



VICTORIAN
ombudsman

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Letter to the Legislative Council and the Legislative Assembly

To

The Honourable the President of the Legislative Council

and

The Honourable the Speaker of the Legislative Assembly

Dear Presiding Officers

I am pleased to transmit, in accordance with section 25 of the *Ombudsman Act 1973*, my annual report of the Victorian Ombudsman's office for the year ended 30 June 2016 for presentation to Parliament.

A handwritten signature in black ink, reading 'Deborah Glass', with a stylized flourish at the end.

Deborah Glass OBE

Ombudsman

6 October 2016

2015-16 annual report

6

About us

8

Our work

14

**What we do -
complaints**

29

**What we do -
systemic
investigations**

33

**What we do -
protected
disclosures**

36

**What we do -
driving
improvement**

45

**Our people and
Our performance**

50

**Statutory
disclosures**

66

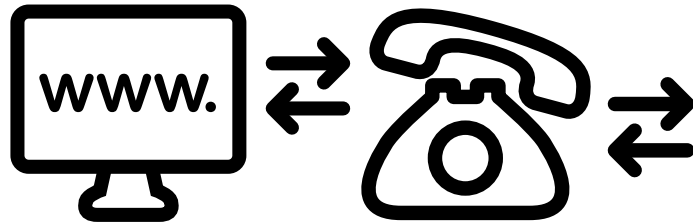
**Financial
statements**

YEAR AT A GLANCE 2015-16



39,470
people contacted us

17,469 people
used our redirection services



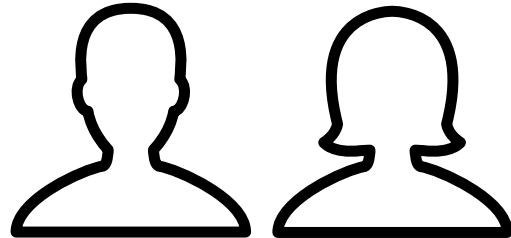
ABOUT US

OUR WORK



71%
of contact
was made
by phone

82 employees



WHAT WE DO



92%
of complaints
closed within
30 days

19

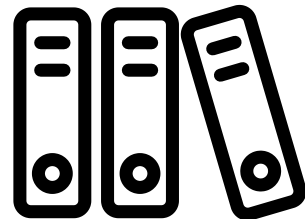
information and complaint
sessions in regional Victoria

OUR PEOPLE AND
OUR PERFORMANCE

formal
investigations
completed



8



reports tabled in Parliament

STATUTORY DISCLOSURES



2,988
enquiries
completed

11



submissions
made to drive
public sector
improvement

FINANCIAL STATEMENTS

Ombudsman's message



This report sets out some of the many enquiries, investigations and events that made up another busy year in the Ombudsman's office. There is never a dull moment: for example, we were not expecting to receive, in November 2015, only the third referral from Parliament in the 43 year history of the office.

The referral underlined a concern I set out in my last annual report – that my budget should not be reliant on the executive, over whom I have jurisdiction. While the financial support I have received from the Department of Premier and Cabinet has been invaluable, when I am asked by Parliament to investigate members of the government it is awkward for both parties when I am obliged to negotiate my funding from the Premier's own department.

The three 'pillars' of the integrity landscape – the Ombudsman, Auditor-General and IBAC – have now put the argument that independent officers of Parliament charged with the scrutiny of the executive arm of the government should receive an appropriation direct from Parliament. We did so as part of a joint submission to the government on proposed reforms to the integrity system – the first time all three bodies have acted jointly.

That submission also highlighted inconsistencies in our mandate and jurisdictional reach. We pointed out that Victorians deserve the same level of accountability over services funded by public money regardless of whether those services are delivered by the public sector or by contract. It follows that the Ombudsman, and IBAC, should also have the capacity to 'follow the dollar' that the Auditor-General has finally achieved.

This principle should also apply to whistleblowers – as I noted in the report I tabled in December 2015 on abuse in the disability sector, the current regime gives protection to whistleblowers in facilities provided directly by government, but not in all facilities run by providers funded by government.

A public dollar is no less of a dollar if spent in a private organisation. A modern Ombudsman should be able to apply a consistent approach to oversight regardless of the structure of the agency ultimately delivering the service; gaps and inconsistencies cannot be in the public interest.

My submission to the government highlighted further areas for reform, including powers and privileges when carrying out investigations, a mandated education function and the ability of the Ombudsman to release information in the public interest.

It is, however, good to be able to report that some of the legislative reforms I have been seeking since coming into the role have now been made, with the passing of the *Integrity and Accountability Legislation Amendment (A Stronger System) Act 2016*. Among other things, this now allows me to share information with agencies, and it finally abolished the requirement that complaints to my office be in writing, which for decades has operated as a most unnecessary barrier to the public. I am also now able to make informal enquiries into protected disclosure complaints before deciding whether to investigate.

In the meantime, the work of the office continues. Contacts and complaints remain at record high levels; formal enquiries and investigations were similar to the previous year. Among those completed were some very substantial investigations, including into the rehabilitation of prisoners in Victoria, and the reporting of abuse in the disability sector, described elsewhere in this report. It is good to see Ombudsman reports have traction; the prisons report in particular generated much public commentary and debate, and numerous speaking requests that continue to this day.

This year, I tabled my first report into the implementation of the recommendations I have made in two years of public reports. I noted that all have been accepted, with some real evidence of improvements in public administration, and that it was truly gratifying when implemented recommendations made a real difference to people's lives.

An example of this is set out in page 30 of this report. Following the change in the law recommended in my prisons report – which allows Aboriginal and Torres Strait Islander prisoners to keep the proceeds from art made while in prison to fund their rehabilitation – we purchased artwork from The Torch program, which had an immediate beneficial effect on the artists.

This year much work also went into ensuring the office was operating on solid foundations; in particular, ensuring our policies and procedures were up-to-date, as transparent as possible and reflecting best practice.

Work also continues, albeit at a modest pace, on expanding my community engagement program across Victoria, and on developing my digital strategy. I have now visited the four corners of the state and spoken to a wide range of community service organisations to explain my role and the work of my office, supported by my staff taking complaints from the public. While feedback from those sessions confirms how important it is for the Ombudsman to have a presence in rural and regional Victoria, I cannot yet commit staff to a regular program of complaint handling outside Melbourne.

Nor do I yet have the resources to fully develop the single complaints portal for the public sector that remains a core part of my digital strategy; as recommended by the Accountability and Oversight Committee. I am pleased the government has said it supports my office identifying ways to simplify the complaints system in Victoria and look forward to its assistance to resource these efforts.

While my funding bids to the government to develop my digital strategy and to expand my engagement activities in regional Victoria were not successful this year, I did receive the necessary funding to relocate my office to larger, more suitable premises where all staff can be accommodated on one floor, for which I am extremely grateful.

My thanks must also go to my wonderful, hardworking and dedicated staff, ably led by my two deputies, who tolerated cramped conditions, management changes and the frequently intense pressures of the office with consummate professionalism. My vision for a fairer Victoria depends on them.

Deborah Glass
Ombudsman

About us

The Victorian Parliament established the office of the Victorian Ombudsman on 30 October 1973, recognising the power imbalance between the individual and the state and the need for government transparency and accountability.

The Victorian Ombudsman is an independent officer of the Parliament under section 94E of the *Constitution Act 1975*. **The purpose of the office is to ensure fairness for all Victorians in their dealings with the public sector and to improve public administration.** We do not advocate for members of the public or authorities. We make decisions based on evidence and operate in accordance with the *Ombudsman Act 1973*.

Our day-to-day work involves:

- taking complaints from the public about administrative actions by state government departments, bodies established by legislation (e.g. WorkSafe, VicRoads) and local councils (and certain organisations acting on behalf of those bodies)
- making enquiries and resolving complaints informally where possible
- investigating when needed and making recommendations for change
- examining systemic problems in public administration.

The Ombudsman Act defines administrative action broadly. It can include a decision to grant a permit, a failure to provide a service, a formulation of a proposal and the making of a recommendation to a Minister. We look at whether the administrative action is lawful, reasonable and fair.

We can also consider whether administrative actions are compatible with Victoria's *Charter of Human Rights and Responsibilities Act 2006*. And, we investigate protected disclosure complaints about improper conduct received from the Independent Broad-based Anti-corruption Commission (IBAC).

We have a function to monitor compliance with Part 2A of the *Prevention of Cruelty to Animals Act 1986* and sections 71A(1) and 72A(1) of the *Domestic Animals Act 1994*. In May 2016, we commenced an audit of the RSPCA, the Department of Economic Development, Jobs, Transport and Resources, and all 79 Victorian councils about their compliance with these provisions. This audit is ongoing.

The *Terrorism (Community Protection) Act 2003* requires us to be notified when a preventative detention order or prohibited contact order is made, and if a person is taken into custody. We can receive complaints and make representations to a nominated senior police officer about a person's treatment in connection with their detention.

Most of our work takes place in private, but the Ombudsman can decide to make our work public.

Our vision

There are four principles that guide our work:

1. ensuring **fairness** through independent and impartial complaint resolution and encouraging fair and reasonable decision-making in the public sector
2. enhancing **accountability** by modelling transparency and openness and conducting independent investigations into the most serious matters
3. fostering **continuous improvement** by sharing lessons learnt from complaints and investigations and by investigating systemic issues and identifying solutions
4. protecting **human rights** by ensuring they are respected and making it easier for vulnerable people to complain.

We have tagged the case studies in this report with 'fairness', 'accountability', 'continuous improvement' and 'human rights' to reflect their connection to our strategic framework. An index is at Appendix 1.

Figure 1: Strategic framework 2014-17



Our work

Our core work falls into three main categories:

- investigating complaints about administrative action
- investigating systemic issues
- investigating protected disclosure complaints about improper conduct.

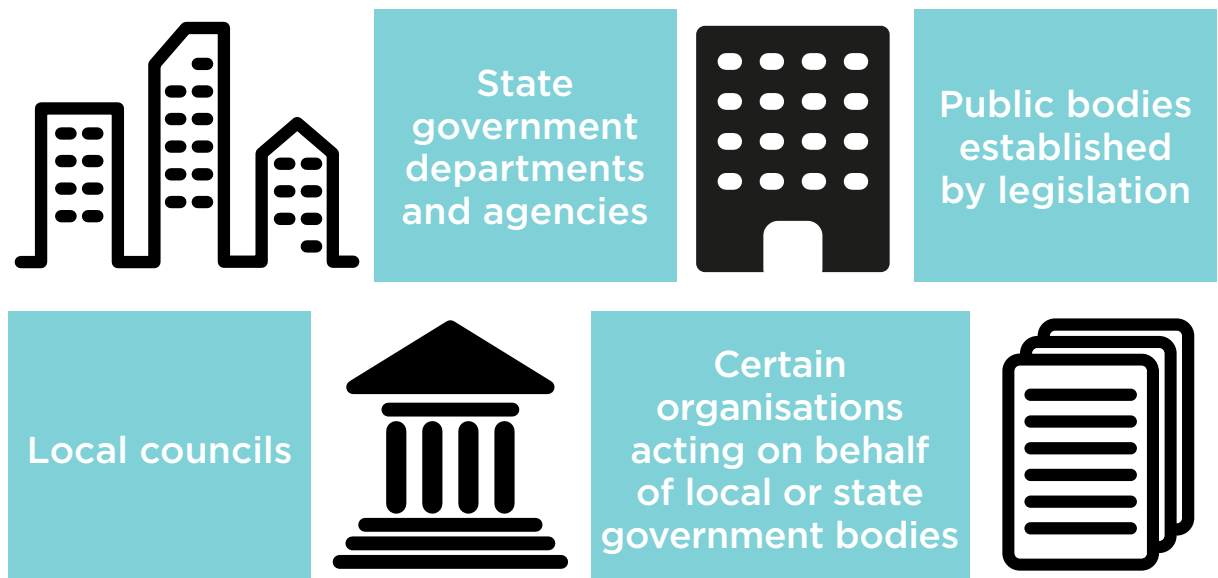
Who we can investigate

Our main function under the Ombudsman Act is to investigate administrative actions taken by or in an authority in the public sector. An authority can be a state government department or administrative office or another public body such as:

- a private or public prison
- a body established by legislation, such as the Transport Accident Commission
- a local council

To drive improvement in the public sector, we collaborate with and educate authorities to ensure fairness is at the heart of decision-making. We make submissions to government to improve our service, and engage with our communities to raise awareness of our work.

Figure 2: Who we can investigate



Contact with us

This year 39,470 people contacted us, almost 500 more than the previous year. Of those contacts, 13,964 were about issues we could deal with (in our scope). As in previous years, most people contacted us by phone, but more people contacted us by email and our online form. Since 2014-15:

- email contact has increased 18 per cent
- contact through our online form has increased 10 per cent.

As we implement our communication and engagement strategy, travelling to more Victorian communities more often, contact received in person outside the office has more than tripled, up from 29 in 2014-15 to 89 this year.

