents</b>		(96,018)	231,587
146,310	<b>Cash and cash equivalents at beginning of year</b>		204,567	253,902
204,567	<b>Cash and cash equivalents at end of year</b>		108,549	485,489
<b>Represented by:</b>				
204,567	Cash and cash equivalents		108,549	485,489

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

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

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

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## Independent Police Conduct Authority Statement of Accounting Policies for the year ended 30 June 2013

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### Reporting Entity

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

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

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

The financial statements for the Independent Police Conduct Authority are for the year ended 30 June 2013, and were approved by the Board on 31 October 2013.

### Basis for Preparation

#### **Statement of compliance**

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

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

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

#### **Measurement base**

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

#### **Functional and presentation currency**

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

#### **Changes to Accounting policies**

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

#### **Standards and interpretations effective in the current period**

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

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

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## Independent Police Conduct Authority Statement of Accounting Policies for the year ended 30 June 2013

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### Standards or interpretations not yet effective

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

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

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

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

### Significant Accounting Policies

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

#### a) **Revenue recognition**

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

##### *Revenue from the Crown*

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

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

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**Independent Police Conduct Authority Statement of Accounting Policies for the year ended 30 June 2013**


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**a) Revenue recognition***Interest*

Interest revenue is recognised using the effective interest method.

**b) Operating leases**

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

**c) Debtors and other receivables**

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

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

**d) Cash and cash equivalents**

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

**e) Investments**

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

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

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

**f) Property, plant and equipment**

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

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

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**Independent Police Conduct Authority Statement of Accounting Policies for the year ended 30 June 2013**


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*Additions*

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

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

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

*Disposals*

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

*Subsequent costs*

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

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

*Depreciation*

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

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

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

**g) Intangible assets***Software acquisition*

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

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

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

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

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**Independent Police Conduct Authority Statement of Accounting Policies for the year ended 30 June 2013**


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*Amortisation*

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

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

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

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

Value in use is depreciated replacement cost for an asset where the future economic benefits or service potential of the asset are not primarily dependent on the asset's ability to generate net cash inflows and where the Independent Police Conduct Authority would, if deprived of the asset, replace its remaining future economic benefits or service potential.

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

**i) Financial liabilities***Creditors and other payables*

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

**j) Employee entitlements***Short-term employee entitlements*

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

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

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

**k) Superannuation schemes***Defined contribution schemes*

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

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**Independent Police Conduct Authority Statement of Accounting Policies for the year ended 30 June 2013**


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**l) 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.

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

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

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

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

Commitments and contingencies are disclosed exclusive of GST.

**n) Income tax**

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

**o) Cash flow statement**

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

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

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

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

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

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

**p) Budget figures**

The budget figures are those that form part of the Independent Police Conduct Authority 2012/13 Statement of Intent.

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

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**Independent Police Conduct Authority Statement of Accounting Policies for the year ended 30 June 2013**

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**Critical Judgements in Applying the Entity's Accounting Policies**

Management has exercised the following critical judgements in applying accounting policies for the year ended 30 June 2013:

*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.

## Independent Police Conduct Authority Notes to the Financial Statements for the year ended 30 June 2013

### 1. Revenue from Crown

The Independent Police Conduct Authority has been provided with funding from the Crown for the specific purposes of the Independent Police Conduct Authority as set out in its founding legislation and the scope of the relevant government appropriations. Apart from these general restrictions, there are no unfulfilled conditions or contingencies attached to government funding (2012: \$nil).

	2013 Actual \$	2012 Actual \$
<b>2. Remuneration to Auditors</b>		
Audit of the financial statements	30,845	23,040
	<u>30,845</u>	<u>23,040</u>
<b>3. Personnel Expenses and Board Fees</b>		
Salaries and wages	2,555,717	2,357,045
Defined contribution plan employer contributions	40,231	34,039
Increase/(decrease) in employee entitlements	9	(2,126)
Board fees	16	368,229
	<u>2,988,215</u>	<u>2,799,540</u>
<b>Total Personnel Expenses</b>		

No former employees of the Independent Police Conduct Authority received compensation after taking redundancy in the 2013 financial year (2012: \$15,834). Employer contributions to defined contribution plans include contributions to Kiwisaver.

### 4. Cash and Cash Equivalents

Cash at bank	106	1,095
Call account	108,443	203,472
<b>Total Cash and Cash Equivalents</b>	<u>108,549</u>	<u>204,567</u>

### 5. Debtors and other receivables

Accrued interest	4,353	7,130
Sundry receivables	-	3,898
GST receivable	35,194	45,361
<b>Total Debtors and other receivables</b>	<u>39,547</u>	<u>56,389</u>

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

No receivables are past 30 days overdue.