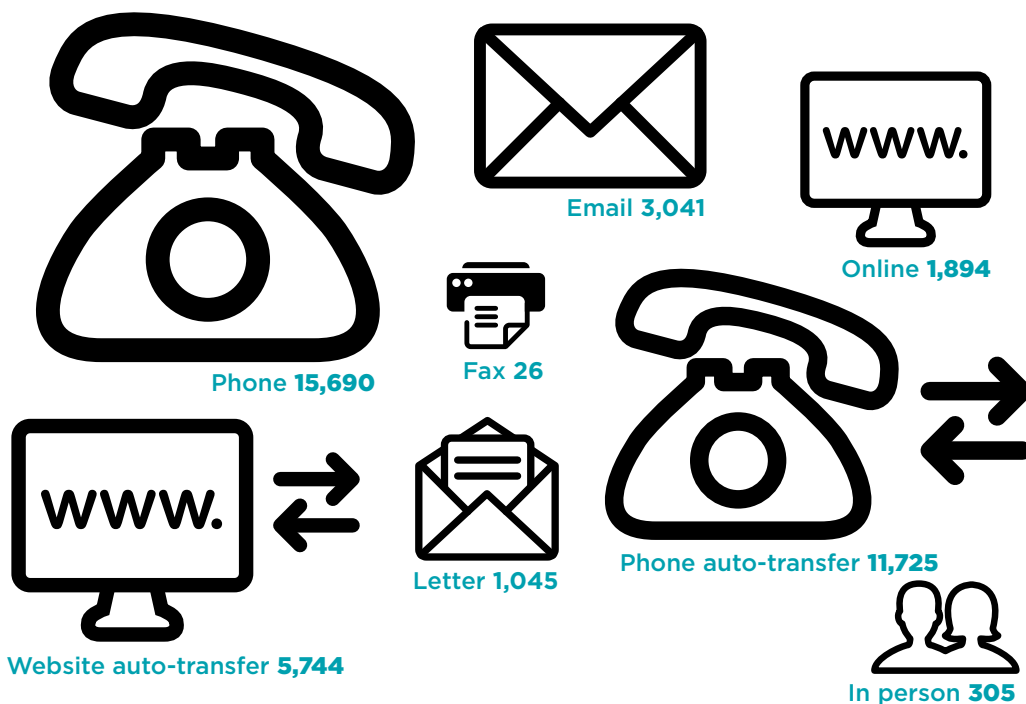
The complaints handling landscape in Victoria and across Australia is complex.

There are Parliamentary ombudsmen, industry based ombudsmen, state and federal complaints commissioners and many other regulatory services. It can be difficult to know where to go.

This confusion means many people contact us about matters we cannot deal with. What we can do is ensure we direct them to the right place, and since 2013 we have offered phone and website redirection services for this purpose. This year our redirection services transferred about 17,500 people to somewhere that could help them, without needing to speak to our staff.

While this is a valuable service, the public would be better served by a more harmonious complaints system. Over the next year we will continue to develop proposals for achieving this and put them before the government.

Figure 3: How people contacted us



Contact carried over

The Ombudsman’s work is by nature ongoing. Matters we deal with range from simple issues, which may be resolved on the phone during initial contact, through to comprehensive investigations, which can take over a year. Here is a snapshot of our work in 2015-16, including how it relates to the preceding financial year.

At the start of 2015-16 (1 July 2015):

- 548 matters were open
- of those, 540 were finalised in 2015-16

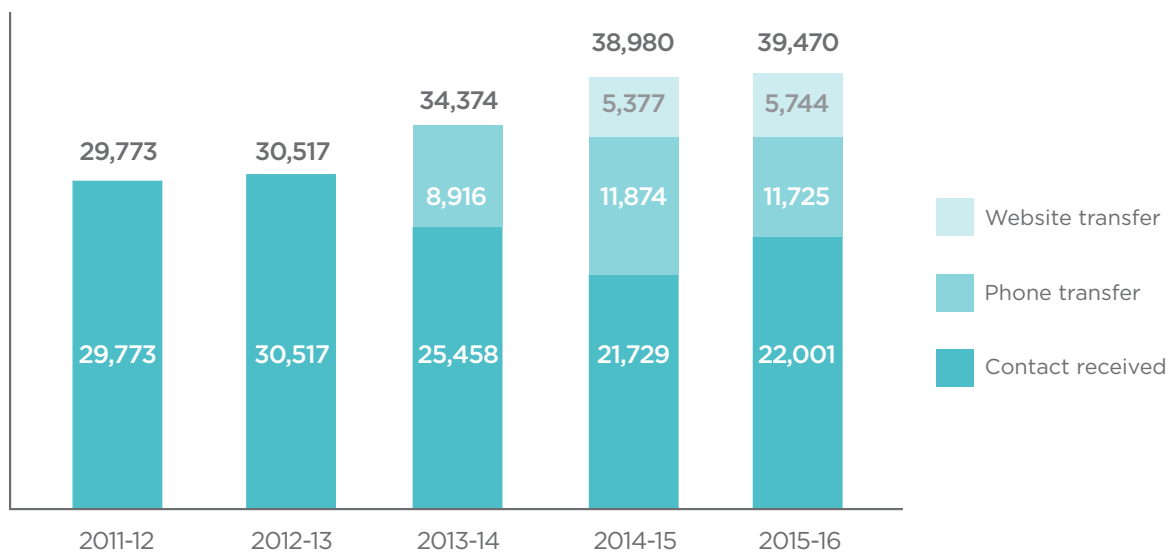
During 2015-16:

- we received 22,001 contacts¹
- of those, 97.6 per cent (21,481) were finalised in 2015-16

At the start of 2016-17 (1 July 2016):

- 520 matters from 2015-16 remained open
- 528 matters remained open altogether (520 carried over from 2015-16 plus eight carried over from 2014-15)
- Eight matters from 2014-15 were carried over to 2016-17. All of these were formal investigations; the oldest was 18 months old.

Figure 4: Contact with us 2011-12 to 2015-16



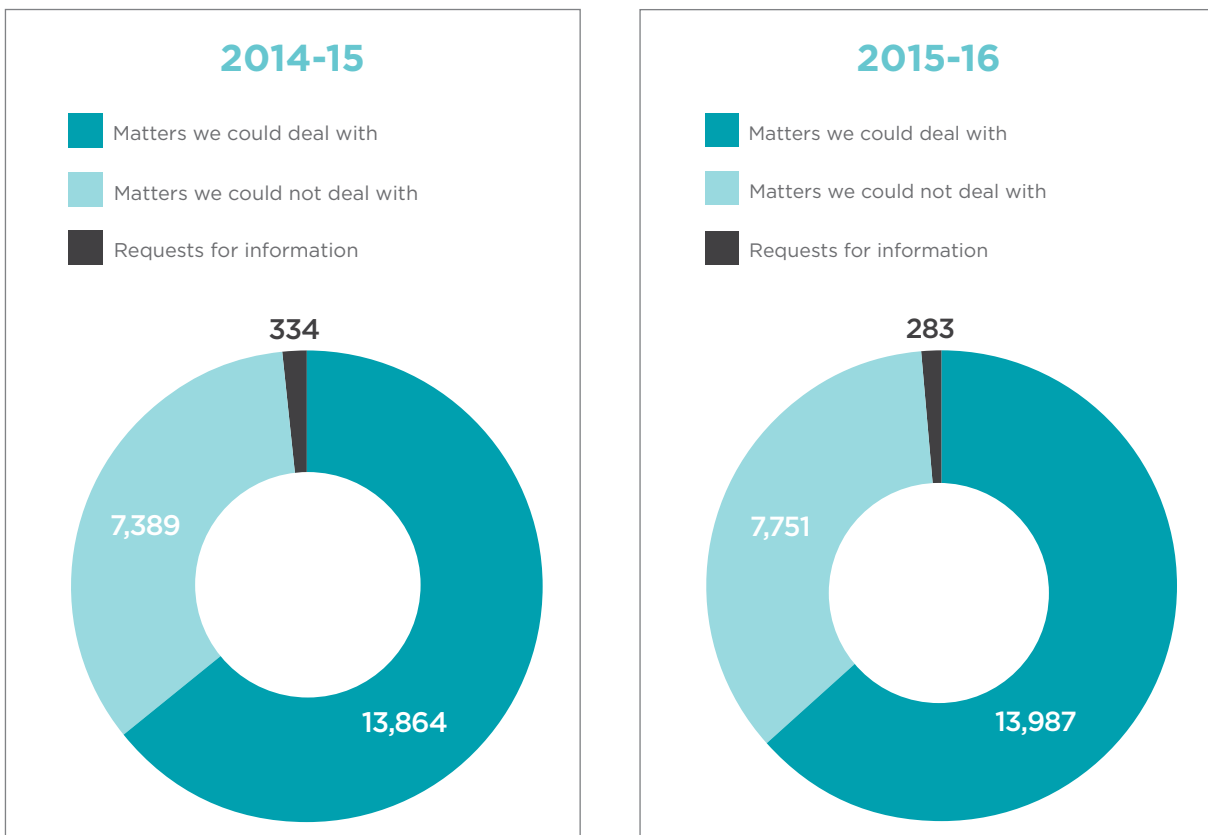
¹ Not including website and phone transfers.

Matters dealt with

This year we finalised 22,021 matters – two per cent more than last year when we finalised 21,587. This includes matters we could deal with (within our scope), ones we could not deal with (outside our scope) and information requests.

This does not include contact that was automatically redirected. As noted above, our redirection services were used 17,469 times in 2015-16.

Figure 5: Matters dealt with in 2014-15 and 2015-16

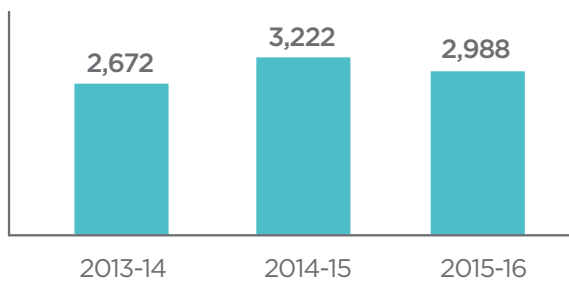


Formal enquiries and investigations

We did a lot of work on our internal policies and procedures this year, tightening the way we exercise our powers and discretion under the Ombudsman Act. We complemented this by training our staff in administrative law.

In a year when we invested significant resources in major systemic investigations – including public transport fare enforcement, prisoner rehabilitation and reintegration, and reporting of abuse of people with disability (see pages 29–32) – we maintained a consistent number of investigations and only a small decrease in enquiries.

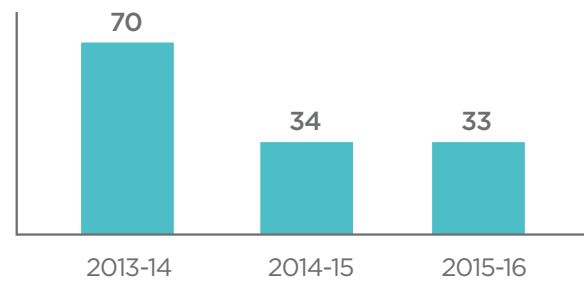
Figure 6: Finalised enquiries



Own motion enquiries and investigations

When we make an enquiry or begin an investigation without receiving a complaint, we are using our ‘own motion’ powers. Many of the reports we present to Parliament do not start with a complaint. This year, we finalised 15 own motion enquiries and four own motion investigations.

Figure 7: Finalised investigations



Contact in writing

Before 1 July 2016, the Ombudsman Act required us to advise people to set out the details of their complaint in writing, even if we had spoken to them about it on the phone. This discouraged people from making a formal complaint. In 2015-16 we advised 519 people to make a complaint in writing after speaking with them, and they did not then do so.

This year, we made a submission to the Victorian Government about the requirement for a complaint be in writing.

Effective 1 July 2016, that requirement was removed, which will improve access to our office and allow us to consider complaints made over the phone without having to ask people to write to us.

Time taken

We finalised almost 92 per cent of matters within 30 days and almost 80 per cent within seven days.

Table 1: How long did it take us to finalise matters?*

	2015-16	% (per cent)
On day received	13,940	63.3%
1 to 7 days	3,488	15.8%
8 to 30 days	2,825	12.8%
1 to 3 months	1,229	5.6%
3 to 6 months	434	2.0%
After 6 months +	105	0.5%
Total complaints finalised in 2015-16	22,021	100%

* Does not include contact redirected via phone or the website.

What we do – complaints

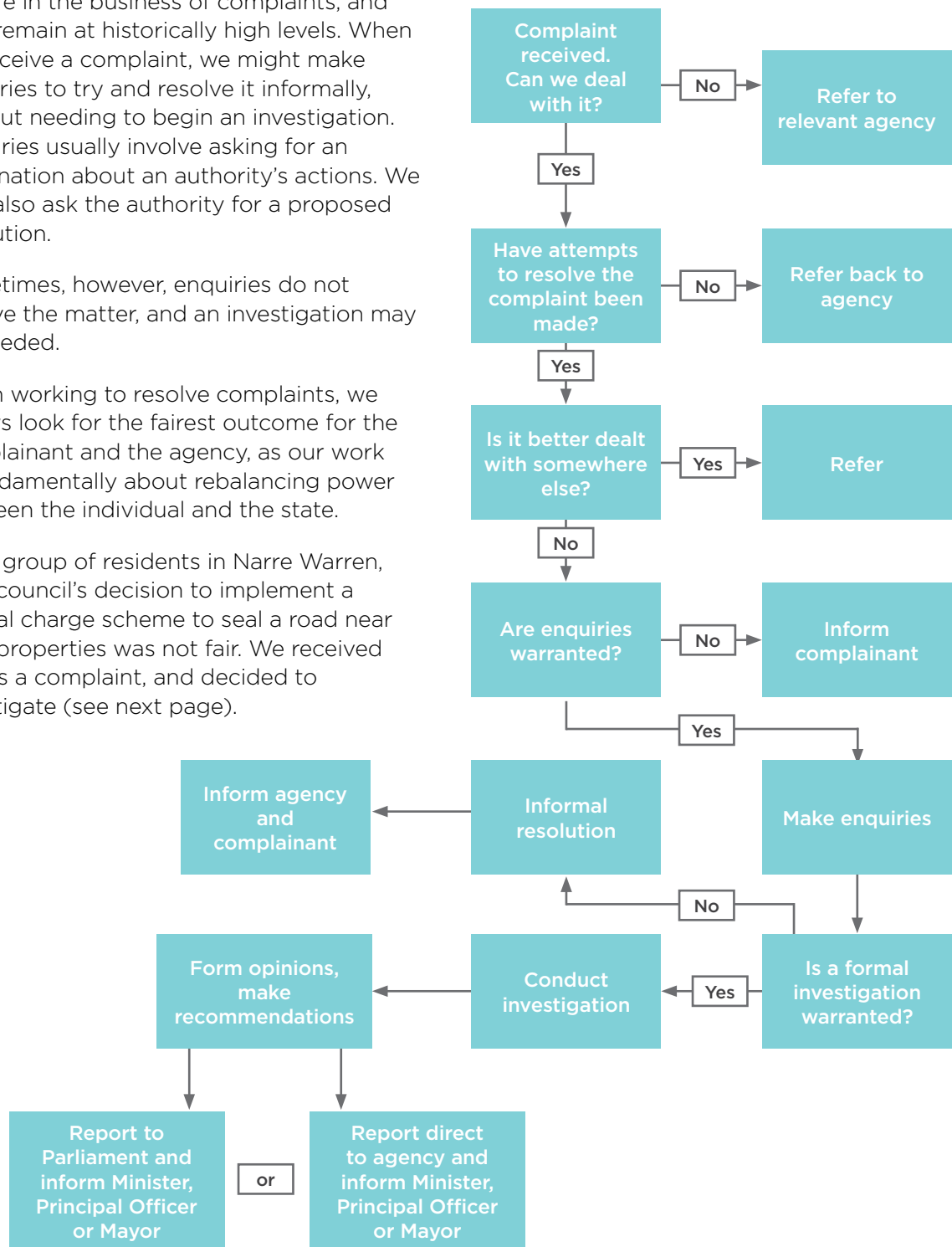
We are in the business of complaints, and they remain at historically high levels. When we receive a complaint, we might make enquiries to try and resolve it informally, without needing to begin an investigation. Enquiries usually involve asking for an explanation about an authority’s actions. We may also ask the authority for a proposed resolution.

Sometimes, however, enquiries do not resolve the matter, and an investigation may be needed.

When working to resolve complaints, we always look for the fairest outcome for the complainant and the agency, as our work is fundamentally about rebalancing power between the individual and the state.

For a group of residents in Narre Warren, their council’s decision to implement a special charge scheme to seal a road near their properties was not fair. We received this as a complaint, and decided to investigate (see next page).

Figure 8: Complaint flowchart



Report: Special charge scheme

Ms Judith Graley MP, Member for Narre Warren South, lodged a complaint on behalf of 37 residents of Market Lane, Narre Warren South. Casey City Council had charged between \$15,000 and \$20,000 to each resident to fund works to surface their road under a special charge scheme.

Under the *Local Government Act 1989*, local councils can levy a special charge to fund works where residents receive a 'special benefit', such as improved access and reduced dust.

During the public notification process, the council advised residents the interest rate on repayments would commence at 4.25 per cent per annum, but when the scheme was declared it went into a closed council meeting to increase the interest rate to 7.5 per cent per annum. Residents were not informed of the increase until after the owners' right to object to the special charge had expired.

We investigated the matter, concluding:

- the decision to enter a closed council meeting on 17 June 2014 to make a decision on the new interest rate appeared to have been made contrary to law
- the decision to increase the interest rate was unreasonable and unjust
- the council's failure to inform residents of the increased interest rate was wrong.

We wrote to the council to invite it to make recommendations about how to resolve the matter.

We made recommendations to Local Government Victoria about its review of the *Local Government Act* and its guidance to councils on declaring special rates and charges.

We also made recommendations to the council about publishing relevant information and dealing with special charge schemes, and recommended it consider refunding residents interest charged above 4.25 per cent per annum.

Within two weeks of the report being finalised, all the recommendations we made to the council were implemented. The council:

- refunded excess interest to residents
- released all the documents associated with the closed meeting
- implemented a special charge scheme section on its website
- arranged to publish more detailed reasons for going into closed council meetings.



Fairness Accountability

Breaking the circuit

The Ombudsman Act enables us to resolve complaints informally, which we frequently do.

Often, people are getting nowhere because of a communication issue or a breakdown in their relationship with an authority. Sometimes, an authority may have discretion to do or not do something, but it has not applied it. Many complaints only require us to make a simple enquiry to 'break the circuit' between the authority and the person complaining.

Communication breakdown

After dealing with the Office of Housing for almost two years about problems with her property, a tenant contacted us. She had a broken fence, no child locks on her cupboards and her request for an air conditioner had been refused. The tenant had asked to move to a place with an extra room and had not received a response. She had also not been reimbursed for the cost of installing a phone line.

After we made enquiries, the department agreed to fix the fence, install child locks and reimburse the tenant for the phone line. Staff also explained what was needed to progress the application for an air conditioner to the tenant and updated her application for new accommodation, backdating it to the date she had applied.

The department also reviewed the way it was communicating to minimise future delays in responding to her.

Fairness Human Rights

What is reasonable?

A driver complained about a fine she received for parking in a dividing strip. She sent us photos showing the dividing strip looked very similar to regular car parks directly next to it, and that there was signage on some dividing strips but not others. She had given this information to the council but it had upheld the fine.

After we made enquiries, the council acknowledged the signage was confusing and agreed to replace missing signage immediately. It withdrew the fine and issued a warning to the driver, saying it would issue warnings to other drivers until the signage was updated.



Fairness

Lost property

A prisoner was moved from one prison to another for medical reasons, and some of his property was left at the first prison. He was told it would be destroyed if it was not picked up or if he did not pay for a courier. Some of the property was medical and legal documentation that he needed.

When the prisoner contacted us, his property was about to be destroyed. He had not been able to get it back despite being willing to pay for the courier. We made urgent enquiries and after we explained the situation, prison staff agreed to arrange for the property to be transferred and not destroyed.

Fairness Human Rights

Washed away

An upgrade of a section of the Calder Alternative Highway left a resident's driveway sloping down to the road. This meant it was eroded when it rained. The resident wanted VicRoads to seal the driveway.

The resident had been in contact with VicRoads for some time but had not been able to resolve the matter, so he came to us. We contacted VicRoads which said it was not its responsibility as the erosion was caused by runoff from a neighbouring private property and not the road reserve, which it owned. We asked for evidence to support this claim. VicRoads did not provide this, but in an effort to resolve the matter agreed to seal the resident's driveway.



Fairness

When we make an enquiry, we will usually ask an authority to:

- comment on a complaint
- provide documents
- explain its actions
- propose a resolution.

Sometimes, however, it is clear from the information provided to us that the authority's actions have been reasonable and that further action is not warranted, so we do not make an enquiry.

A reasonable response

We received a complaint in November 2013 from a fisherman about Parks Victoria issuing him fines for driving a quad bike on a beach. He said he needed to drive on the beach to get to areas his commercial fishing licence allowed him to access.

The fisherman contacted us again in September 2014 and again through his lawyer in August 2015. The fines had not been dealt with at VCAT because they were withdrawn and he wanted to enter into mediation with Parks Victoria, which it had refused to do. The fisherman had met with agency representatives a number of times, as well as with other relevant authorities.

Over the course of this matter we:

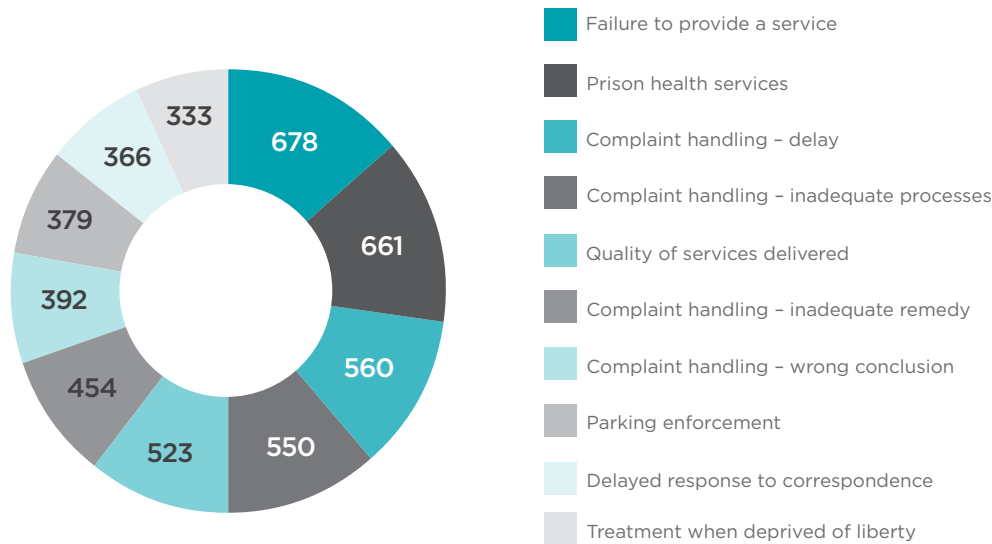
- had considerable contact with the fisherman by phone and email
- analysed and reviewed the relevant law; a number of agencies' policies; the VCAT decision; legal advice received by the fisherman and correspondence with the department.

It was evident the responses of the agencies had been reasonable and that nothing further would be achieved by making enquiries, so we wrote to the fisherman and closed the case.

Accountability Fairness

What people complained about

Figure 9: Top 10 issues complained about



Like 2014-15, complaint handling and service quality were consistent themes this year. The way authorities handle complaints is an ongoing concern and is the focus of much of our attention.

In 2015 we published a report on complaint handling in the local government sector. This provided councils with tools to improve their complaint handling systems. In June 2016, we gave an update on that report (among others) in a *Report on recommendations*. We are pleased that 59² of the 79 local councils are implementing the recommendations made in the complaint handling guide. We continue to monitor this.

We are also updating our *Good practice guide for public sector agencies – a guide to handling complaints for all public sector agencies*.³ We use this guide in our complaint handling sessions, which are for frontline complaint handling staff from across the public sector. As with previous years, we delivered four sessions in 2015-16.

Delay

A woman applied for a birth certificate for her nine-year-old daughter from the Registry of Births, Deaths and Marriages. She did not hear anything for several months, and had tried to contact the Registry many times, including being on hold for more than 90 minutes before being disconnected.

We called the Registry and to resolve the matter it dispatched the certificate the next day.

Fairness

² At the time of writing.

³ At the time of writing, this guide was complete and had been tabled in Parliament.

This year, of the complaints we could deal with, more than:

- 30 per cent were about Corrections, Justice and Regulation
- 24 per cent were about local government
- 15 per cent were about Health and Human Services.

These have consistently been the three most complained about departments in recent years (see below).