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**Independent Police Conduct Authority Notes to the Financial Statements for the year ended 30 June 2013**


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**6. Property, Plant and Equipment**

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

	Office equipment \$	Furniture and fittings \$	Leasehold improvements \$	Total \$
<b>Cost</b>				
Balance at 1 July 2011	531,223	429,830	274,529	1,235,582
Additions	59,776	-	-	59,776
Sales/transfers	-	-	-	-
Balance at 30 June 2012	590,999	429,830	274,529	1,295,358
Balance at 1 July 2012	590,999	429,830	274,529	1,295,358
Additions	32,743	2,224	-	34,967
Sales/transfers	-	-	-	-
Balance at 30 June 2013	623,742	432,054	274,529	1,330,325
<b>Accumulated depreciation</b>				
Balance at 1 July 2011	316,858	322,554	187,738	827,150
Depreciation expense	56,422	26,820	21,696	104,938
Sales/transfers	-	-	-	-
Balance at 30 June 2012	373,280	349,374	209,434	932,088
Balance at 1 July 2012	373,280	349,374	209,434	932,088
Depreciation expense	56,419	20,376	16,273	93,068
Sales/transfers	-	-	-	-
Balance at 30 June 2013	429,699	369,750	225,707	1,025,156
<b>Net carrying amounts</b>				
At 1 July 2011	214,365	107,276	86,791	408,432
At 30 June 2012 & 1 July 2012	217,719	80,456	65,095	363,270
At 30 June 2013	194,043	62,304	48,822	305,169

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**Independent Police Conduct Authority Notes to the Financial Statements for the year ended 30 June 2013**


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**7. Intangible assets**

	<b>Total \$</b>
<b>Cost</b>	
Balance at 1 July 2011	257,652
Additions	24,872
Disposals	-
Balance at 30 June 2012	<u>282,524</u>
Balance at 1 July 2012	282,524
Additions	17,585
Disposals	-
Balance at 30 June 2013	<u>300,109</u>
<b>Accumulated amortisation</b>	
Balance at 1 July 2011	131,879
Amortisation expense	32,271
Disposals	-
Balance at 1 July 2012	<u>164,150</u>
Balance at 1 July 2012	164,150
Amortisation expense	32,292
Disposals	-
Balance at 30 June 2013	<u>196,442</u>
<b>Net carrying amount</b>	
At 1 July 2011	125,773
At 30 June 2012 & 1 July 2012	118,374
At 30 June 2013	103,667

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

	<b>2013 Actual \$</b>	<b>2012 Actual \$</b>
<b>8. Creditors and other payables</b>		
Trade creditors	43,257	160,990
Accrued expenses	151,792	78,281
<b>Total creditors and other payables</b>	<u>195,049</u>	<u>239,271</u>

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.

## Independent Police Conduct Authority Notes to the Financial Statements for the year ended 30 June 2013

	2013 Actual \$	2012 Actual \$
<b>9. Employee Entitlements</b>		
Accrued salaries and wages	24,810	21,840
Annual leave	151,951	130,883
<b>Total Employee Entitlements</b>	176,761	152,723
<b>10. Financial Instruments</b>		
<b>Categories of financial assets and liabilities</b>		
The carrying amounts of financial assets and liabilities in each of the NZ IAS 39 categories are as follows:		
<b><i>Loans and receivables</i></b>		
Cash and cash equivalents	108,549	204,567
Investments – term deposits	450,000	700,000
Debtors and other receivables	39,547	56,389
<b><i>Total loans and receivables</i></b>	598,096	960,956
<b><i>Financial liabilities measured at amortised cost</i></b>		
Creditors and other payables	141,655	239,271

### Financial risk management objectives

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

#### *Interest rate risk*

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

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

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

## Independent Police Conduct Authority Notes to the Financial Statements for the year ended 30 June 2013

### 10. Financial Instruments (cont.)

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

	Weighted average effective interest rate %	Variable interest rate bearing \$	Non interest bearing \$	Total \$
<b>Financial assets:</b>				
Cash and cash equivalents				
- Cash at bank	0.25	106	-	106
- Call account	2.80	108,443	-	108,443
- Investments - term deposits	3.85	450,000	-	450,000
Debtors and other receivables	-	-	56,389	39,547
<b>Total financial assets</b>		<u>558,549</u>	<u>39,547</u>	<u>598,096</u>
<b>Financial liabilities:</b>				
Creditors and other payables				
	-	-	141,655	141,655
<b>Total financial liabilities</b>		<u>-</u>	<u>141,655</u>	<u>141,655</u>

The following table details the Independent Police Conduct Authority's exposure to interest rate risk as at 30 June 2012.