Figure 10: Complaints* about departments in 2015-16

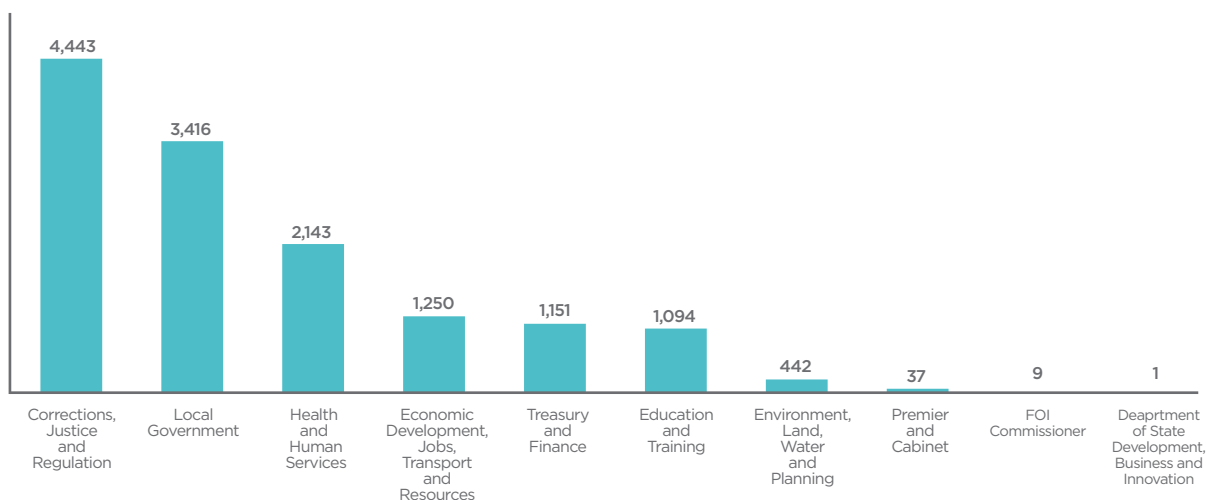
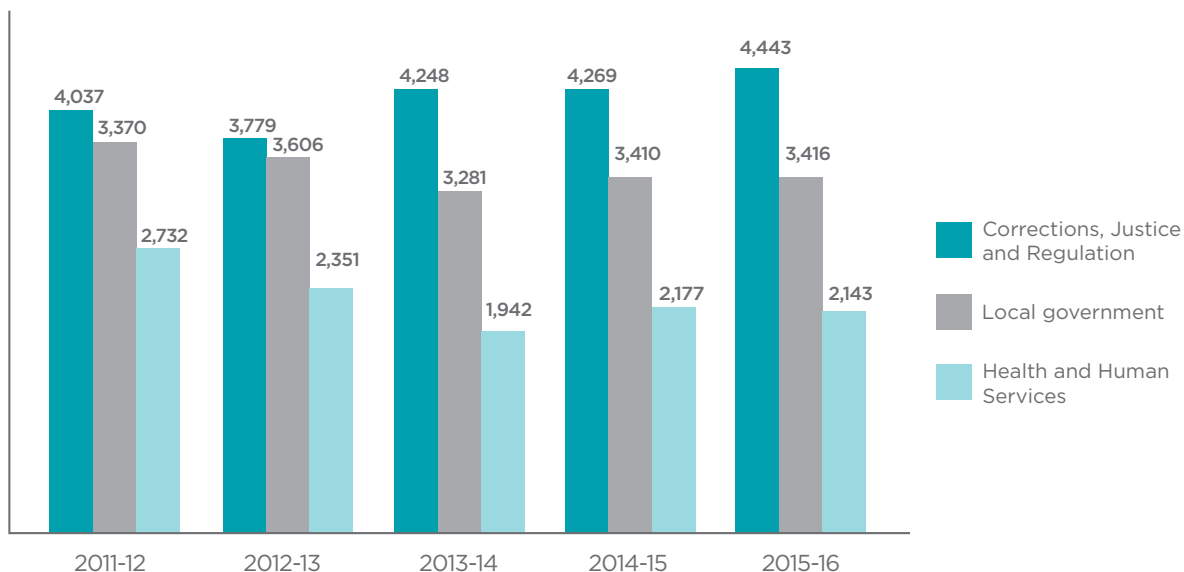


Figure 11: Most complained about authorities



* In this report, a complaint is taken to mean a finalised contact with the office.



Corrections, Justice and Regulation

In 2015-16, we finalised four per cent more complaints about Corrections, Justice and Regulation than in 2014-15.

Corrections, Justice and Regulation includes:

- Corrections Victoria, which manages Victoria's prisons
- the Department of Justice and Regulation
- Justice Health, which provides health services in public prisons
- Civic Compliance Victoria
- the Sheriff's Office
- the Victorian Commission for Gambling and Liquor Regulation.

Figure 12: Complaints about Corrections, Justice and Regulation

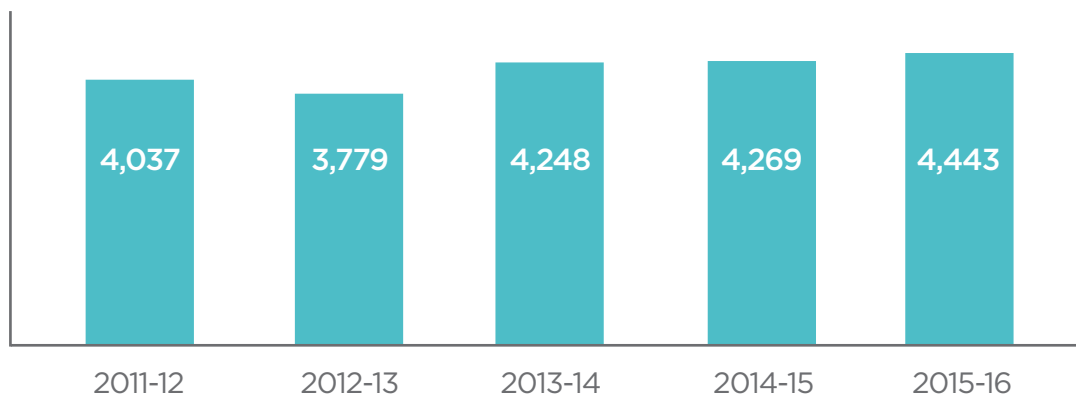
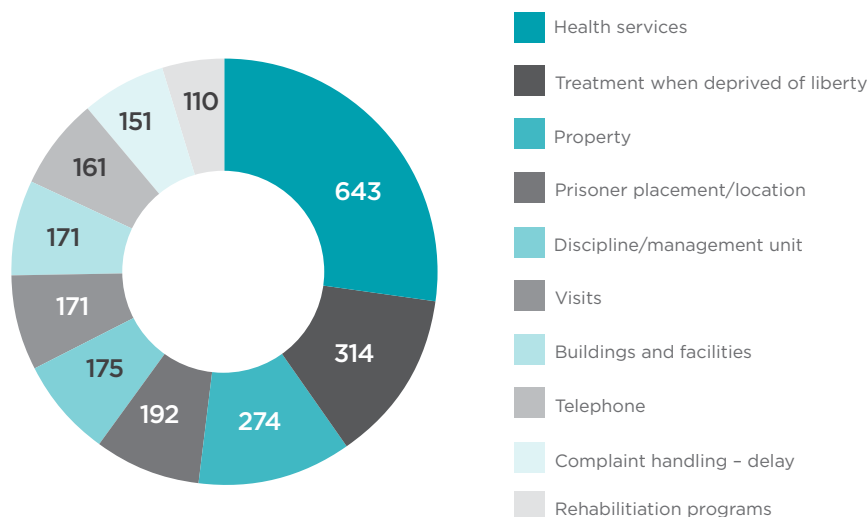


Figure 13: Top ten issues - Corrections, Justice and Regulation



Prisons

Ten years ago, toll-free phones were put in Victorian prisons so prisoners could contact the Ombudsman, recognising the important role independent scrutiny plays in a closed environment. We receive large numbers of complaints about Corrections Victoria and the department, largely as a result of these phones, and high levels of awareness of our work in prisons and juvenile justice facilities.

Over 90 per cent of complaints about prisons in 2015-16 were made over the phone. These complaints totalled:

- 20 per cent of all complaints we could deal with about all authorities
- more than seven per cent of all contacts made with our office.

A hefty toll

A driver complained to us because a car owned by the company she worked for had been impounded for unpaid toll road fines, and she had not been able to get it back. The fines had been sent to the address recorded with VicRoads, but they were not received.

The driver was told to contact Civic Compliance Victoria to arrange collection of the car - which she did - and was told she could collect it immediately. She got another call on the same day from a different Civic Compliance officer telling her she needed to wait until the car had been cleared for release. She then contacted us.

We made enquiries, as did a representative of the company she worked for, and the Deputy Sheriff agreed to exercise discretion to release the car because the driver had been given incorrect advice. She then collected it shortly after. The driver had an active toll road account, so she applied in court to have the fines withdrawn, and her application was approved.

Fairness

Notifying authorities

A mother phoned us from a prison raising concerns about the safety and well-being of her three youngest children. She explained that one child had come to visit her and detailed physical and sexual abuse of all three children by their father. She said despite attempting to report her concerns to Child Protection and Victoria Police, the prison told her she could not contact either to report the allegations.

The following day, we contacted the prison. According to the prison, when the mother asked to speak to Victoria Police and Child Protection, she did not explain why she wanted to, so was not given permission. We told the prison the matter was serious and arranged for a supervisor to speak with her, who then filed a report on her behalf to Victoria Police, which, along with Child Protection, was aware of the allegations. The mother was also able to speak with Child Protection to file a report.

Human Rights Fairness

Ants no more

A prisoner complained about the lack of action taken in response to his complaints about an ant infestation in his unit. We had received a number of complaints about this matter and because we were concerned about the ants being in contact with people's food, we made enquiries.

After our enquiries, a maintenance team attended the unit and treated the infestation.

The ants were eradicated and the prison received no further complaints about the issue.

Human Rights Fairness



Local government

Complaints about local government typically make up about a quarter of all complaints we can deal with. In 2015-16 – as in previous years – it was second only to Corrections, Justice and Regulation. The high numbers are understandable, given it is the tier of government many in the community interact with the most.

In the last 10 years, we have published 18 reports about local government or councillor conduct. Issues have ranged from complaint handling to conflict of interest, improper conduct and poor governance.

In 2014, we noticed that one of the main things people complained about was the way their council handled their complaint so we investigated councils' complaint handling practices and in February 2015 we tabled a good practice guide. Feedback from councils has been very positive and most are implementing the recommendations made in the report.

It is too early to measure the impact the guide is having. We do, however, continue to closely monitor these complaints; in 2015-16, issues with complaint handling made up four of the top six issues people had with local government.

Figure 14: Complaints about local government

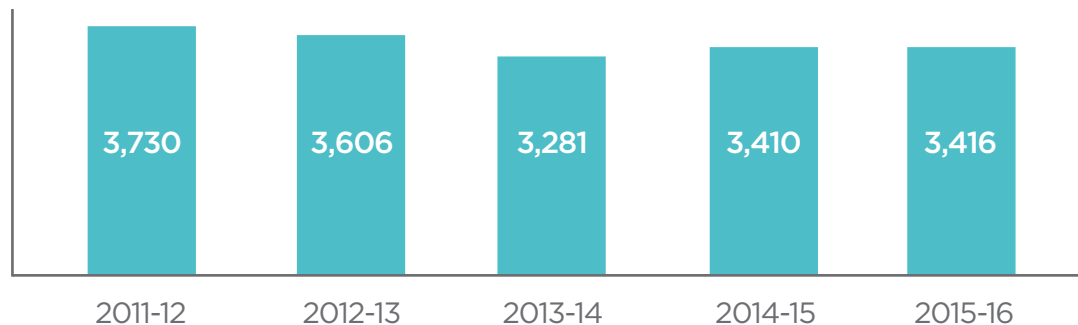
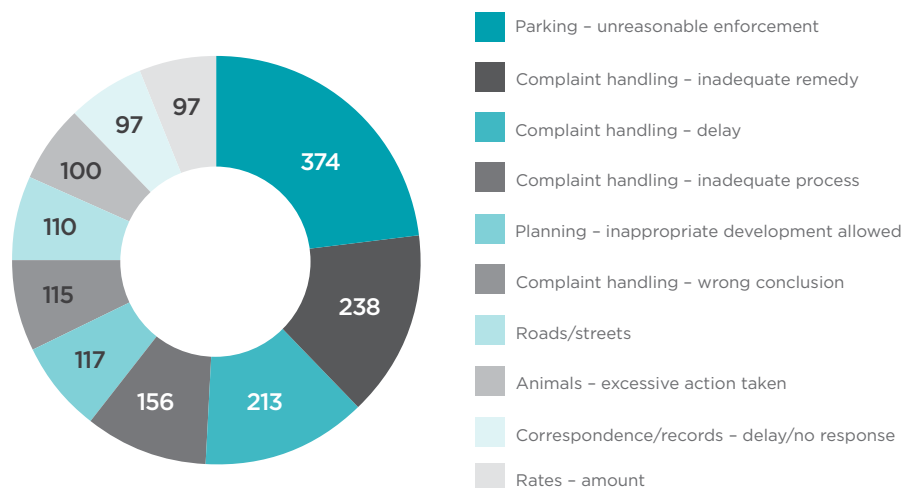


Figure 15: Top ten issues - local government



Clearing things up

A council was issuing tickets to cars parked in a no stopping zone outside a hospital, but not towing them away. While this no stopping zone was in place to manage traffic, the line marking on the ground was not clear and it seemed people were misreading the parking signs.

We visited the site and confirmed extra signage would make it clearer, so we made enquiries about the council's enforcement of the restrictions.

After we made enquiries, the council agreed to install extra signs and make the markings on the road clearer (see below).



Fairness **Continuous Improvement**

Taking out the trash

A resident complained his council was not collecting his rubbish bins, and was requiring him to place them on the opposite side of the road. He was concerned about his safety as the speed limit on the road outside his property was 100km/h and there was not enough space for cars to stop – his property was just after a curve in the road.

After we contacted the council, it agreed to liaise with VicRoads to assess the road near the resident's house for an appropriate speed advisory sign. The council also agreed to construct an off-road path so he could safely wheel his bins out for collection.

Fairness

Not fair

After receiving a parking fine for not displaying his NSW and Australian disabled permits correctly – despite them both being visible – a driver complained to the council requesting an official warning instead. He argued that to penalise him, given he had the right permits, was an injustice. The council conducted a review but did not withdraw the fine.