	Weighted average effective interest rate %	Variable interest rate bearing \$	Non interest bearing \$	Total \$
<b>Financial assets:</b>				
Cash and cash equivalents				
- Cash at bank	0.25	1,095	-	1,095
- Call account	3.00	203,472	-	203,472
- Investments - term deposits	4.36	700,000	-	700,000
Debtors and other receivables	-	-	56,389	56,389
<b>Total financial assets</b>		<u>904,567</u>	<u>56,389</u>	<u>960,956</u>
<b>Financial liabilities:</b>				
Creditors and other payables				
	-	-	239,271	239,271
<b>Total financial liabilities</b>		<u>-</u>	<u>239,271</u>	<u>239,271</u>

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**Independent Police Conduct Authority Notes to the Financial Statements for the year ended 30 June 2013**


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**10. Financial Instruments (cont.)***Credit risk management*

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

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

Maximum exposures to credit risk at reporting date are:

	<b>2013 Actual \$</b>	<b>2012 Actual \$</b>
Cash and cash equivalents	108,549	204,567
Investments – term deposits	450,000	700,000
Debtors and other receivables	39,547	56,389
	<u>598,096</u>	<u>960,956</u>

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

*Fair value of financial instruments*

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

*Liquidity risk*

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

All of the Independent Police Conduct Authority's commitments owing at balance date, comprising trade and other payables, have a contractual maturity of less than six months (2012: maturity also less than six months). The Independent Police Conduct Authority has sufficient cash on hand to meet these commitments as they fall due.

## Independent Police Conduct Authority Notes to the Financial Statements for the year ended 30 June 2013

### 10. Financial Instruments (cont.)

#### *Currency risk*

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

### 11. Capital Management

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

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

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

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

	<b>2013 Actual \$</b>	<b>2012 Actual \$</b>
<b>Net surplus/(deficit) for the year</b>	(427,122)	106,553
<b>Add/(less) Non cash items:</b>		
Amortisation	7 32,292	32,271
Depreciation	6 93,068	104,938
<b>Total non cash items</b>	<u>125,360</u>	<u>137,209</u>
<b>Add/(less) movements in statement of financial position items:</b>		
(Increase)/decrease in GST Receivable	10,167	(20,109)
(Increase)/decrease in sundry receivables	3,898	9,672
(Increase)/decrease in prepayments	11,638	(18,871)
(Increase)/decrease in accrued interest	2,777	927
(Decrease)/increase in creditors and other payables	(44,222)	129,650
(Decrease)/increase in employee entitlements	24,038	(2,126)
<b>Net movement in working capital items</b>	<u>8,296</u>	<u>99,143</u>
<b>Net cash flow from operating activities</b>	<u>(293,466)</u>	<u>342,905</u>

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**Independent Police Conduct Authority Notes to the Financial Statements for the year ended 30 June 2013**


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**13. Employee Remuneration**

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

	<b>2013 Actual</b>	<b>2012 Actual</b>
\$100,000 - \$109,999	6	5
\$120,000 - \$129,999	1	1
\$130,000 - \$139,999	0	1
\$140,000 - \$149,999	1	0
\$150,000 - \$159,999	1	1
\$160,000 - \$169,999	0	1
\$180,000 - \$189,999	0	1
\$220,000 - \$229,999	0	1
\$320,000 - \$329,999	1	0

**14. Related Party Transactions**

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

The Independent Police Conduct Authority is a wholly owned entity of the Crown. The Government significantly influences the role of the Independent Police Conduct Authority as well as being its major source of revenue. During the period, the Independent Police Conduct Authority received \$3,811,000 (2012: \$3,811,000) of funding from the Crown.

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

The Independent Police Conduct Authority also purchases good and services from entities controlled, significantly influenced, or jointly controlled by the crown. Purchases from these government related entities for the year ended 30 June 2013 totalled \$45,622 (2012: \$356,404). These purchases included the purchase of electricity from Genesis and expenditure on audit work with Audit New Zealand.

There were no transactions with close family members of key management personnel employed by the Independent Police Conduct Authority in 2013 (2012: \$nil).

## Independent Police Conduct Authority Notes to the Financial Statements for the year ended 30 June 2013

### 15. Key Management Personnel Compensation

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

	2013 Actual \$	2012 Actual \$
Short-term employee benefits	706,934	726,122
<b>Total compensation</b>	<b>706,934</b>	<b>726,122</b>

There were no post-employment benefits, other long-term employee benefits, termination benefits paid to key management personnel during the year (2012: \$nil)

### 16. Board member remuneration

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

	2013 Actual \$	2012 Actual \$
Justice L.P. Goddard	-	225,026
Allan Galbraith	-	132,692
Judge Sir David J Carruthers	326,806	18,594
Angela Hauk-Wills	25,520	14,028
Dianne Macaskill	9,115	9,231
Richard Woods	6,788	11,011
<b>Total Board member remuneration</b>	<b>368,229</b>	<b>410,582</b>

There have been no payments made to committee members appointed by the Board who are not Board members during the financial year. No Board members received compensation or other benefits in relation to cessation (2012: \$nil).