In this case, the council had not made an error, as the driver had not correctly displayed his permits. Despite this, we made enquiries as it was not reasonable to expect him to go to court to appeal the matter as he lived in NSW.

After reviewing its decision again, the council decided to exercise its discretion to waive the fine.

Fairness

Table 2: Complaints about Victoria's 79 local councils

Local council	Total	Map no.	Local council	Total	Map no.
Moreland City Council	156	64	Baw Baw Shire Council	32	10
Melbourne City Council	127	63	Moorabool Shire Council	32	34
Casey City Council	118	27	Bass Coast Shire Council	30	13
Darebin City Council	99	65	Hobsons Bay City Council	29	62
Maribyrnong City Council	97	61	Hepburn Shire Council	29	35
Brimbank City Council	93	59	Wellington Shire Council	26	6
Hume City Council	93	24	Wangaratta Rural City Council	24	7
Greater Geelong City Council	91	31	Mount Alexander Shire Council	23	36
Yarra Ranges Shire Council	89	15	Golden Plains Shire Council	21	45
Glen Eira City Council	88	69	Moira Shire Council	20	19
Frankston City Council	88	28	Mildura Rural City Council	20	55
Port Phillip City Council	87	67	Wodonga City Council	20	3
Whittlesea City Council	86	25	Campaspe Shire Council	19	20
Wyndham City Council	80	32	Warrnambool City Council	15	49
Boroondara City Council	79	71	Benalla Rural City Council	14	8
Whitehorse City Council	79	74	Buloke Shire Council	14	41
Kingston City Council	79	76	Mansfield Shire Council	13	9
Unidentified local council	79		Murrindindi Shire Council	13	16
Yarra City Council	77	66	Surf Coast Shire Council	11	46
Monash City Council	75	75	Glenelg Shire Council	11	58
Greater Bendigo City Council	70	21	Loddon Shire Council	11	38
Nillumbik Shire Council	63	26	Moyne Shire Council	10	50
Mornington Peninsula Shire Council	62	29	Towong Shire Council	10	2
Manningham City Council	61	73	Swan Hill Rural Council	9	40
Stonnington City Council	56	70	Pyrenees Shire Council	9	43
Banyule City Council	55	72	Colac-Otway Shire Council	9	47
Moonee Valley City Council	54	60	Strathbogie Shire Council	9	17
Greater Dandenong City Council	53	77	Northern Grampians Shire Council	9	42
Knox City Council	53	78	Gannawarra Shire Council	8	39
Ballarat City Council	49	44	Indigo Shire Council	8	4
Melton City Council	49	33	Central Goldfields Shire Council	8	37
Latrobe City Council	46	11	Alpine Shire Council	7	5
Cardinia Shire Council	45	14	Hindmarsh Shire Council	7	56
Bayside City Council	43	68	Yarriambiack Shire Council	7	54
Macedon Ranges Shire Council	43	23	Southern Grampians Shire Council	7	52
Greater Shepparton City Council	42	18	Ararat Rural City Council	6	51
South Gippsland Shire Council	41	12	Horsham Rural City Council	5	53
Mitchell Shire Council	39	22	Corangamite Shire Council	4	48
Maroondah City Council	38	79	Queenscliffe (Borough of)	3	30
East Gippsland Shire Council	32	1	West Wimmera Shire Council	0	57

Figure 16: Complaints about local councils 2015-16

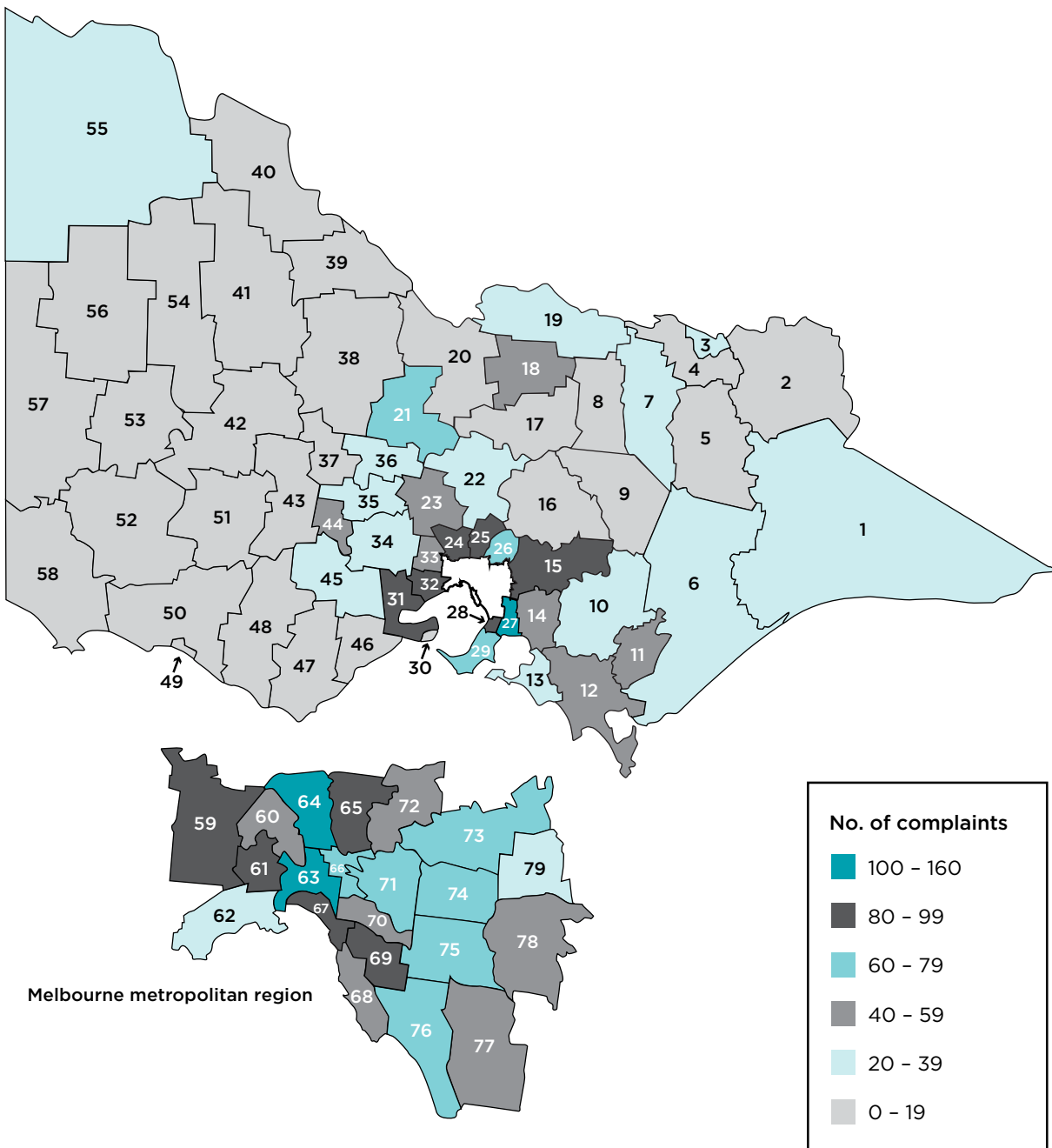


Table 2 lists the number of complaints we received about each council. It is important to note that this is not a comprehensive list of complaints received by the councils themselves, nor is it a list of substantiated complaints. Some people complain only to the Ombudsman, although they are advised to attempt to resolve the matter with the council first, while others may complain only to the council.

Though the number received varied greatly across municipalities, on a per capita basis the range was small, only varying from 0.03 per cent to 0.2 per cent. This year we received at least one complaint about every municipality except West Wimmera Shire Council. We also received 79 complaints where the council was not identified.



The Department of Health and Human Services

The Department of Health and Human Services (DHHS) has consistently been the third most complained about authority. Its responsibilities include public housing, child protection services, disability and health services, and many other services across Victoria. Due to the vulnerability of many of the people who use DHHS services, we closely monitor these complaints.

Before January 2015, Health and Human Services were separate departments. Figure 17 shows a combination of complaints about both departments between 2011-12 and 2013-14 to illustrate the trend over the last five years.

In 2015-16, we finalised slightly fewer complaints about DHHS than in 2014-15.

The most common issues complained about related to complaint handling or the quality of or failure to provide a service.

For example:

- a delay in responding to a complaint, or not responding at all
- a delay or failure to provide housing maintenance services
- the conditions placed on the delivery of a service, such as carer payments (see case study on next page).

Figure 17: Complaints about Health and Human Services

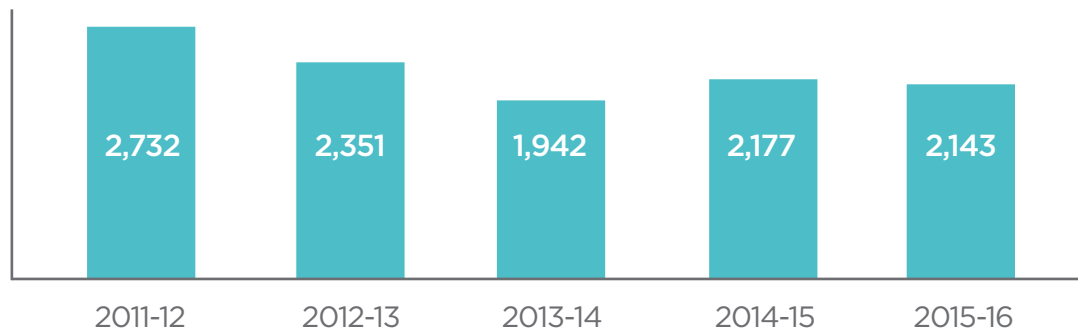
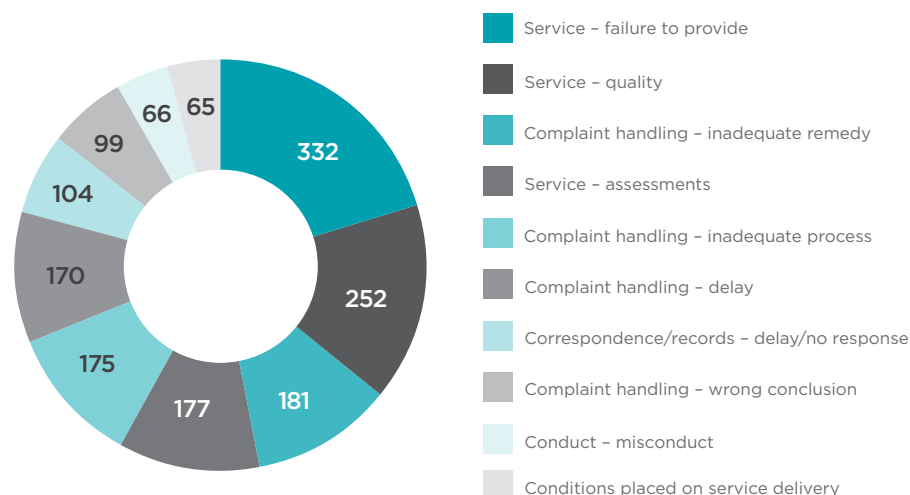


Figure 18: Top ten issues - DHHS



Poor case management and kinship payments

A grandmother complained about Child Protection's administration of kinship caregiver payments. She said her granddaughter, who she was caring for, had complex needs that made her eligible for a higher rate, but instead she was being paid the basic rate.

She had spoken with a number of managers within the department but had not been able to resolve her complaint.

We asked the department about the kinship payments, but also questioned its handling of the matter – there had been considerable delays.

The department explained that its policy did not allow for kinship payments to be backdated, but it offered to provide a one-off payment to the grandmother of about \$17,000. This equalled the higher rate of payments available from the start of the placement.

The department acknowledged a number of shortfalls in its handling of the matter. It confirmed there was no evidence criminal record checks were done before the placement started or that a kinship placement assessment was done, both of which are required prior to children entering a placement. The assessment requires departmental staff to confirm they have provided caregivers information regarding the financial support available.

As a result of its review, the department began managing the performance of one of the officers involved. The department also provided training to its staff on their obligations to kinship carers.

**Fairness Accountability Human Rights
Continuous Improvement**

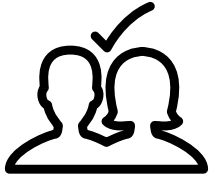
Notification requirements

A deceased man's ex-partner complained to us about DHHS. The executor of the estate (the deceased's most recent partner) had applied to have him exhumed and cremated. The department processed the application but neither the ex-partner nor the deceased's children had been notified – they only found out what had happened when they went to visit the cemetery. She said the deceased had wanted to be buried and complained that the process to get someone exhumed and cremated was unfair.

We asked the department how it had considered her rights and the rights of her children. It told us after receiving the complaint that it had considered their rights under the *Charter of Human Rights and Responsibilities Act 2006* and commissioned an independent investigation. The investigation found the department's decision had been lawful but was not in line with community expectations. Following the investigation, the department revised its procedures. There are now notification requirements built in to ensure family members – children in particular – are told about applications for exhumation and cremation.

The department amended the exhumation application form to include a declaration from the applicant about whether family members had been informed of the application. In drafting the revised procedures, it considered the impact on other family members. If an objection is received from a family member and the department grants the licence, the objector can request an internal review before the exhumation is carried out.

**Fairness Continuous Improvement
Human Rights**



Human rights

The *Charter of Human Rights and Responsibilities Act 2006* sets out 20 rights and freedoms protected in Victoria. It recognises all people are born free and equal in dignity and rights, subject to reasonable limitations to be applied in accordance with the Charter.

Human rights principles have always been central to our work. The introduction of the Charter in 2006 amended the Ombudsman Act and empowered us to make explicit what had always been implicit in our work. By looking at public administration through the lens of human rights, we are able to investigate and encourage a culture of human rights compliance across the public sector.

Emergency accommodation

A father complained that his wife and children had been asked to leave the motel they were living in because Child Protection had failed to rebook their room. With nowhere else to stay, the family was going to be homeless.

We made urgent enquiries with the department and referred to the family's right to protection under the Charter (section 17 - protection of families and children). Following our enquiries, and to resolve the matter, the department arranged for the mother and children to be provided with alternate accommodation.

Human Rights **Fairness**

Our Charter function

Under the Ombudsman Act, we can enquire into or investigate whether an administrative action is incompatible with a human right set out in the Charter. We do this whenever we consider the substance of a complaint.

In 2015-16, almost half of the complaints we received involving human rights were about the treatment of persons when deprived of their liberty. Understandably, people held in closed environments such as prisons, juvenile justice centres and mental health facilities were the most likely to raise these issues. Other common areas of concern related to the right to protection of families and children and property rights.

We use our enquiries powers to deal with matters that we believe involve human rights issues. We do this to determine if a matter can be resolved informally and if an authority's actions or decision may be incompatible with the Charter.

What we do – systemic investigations

Using our own motion powers, we can initiate an investigation when there is an issue that is systemic or is in the public interest to examine.

In 2015, we tabled our *Investigation into the rehabilitation and reintegration of prisoners*, having released a discussion paper in 2014. We also finalised the second part of our investigation into the reporting of abuse in disability services.

In 2016, we looked at the public transport fare enforcement system, concluding that it was unfair, poorly targeted and disproportionate.

The findings of our prisons investigation, in particular, struck a chord in the community, and we have presented on them ever since we released our report.

Immediately after the report was presented to Parliament, it received 37 mentions in news stories, editorials, radio interviews, opinion pieces and letters to the editor. It was widely shared on social media and generated several statements of support from organisations such as the Victorian Council of Social Service and the Federation of Community Legal Centres.

The Ombudsman accepted 10 speaking engagements about the investigation, including events held by Liberty Victoria, Deakin University, the Victorian Criminal Bar Association, Youthlaw and the Centre for Innovative Justice.

Report: Prisons

In September 2015, we tabled our *Investigation into the rehabilitation and reintegration of prisoners* in Parliament. We started this investigation against a backdrop of escalating rates of imprisonment, skyrocketing costs and increased rates of reoffending.

In the report, we noted that prison is a temporary solution; more than 99 per cent of prisoners will be released one day. Our investigation considered the effectiveness of prisoner services and support – such as behavioural, education and drug and alcohol programs – and found they were not adequate. It highlighted the well-known links between disadvantage and imprisonment.

The investigation also focused on prisoner groups with particular needs including Aboriginal and Torres Strait Islander peoples, people with cognitive disabilities, female prisoners and young prisoners.

We found these groups of prisoners all have unique needs but are not receiving adequate, targeted and appropriate support.

We considered areas of good practice in the Victorian system and in other parts of the world. While there is good work being done, it is often uncoordinated and constrained by location and inadequate resources.

The investigation ultimately found the system was unsustainable. The report made 25 recommendations, a key one being to adopt a whole-of-government approach to reducing offending and recidivism and promoting the rehabilitation of offenders.

**Fairness Human Rights
Continuous Improvement**

ABOUT US

OUR WORK

WHAT WE DO
SYSTEMIC
INVESTIGATIONS

OUR PEOPLE AND
OUR PERFORMANCE

STATUTORY DISCLOSURES

FINANCIAL STATEMENTS

One of the recommendations in our prisons investigation was that Aboriginal and Torres Strait Islander prisoners be supported to keep proceeds from the sale of art made while they are in prison.

In late 2015, an Aboriginal Art Policy Model was announced by Corrections Victoria and the Victorian Government. This allows artists to sell artwork made while they are in prison and keep the proceeds.

The sales process, as well as the delivery of art and cultural programs in prisons, is facilitated by an organisation called The Torch. Some of the art made by participants in The Torch program has been purchased by the National Gallery of Victoria, as well as government, corporate and private buyers.

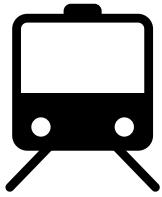
In May 2016, we purchased 13 artworks from The Torch for our new office.⁴ The money from the purchase of this art directly impacted many of the artists. It allowed one man to move from a toxic home environment to another city, where he is now working full time. For another artist, it provided critical financial support, allowing her to pay bills to get the electricity turned back on and buy food for herself and her young niece, whom she was caring for.

One of the pieces we bought was featured in an exhibition at the Melbourne Museum's Bunjilaka Aboriginal Cultural Centre (pictured, right, with artist Jeffrey Jackson and his family).

Image 1: Jeffrey Jackson and his family



⁴ We moved on 29 August 2016.



Report: Public transport fare evasion enforcement

In May 2016, we tabled our *Investigation into public transport fare evasion enforcement* in Parliament. The investigation responded to hundreds of complaints received by us and the Public Transport Ombudsman about the issuing of penalty fares and infringements on the public transport system.

The report also gave us an opportunity to revisit some of the issues we identified with the system in a 2010 report, such as the process for issuing infringements and the review mechanisms.

Our most recent investigation found that although fare evasion has fallen in recent years, the fare enforcement system is poorly targeted. While just 1.7 per cent of the population are responsible for 68 per cent of fare evasion, the system does not specifically target this group.

We found more than 65 per cent of the infringement matters that ended up in court involved people who might have had special circumstances; homelessness, for example. Of the matters that went to court only 20 per cent resulted in any financial penalty being imposed, despite the time and cost involved.

We found the dual system for fare evasion enforcement (the on-the-spot \$75 penalty that cannot be challenged in court, and the \$223 infringement notice that can) was unfair, providing a reduced penalty only to those who could afford to pay the immediate \$75 amount.

Ultimately, we recommended the system be changed to a single penalty with the ability to seek a review. We also recommended the options for seeking a review or making a complaint be made clear during a passenger's interaction with an Authorised Officer.

When the report was tabled, the Ombudsman said:

Fare evasion costs the state tens of millions; the vast majority of public transport users who buy tickets do not want to subsidise the travel of those who don't. Fair enough. The current approach has not got the balance right between financial imperative and fairness. It hits the vulnerable and innocently ignorant and fails to focus on recidivist fare evaders. Not only is it unfair, it is costly.

**Fairness Human Rights
Continuous Improvement**

Report: Reporting of abuse in the disability sector

In December 2014, prompted by community concern, the disability sector and the media, we launched an investigation into how allegations of abuse in the disability sector are reported and investigated.

The investigation was split into two phases so we could report on oversight systems in time to contribute to the development of safeguards for the National Disability Insurance Scheme. This also allowed us to have input into the Victorian Parliamentary Inquiry into Abuse in Disability Services.

We released our Phase 1 report in June 2015. In it we identified areas of good practice for Victoria to build on, but also uncovered a number of serious issues. We found the system is fundamentally failing to deliver protection in a coherent and consistent way.

In December 2015 we tabled Phase 2 of our investigation. Phase 2 looked at processes for the reporting and investigation of allegations of abuse in the sector.

Ultimately, we found a system that was more focussed on the forms to be filled out than the person. A system that relied on an archaic method of reporting based on tick boxes, a one-way flow of information (so the service received no feedback), and outdated fax machines to submit incident reports.

Tabling Phase 2, the Ombudsman said:

What we found was that the person at the centre of an incident – the person with disability – is largely absent. Their voice is not recorded. There is a perception that it is not what has happened to them that matters but that forms are filled out and faxed within a prescribed timeframe.

The investigation also uncovered a deep sense of fear among those involved in reporting serious incidents, including people with a disability, family members and staff members afraid of reprisal for reporting the conduct of a colleague. This leads to staff failing to report incidents, and people with disability being left without a voice and with a perception that what happened to them was not important.

We found that the system – meant to support some of society’s most vulnerable – was not fit for purpose and did not review incidents in a way that resulted in effective responses or operational improvements.

We concluded that serious incidents should be reported to a single independent oversight body for the disability sector, that mandatory training for disability workers was necessary and that a comprehensive review of the advocacy needs of people with a disability needed to be undertaken and funded appropriately.

Both parts of our disability investigation generated significant interest across the sector. We have since been asked to present at a number of community forums about the issues raised.

Human Rights Continuous Improvement

What we do – protected disclosures

The *Protected Disclosure Act 2012*, which replaced the *Whistleblowers Protection Act 2001*, provides legal protection for people to make disclosures about improper conduct and detrimental action by public officers and public bodies.

While IBAC is principally responsible for receiving and investigating disclosures, the Ombudsman also has a role in assessing and investigating protected disclosure complaints.

We must refer complaints to IBAC if we decide they may be a protected disclosure. IBAC often refers those complaints back to us and we then decide if they warrant investigation.

This year, we referred 47 disclosures to IBAC. IBAC referred 30 protected disclosure complaints to us. Of those 30, we investigated 24. We dismissed six for reasons such as:

- the alleged conduct was known to the person disclosing it for more than 12 months
- the allegation had already been appropriately investigated by another agency
- we were not reasonably satisfied the allegations could be substantiated.

We have procedures for dealing with disclosures. These are available on our website at www.ombudsman.vic.gov.au/Disclosures/Making-a-disclosure.

Table 3: Action on protected disclosure complaints 2015-16

Category	Number of complaints
Disclosures we referred to IBAC for assessment	47
Protected disclosure complaints referred from IBAC	30
Protected disclosure complaints we investigated	24
Disclosures dismissed	6
Applications for injunction made by the Ombudsman	0

Report: Misuse of council resources

Our *Investigation into the misuse of council resources* uncovered a culture of entitlement among council workers.

Using examples from three separate protected disclosures from a metropolitan, regional and rural council, the investigation showed that council property and resources are at risk of being seen as available for the private benefit of council employees.

The three matters involved:

- a contractor paving a council officer's mother's driveway in return for more council work
- a council officer using a council fuel card to fill up his private vehicle for two years
- council officers buying machinery and equipment with ratepayer funds for personal use.

Tabling the report, the Ombudsman said:

I am tabling this report in Parliament to draw attention to what appears to be an endemic problem within local government. Despite codes of conduct requiring officials to act with integrity and avoid conflicts of interest, and despite the many people working honestly in the sector, too many people still do not recognise that these codes apply to them, or simply do not care. Compliance and enforcement of codes of conduct is inconsistent, and often relies on whistleblowers coming forward, rather than good governance and supervision.

This report contributed to the ongoing improvement of local government practices.

Accountability **Continuous Improvement**

Mishandling protected disclosure complaints

We received a disclosure from a disability worker who alleged staff at a group home had behaved inappropriately towards residents. Months before contacting the Ombudsman, the worker had made the same disclosure to the department, but it had not considered it as an assessable disclosure under the Protected Disclosure Act and had not notified IBAC. This meant the department managed the complaint under an internal misconduct policy, consequently releasing the identity of the discloser to the subjects of the investigation; a breach of the Act.

Releasing the identity of people who have made disclosures can have a significant impact on them and discourage others from reporting allegations of abuse in the disability sector. It is also inconsistent with the purposes of the Act, which are to:

- encourage and facilitate people to disclose improper conduct
- protect people who make disclosures
- provide for the confidentiality of the content of those disclosures and the identity of persons who make those disclosures.

While we did not substantiate the allegations of physical abuse in this case, we did identify humiliating and derogatory conduct by staff.

This was not the first time we had identified concerns about the department releasing the identities of people making disclosures. This investigation established that it had taken six months to change its internal misconduct policy to protect these people's identities. We are pleased to see the department is working to provide information to relevant staff about identifying assessable disclosures and when to take disciplinary action.

Human Rights **Accountability**

Report: Political donations

In November 2015, we tabled an *Investigation of a protected disclosure complaint regarding allegations of improper conduct by councillors associated with political donations.*

The investigation began with a protected disclosure complaint about the activities of councillors at Casey City Council who were candidates in the 2014 Victorian state election. It was alleged that councillors accepted donations from property developers in return for favourable council planning decisions. While the allegations were not substantiated, the investigation highlighted several issues of public interest around the perception that influence can be bought.

At the time, the Ombudsman said:

There can be little doubt that the lack of transparency in political donations and the lack of limitations on who can make those donations in Victoria creates an environment in which allegations of improper conduct can flourish. Whether they are substantiated or not, whether such allegations are legitimately made or are made for political mischief-making as is often claimed, is not the point. Ultimately, they create a perception that politicians can be bought, which reduces public trust in government.