### 17. Commitments

#### (i) Capital commitments

There are no capital commitments at reporting date (2012: \$nil).

#### (ii) Operating lease commitments

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

The lease term with 342 Lambton Quay Limited is for a period of six years commencing 18 February 2009, with rights of renewal at 18 February 2015 at the same or lesser price. The Independent Police Conduct Authority does not have the option to purchase the leased asset at the expiry of the lease period. The Independent Police Conduct Authority does not intend to take up the right of renewal at 18 February 2015.

## Independent Police Conduct Authority Notes to the Financial Statements for the year ended 30 June 2013

### (ii) Operating lease commitments (cont.)

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

	2013 Actual \$	2012 Actual \$
Less than one year	302,316	302,316
Between one and five years	201,544	503,860
Later than five years	-	-
<b>Total operating lease commitments</b>	<b>503,860</b>	<b>806,176</b>

### 18. Contingency

There are no contingent liabilities or assets at reporting date (2012: \$nil).

### 19. Subsequent Events

Subsequent to reporting date The Independent Police Conduct Authority has entered into a new operating lease commitment with DNZ Property Fund Limited for building accommodation at 1 Grey St, Wellington. The lease term with DNZ Property Fund Limited is for a period of nine years commencing 1 September 2014, with rights of renewal at 1 September 2023 at the same or higher price. The Independent Police Conduct Authority does not have the option to purchase the leased asset at the expiry of the lease period. The Independent Police Conduct Authority paid a deposit for 1 Grey St during July 2013 of \$58,110 (including GST), being two months annual rent.

There are no other 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 2013 (2012: Nil).

### 20. Major Budget Variances

#### (i) Statement of Comprehensive Income

##### 1. Professional fees and Contract Services

**Actual – \$307,327; Budget – \$115,000**

Professional Fees and Contract Services were higher than budgeted because "Operation Eight" continued for several months beyond its expected completion date. The Authority used the services of consultants to provide advice in such areas as mediation/facilitation, staff development planning, and management development and career planning. These expenses were not budgeted for at the start of the year.

##### 2. Personnel and Board Fees

**Actual – \$2,988,215; Budget – \$2,726,347**

Personnel and Board Fees were higher than budgeted. A number of additional staff flowed in and out of the organisation during the year, some to provide additional capacity and others in 'back-filling' roles to cover for staff seconded to the "Operation Eight" project team.

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**Independent Police Conduct Authority Notes to the Financial Statements for the year ended 30 June 2013**

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**1. Statement of Financial Position****1. Cash and Cash Equivalents****Actual – \$108,549; Budget – \$485,489**

Cash in hand was lower than budgeted because IPCA invested all monies not required in the very short term in term deposits to manage cash in an efficient manner.

**2. Creditors and Other Payables****Actual – \$195,049; Budget – \$55,775**

Creditors and other payables were higher than budgeted, due to total expenditure in the month of June 2013 being higher than was originally expected and a lease 'Make Good' provision.

**2. Statement of Cash Flows**

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

### 3.5. SUMMARY OF INCOME AND EXPENDITURE ON OUTPUTS

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

As noted in the preceding section covering the Authority's financial statements, overall expenditure was above forecast levels during 2012/13 and this is reflected in the output expenditure levels. It is important to highlight, however, that we prioritised the allocation of resources toward our most critical service delivery areas. In this regard our allocation of resources emphasised the need to manage complaints and undertake investigations.

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

Output	Income		Expenditure	
	2012/13 Forecast	2012/13 Actual	2012/13 Forecast	2012/13 Actual
Receive, manage, and ensure resolution of complaints	Not specified	\$1,630,588	\$1,433,827	\$1,810,962
Carry out Independent investigations into Police conduct and report on these as required	Not specified	\$1,978,096	\$2,017,223	\$2,196,911
Monitor and report on Police places of detention	Not specified	\$49,423	\$52,883	\$54,891
Make recommendations for improved Police conduct, practices, policies and procedures, based on the results of investigations, and monitoring implementation of those recommendations	Not specified	\$203,099	\$197,949	\$225,566
<b>Total:</b>	<b>\$3,860,307</b>	<b>\$3,861,208</b>	<b>\$3,701,882</b>	<b>\$4,288,330</b>



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