Accountability

Report: Conflict of interest

In September 2015, we tabled a report into a *Conflict of interest by an Executive Officer in the Department of Education and Training.* We established that the officer had negotiated and accepted a high level managerial job with a company connected to a training organisation of which he had oversight. He accepted this job while employed by the department and dealing with a complaint about the company he was going to work for.

The officer then resigned. While serving his notice period, he received dividends of \$30,000 from the company, which he failed to declare.

We also found he had acquired a 10 per cent shareholding in the company using a loan provided by another company connected to the training organisation he was overseeing.

We found that the officer had breached the Victorian Public Service Code of Conduct and more than one departmental policy. At the time, the officer's actions may have been misconduct under the *Public Administration Act 2004.*

As a result of our investigation, the department commissioned an audit of the registered training organisation the officer was overseeing and tightened up its conflict of interest arrangements. It has also improved staff training and is looking at ways to more closely examine conflict of interest declarations across the department.

Accountability

What we do - driving improvement

Community engagement

Since 2014, we have regularly visited rural and regional Victoria. We want all Victorians to know our service is available to them, no matter where they live. On our visits, we hold information sessions for community service organisations and separate complaint sessions for the public, so people can talk to our staff in person about their problem.

Meeting, listening and acting

While presenting to community service organisations in Frankston in 2015, we received a complaint from an employee of an advocacy organisation on behalf of a number of incorporated associations about Consumer Affairs Victoria's decision to stop accepting paper annual statements from incorporated associations.

As the employee explained, this had an impact on many board members who were senior citizens or who came from culturally and linguistically diverse backgrounds, as they often have limited computer skills.

We made enquiries with Consumer Affairs Victoria and highlighted the impact of its decision on these groups. It agreed its decision to move to an online system – despite the availability of supports to access it – would have an impact on a number of incorporated associations that continued to require access to paper annual statement forms. Accordingly, it decided to accept paper forms when required as well as electronic submissions from incorporated associations.

Fairness **Continuous Improvement**

Figure 19: How we engage with the community

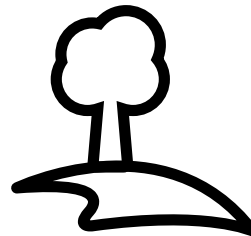


10

presentations
about our work
to peak bodies in
regional Victoria

5

presentations to
schools and
university
students

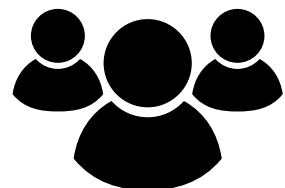


9

trips to
regional Victoria
to take complaints

33

events for
community groups
in Victoria and
interstate



We are a dynamic office, always looking for creative ways to raise awareness about how we can help. This year we produced two animations to help people understand what we do and how to make a complaint. We translated these into several community languages, including Auslan, and put them on our YouTube channel and website.

We presented to new Corrections Victoria recruits in prisons, helping them understand our work and how it relates to prison administration.

Our Twitter presence has grown and at 30 June 2016 we had 1,372 followers, an increase of almost 600 over 12 months. We are now also on Facebook.



[ABOUT US](#)

[OUR WORK](#)

[WHAT WE DO](#)
[DRIVING](#)
[IMPROVEMENT](#)

[OUR PEOPLE AND](#)
[OUR PERFORMANCE](#)

[STATUTORY DISCLOSURES](#)

[FINANCIAL STATEMENTS](#)



This year we partnered with the Victoria Law Foundation as an event sponsor for Law Week 2016. Law Week is an annual festival of events held across the state to help Victorians understand the law better. This year, the Ombudsman spoke to high school students about our work and their potential career paths.



[ABOUT US](#)

[OUR WORK](#)

[WHAT WE DO
DRIVING
IMPROVEMENT](#)

[OUR PEOPLE AND
OUR PERFORMANCE](#)

[STATUTORY DISCLOSURES](#)

[FINANCIAL STATEMENTS](#)

Collaborating

Some of our staff act as liaisons; a central point of contact for authorities we take complaints about. For many years, liaisons have fostered efficient and productive communication between authorities and our office. For example, they arrange presentations from authorities about their work and vice versa.

Sometimes, we see something in the media or notice a trend in complaints and raise the issue with the relevant authority. We might meet with or write to the authority before we start an investigation, providing an early opportunity to make changes or build on changes already in progress. Working collaboratively can save time and resources and allows authorities to take ownership of their decisions and commitments.

Figure 20: Collaborating with authorities



Complaint trends

Complaints are, in a sense, the proverbial canary in the coal mine. They can indicate weaknesses or pressure points in a system.

In early 2016, we noticed a spike in complaints about the Registry of Births, Deaths and Marriages. There were complaints about delays and excessive call wait times; record keeping issues, such as inaccurate recording of timeframes and of documentation received by the Registry; and about costs incurred for incomplete applications.

The Ombudsman met with the Registrar, and the Secretary and relevant Deputy Secretary of the Department of Justice and Regulation (which oversees the Registry) in May and discussed what was being done and what needed to be done.

It was clear there were a number of underlying issues the Registry and the department were aware of.

After this meeting, the department resolved to provide monthly performance reports to us about action taken, turnaround times and complaints received. To help the department respond promptly to emerging issues, we resolved to share information with it about complaints we received.

We are monitoring the reports provided by the department to see whether the number of complaints it receives is dropping and if complaints are being resolved more quickly. Reports received to date suggest a concerted effort to improve services and that complaint about turnaround times, not receiving certificates and wait times have dropped. The Registry is reviewing its policies and procedures and has made a new complaint policy available online.

Continuous Improvement **Fairness**

IT wasn't my fault

Between April and September 2015, there was an IT system error at VicRoads that resulted in 25,729 people not receiving notices informing them of extra requirements needed to complete their vehicle transfers. This meant 8,512 registrations were suspended and a number of fines issued. The glitch also resulted in 1,432 people not receiving registration renewal notices.

This issue was the subject of numerous complaints and media commentary in November 2015 as a result of people being fined for driving unregistered vehicles when they had not realised their renewal was due.

The Ombudsman wrote to VicRoads' Chief Executive and subsequently met with him and other senior executives to find a solution. After this meeting, VicRoads took action and wrote to the Ombudsman explaining what it had done. VicRoads:

- conducted an investigation and found its system had failed to send out the incomplete transfer letters but had continued to record that the letters had been sent
- lifted the suspension of 8,512 vehicles and reversed the cancellation of 986 vehicle registrations that occurred as a direct result of this error
- attempted to contact 900 of the 1,432 people (where phone numbers were known) who did not receive renewal notices and issued new notices
- worked with Civic Compliance Victoria and Victoria Police to withdraw fines and compensate customers where appropriate.

Responding to the matters raised by the Ombudsman, VicRoads also:

- set up a team to investigate additional cases of customers not receiving registration renewal notices six weeks prior to expiry
- posted more information on its website and established a dedicated customer enquiry line
- confirmed address details with more than 7,000 customers and sent more than 10,000 SMS messages to customers whose registration had expired in September 2015
- reviewed its processes and resolved to confirm address details when speaking with customers
- advised it was examining its registration system to identify trends in the non-payment of registration renewals
- engaged Price Waterhouse Coopers to review related processes.

As VicRoads had taken appropriate steps to respond to and resolve the issues caused by its system failure, we did not initiate a formal investigation.

Sharing information

Sharing information is an important part of working with agencies such as VicRoads to improve their practices. Last year we piloted a data sharing program with Barwon Prison and Corrections Victoria, and this year we worked with VicRoads to understand what information would be most useful for it to analyse complaints and drive systemic improvement. Providing tailored data is very valuable for agencies and we have had positive responses to this project so far. We hope to expand it to other agencies in coming years.

Continuous Improvement **Fairness**

Submissions

This year we made a submission to the Victorian Government recommending changes to the Ombudsman Act to provide our office with a statutory education function. This would include working more closely with authorities to build their capacity to handle complaints, including dealing with unreasonable behaviours, managing conflicts of interest, and making good administrative decisions.

To drive improvement in public administration, we are developing a series of education programs, starting with sessions on good practice complaint handling.

We contributed to a number of reviews, which considered elements of the complaint and integrity systems in Victoria. This included a discussion paper released by the Department of Premier and Cabinet about the role of the Ombudsman.

In our submission, we discussed the importance of an effective complaint system to a modern democracy. The current landscape can be complex and dispiriting for people with a complaint; it can be hard to find the right help when it is needed. We observed that complaints are resolved less efficiently and equitably than they ought to be.

We made 10 recommendations to improve the effectiveness of our office and the complaint and integrity systems more broadly.

Table 4 shows the submissions we made in 2015-16.

Table 4: Submissions made in 2015-16

Submission	Date
Review of the <i>Local Government Act 1989</i>	18 December 2015
Victorian Parliamentary Independent Broad-based Anti-corruption Commission Committee's consideration of the <i>Integrity and Accountability Legislation Amendment (A Stronger System) Bill 2015</i>	4 January 2016
Victorian Parliamentary Family and Community Development Committee's inquiry into services for people with autism spectrum disorder	4 February 2016
Victorian Equal Opportunity and Human Rights Commission 2015 annual report on the <i>Charter of Human Rights and Responsibilities Act 2006</i>	18 February 2016
Department of Justice and Regulation's Access to Justice Review	29 February 2016
Federal Senate Inquiry into the indefinite detention of people with cognitive and psychiatric impairment	7 April 2016
Victorian Parliamentary Independent Broad-based Anti-corruption Commission Committee's review on the operation of the <i>Protected Disclosure Act 2012 (Vic)</i>	17 May 2016
Department of Premier and Cabinet's community consultation discussion paper on the role of the Ombudsman, IBAC and VAGO	20 May 2016
Victorian Parliamentary Accountability and Oversight Committee's report into Victorian Oversight Agencies 2014-15	10 June 2016
National Children's Commissioner's review of the Optional Protocol to the Convention against Torture (OPCAT) in the context of Youth Justice Detention Centres	24 June 2016
Victorian Parliamentary Legal and Social Issues Committee's inquiry into the retirement housing sector	1 July 2016

Table 5: Formal evidence given by the Ombudsman in 2015-16

Formal evidence given	Date
Royal Commission into Institutional Responses to Child Sexual Abuse	3 July 2015
Victorian Parliamentary Independent Broad-based Anti-corruption Commission Committee's review on the operation of the <i>Protected Disclosure Act 2012 (Vic)</i>	23 May 2016

Tracking our recommendations

In 2015-16, we made 54 recommendations arising from investigations. Fifty-two of these were accepted in full or are under consideration and two were partially accepted.

Report on recommendations

In June 2016, we reported – for the first time in the current Ombudsman’s tenure – on the impact of our recommendations made in public reports in the two years between March 2014 and March 2016. During that two year period:

- We made 53 recommendations to agencies; all of these were accepted.
- We made a further eight recommendations to the government as a whole. These were accepted (some ‘in principle’) or were later advised to be ‘under consideration’.

The report highlighted major changes made or underway, as a result of our recommendations

They included:

- payment of \$4.33 million in ex gratia payments to former residents of Mentone Gardens supported residential service or their estates
- regulatory changes to allow Aboriginal and Torres Strait Islander people to sell artworks created in prison, with proceeds held in trust until their release
- plans to introduce a new system for reporting serious incidents involving Department of Health and Human Services clients.

These changes show how Ombudsman recommendations can make a real impact on the fairness and accountability of public administration in Victoria. We continue to monitor progress on other recommendations that require longer term consideration and work by government.

Figure 21: Recommendations made March 2014 to March 2016 – acceptance

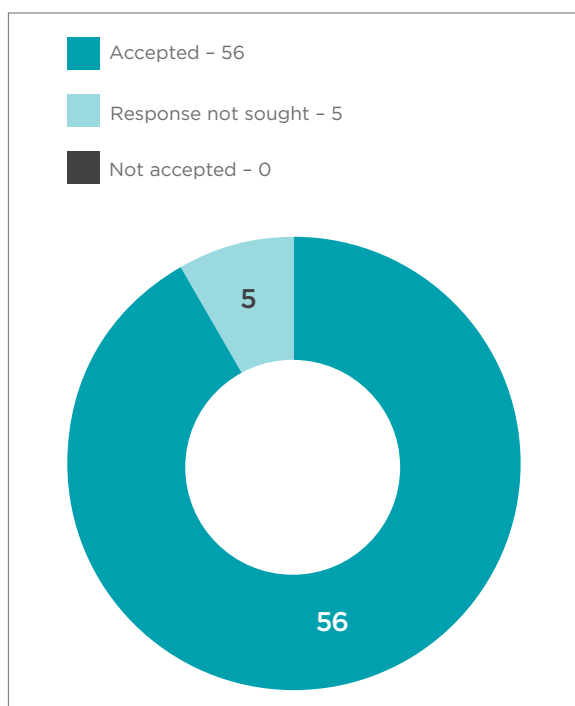
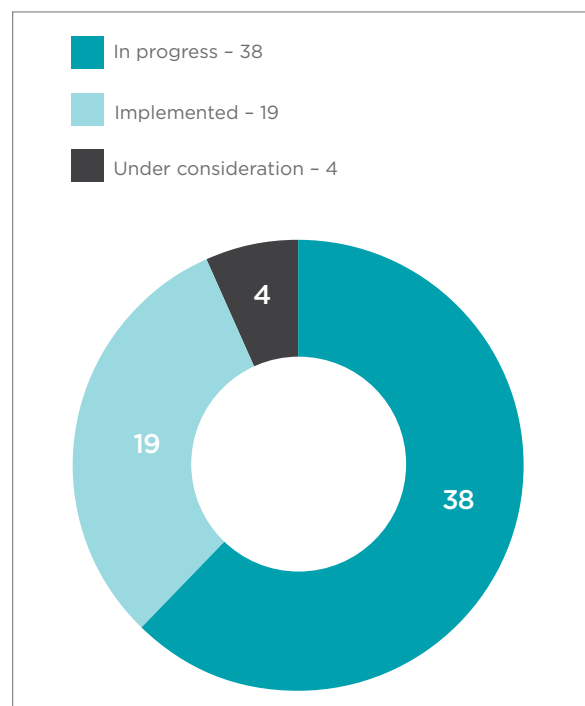


Figure 22: Recommendations made March 2014 to March 2016 – implementation



Our people

We employ 82 staff – not including temporary staff employed through agencies, or the Ombudsman – with a range of qualifications, experience and backgrounds. Thirty years ago, the second Ombudsman

Mr Norman Geschke hired our first female investigation officer. Now, 73 per cent of our investigations staff, 46 per cent of our corporate staff and two-thirds of our senior executives are female.

Table 6: Staff profile by employment status at 30 June 2016*

Ongoing		Fixed term		Casual		Total	
Number (headcount)	FTE [^]	Number (headcount)	FTE	Number (headcount)	FTE	Number (headcount)	FTE
68	64.1	11	10.8	3	1.6	82	76.5

Table 7: Staff profile by gender, age and employment status as at 30 June 2016^{}**

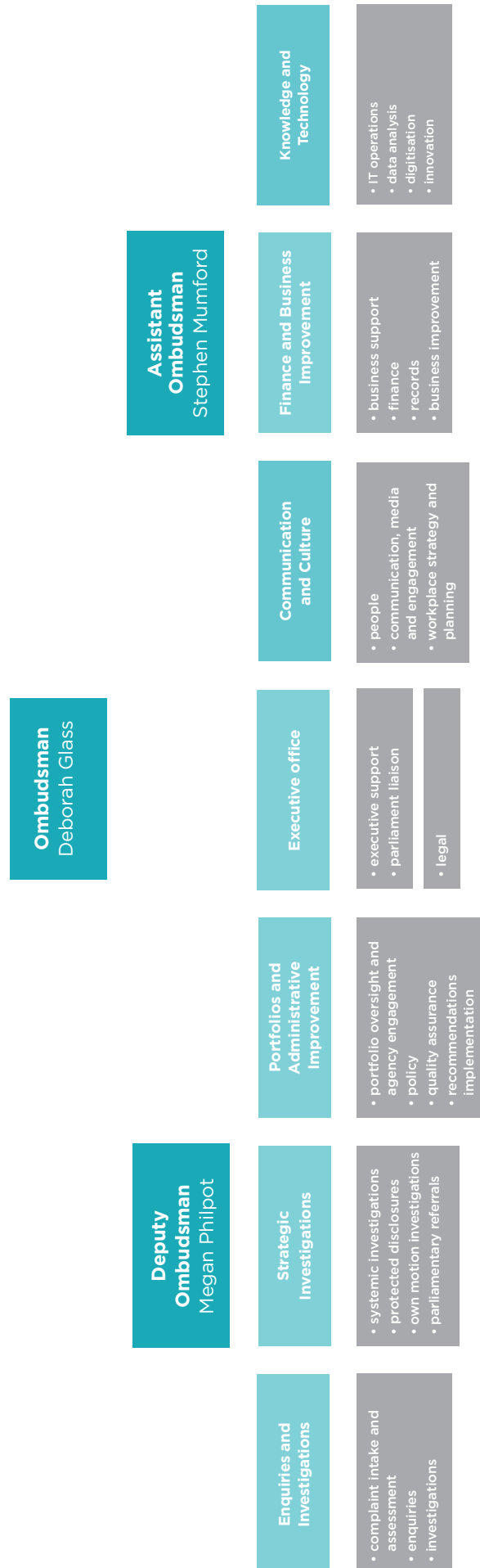
	June 2015			June 2016		
	Ongoing Employees		Fixed term and casual	Ongoing Employees		Fixed term and casual
	Number (headcount)	FTE	FTE	Number (headcount)	FTE	FTE
Gender						
Male	15	15	8.4	21	20.6	5
Female	42	40.1	16.6	47	43.5	7.4
Total	57	55.1	25	68	64.1	12.4
Age						
Under 25	2	2.0	4.0	2	2	2
25-34	25	25.0	11.5	28	26.7	3
35-44	20	18.3	3.4	25	22.8	3.4
45-54	6	5.8	3	10	9.6	3
55-64	4	4	3	3	3	1
Over 64	0	0	0.1	0	0	0
Total	57	55.1	25	68	64.1	12.4
Employment status						
EO 2	0	0	1	0	0	1
EO 3	0	0	1	0	0	1
Other	0	0	1	0	0	0
Senior specialist	4	4	1	3	3	0
VPS 2	0	0	3.6	0	0	1
VPS 3	9	8.8	6.4	3	3	2
VPS 4	22	21.6	5	25	23.6	2.8
VPS 5	16	14.7	4	25	23	4.6
VPS 6	6	6	2	12	11.5	0
Total	57	55.1	25	68	64.1	12.4

* Employees have been correctly classified in workforce data collections.

[^] Full Time Equivalent.

^{**} Excludes staff on leave without pay, volunteers, contractors and consultants. Employees reported as 'secondees' are included in the fixed term counts.

Figure 23: Organisational chart



Our performance

This section outlines our performance against our Annual Plan 2015-16, our Strategic Framework 2014-17 and the Department of Treasury and Finance's Budget Paper No. 3 Service Delivery (BP3) targets.

Our 2015-16 annual plan (see appendix 2) details what we did to realise these commitments. The plan has four focus areas:

- developing a more accessible and efficient complaint handling system for Victorians
- turning data into knowledge
- being recognised as a leader for our excellence and expertise in enquiries, investigations and improving public administration
- developing and supporting our people and providing a healthy and flexible working environment.

Our strategic framework (see page 7) sets out our purpose, intent and commitments.

We commit to:

- providing accessible and responsive services that are:
 - free, independent and impartial
 - open and transparent
 - evidence based
 - focussed on practical and meaningful outcomes to address injustice
- sensitive to the circumstances of individuals and communities with specific needs
- educating Victorians on the role of the Ombudsman, how to complain and what they should expect from their dealings with the public sector
- being courageous in challenging poor public administration
- working constructively with the public sector to promote best practice
- providing authoritative and informative reports to the Victorian Parliament.

Table 8: How we met our commitments	
Commitment from <i>Strategic Framework 2014-17</i>	Page ref.
Providing accessible and responsive services that are: <ul style="list-style-type: none"> • free, independent and impartial • open and transparent • evidence based • focussed on practical and meaningful outcomes to address injustice • sensitive to the circumstances of individuals and communities with specific needs 	4-5, 6, 10, 13, 30, 36, 37
Educating Victorians on the role of the Ombudsman, how to complain and what they should expect from their dealings with the public sector	4-5, 36, 37
Being courageous in challenging poor public administration	15-18, 21, 23, 27, 28, 31, 32, 34-5, 43
Working constructively with the public sector to promote best practice	40, 41
Providing authoritative and informative reports to the Victorian Parliament	48

Table 9: Reports tabled in Parliament 2015-16	
Title	Date tabled
<i>Report on recommendations</i>	23 June 2016
<i>Investigation into Casey City Council's Special Charge Scheme for Market Lane</i>	22 June 2016
<i>Investigation into the misuse of council resources</i>	9 June 2016
<i>Investigation into public transport fare evasion enforcement</i>	26 May 2016
<i>Reporting and investigation of allegations of abuse in the disability sector: Phase 2 - incident reporting</i>	9 December 2015
<i>Investigation of a protected disclosure complaint regarding allegations of improper conduct by councillors associated with political donations</i>	25 November 2015
<i>Investigation into the rehabilitation and reintegration of prisoners in Victoria</i>	17 September 2015
<i>Conflict of interest by an Executive Officer in the Department of Education and Training</i>	3 September 2015

Complaints about us

There are times when people are not happy with our service.

Complaints about us are handled through an internal review process, or review by IBAC (for complaints about corrupt conduct) or the Victorian Inspectorate (for complaints about staff conduct).

This year, there were 78 requests from complainants for internal review of our handling of their complaint:

- In 41 cases, an officer not involved in the initial matter undertook an internal review, overseen by the Deputy Ombudsman.
- In 23 cases, we clarified or provided supporting detail of our decision to the complainant.
- In three cases, we made further enquiries to address the complainant's concerns.
- In 11 cases, the complainant did not respond to requests for further information or they requested a review before we had provided them with an outcome.

We closed 36 of the 41 internal reviews:

- In 26 cases, the original decision was confirmed.
- In five, we decided the service we provided was satisfactory.
- In the remaining five, we changed our decision.

Five reviews were carried over to 2016-17.

In 2015-16, the Victorian Inspectorate asked us for information about 12 complaints it had received about our complaint handling. These included allegations that our staff had not properly investigated complaints, did not offer procedural fairness and that there had been a delay in providing an outcome.

In all cases, we provided the information the Inspector requested. In response, the Inspector advised that he would be taking no further action on these matters.

Statutory disclosures

Under Standing Direction 4.2 Reporting Requirements for the Department of Treasury and Finance and the *Financial Management Act 1994*, we are required to disclose certain information. There is a disclosure index at Appendix 2.

Accountable officer's declaration

In accordance with the Financial Management Act 1994, I am pleased to present the Report of Operations for the Victorian Ombudsman's office for the year ended 30 June 2016.



Deborah Glass

Ombudsman

17 September 2016

Output statement

The output statement (see page 52) for Ombudsman services is published in the Victorian Department of Treasury and Finance's Budget Paper No. 3 Service Delivery (BP3) each financial year. The format is standardised across public sector agencies, including the use of targets. Table 10 outlines the outputs our office provided to the government.

Table 10: Output statement					
Output	Unit of measure	2014-15 target	2014-15 actual	2015-16 target	2015-16 actual
Quantity measures					
Jurisdictional [within our scope] complaints finalised	number	14,000	13,864	14,000	13,987
Proportion of jurisdictional complaints independently investigated by the Victorian Ombudsman	per cent	not measured	n/a	25	22
Comment: The quantity measure results are contingent on circumstances which arise during the year including the number of approaches [contacts].					
Quality measures					
Proportion of jurisdictional complaints where the original outcome is set aside by a review undertaken in accordance with the Ombudsman's internal review policy	per cent	<1.5%	0.04%	<1.5%	0.04%
Recommendations accepted by agencies upon completion of investigations	per cent	95	96	95	100
Comment: The 2015-16 result [recommendations] exceeds the target due to the Ombudsman's office putting much effort into ensuring that its investigations are thorough and fair. This includes seeking input from agencies subject to investigation to ensure that recommendations are well founded, reasonable, practical and achievable.					
Timeliness measures					
Complaints resolved within 30 calendar days of receipt	per cent	95	88	95	88
Comment: The under-target outcome for the timeliness measure is a result of the cumulative impact of an increased workload over the last three years due to: <ul style="list-style-type: none"> • impact of the integrity regime • increase in jurisdictional cases handled by the office • increase in the number of complaints the Ombudsman enquires into or investigates, to improve outcomes for more people. 					

Employment and conduct principles

We are committed to applying merit and equity principles when appointing staff. Our selection processes ensure applicants are assessed and evaluated fairly and equitably, on the basis of key selection criteria and other accountabilities, without discrimination.

Our staff comply with the public sector values established under the *Public Administration Act 2004*. The values prescribe the behaviours expected of public officials: responsiveness, integrity, impartiality, accountability, respect, leadership and promoting human rights.

Public sector employment principles

We embrace the public sector employment principles established under section 62 of the Public Administration Act. We ensure:

- employment decisions are based on merit
- employees are treated fairly and reasonably
- equal employment opportunity is provided
- employees have a reasonable avenue of redress against unfair or unreasonable treatment
- a career in public service is fostered.

We also ensure human rights, as set out in the Charter, are upheld.

Workforce inclusion

We are committed to providing a working environment where equal opportunity and diversity are valued. Our workforce inclusion practices have resulted in us employing 33 per cent male and 67 per cent female ongoing, fixed term or casual employees this financial year.

Disability Action Plan

Section 38 of the Victorian *Disability Act 2006* requires us to have a Disability Action Plan. We are presently updating our plan to reflect current practices and aspirations.

In 2015-16, we took action to reduce barriers for people with disabilities accessing our services. We made a short animation about how we can help people, and another one about how to make a complaint. We translated these into several community languages including Auslan. We also made Easy English documents and spoken PowerPoint presentations standard practice for relevant reports.

We encourage new employees to confidentially disclose any disability so we can assist with ongoing support needs.

Occupational Health and Safety

Table 11: Occupational Health and Safety (OHS)				
Measure	Key Performance Indicator	2013-14	2014-15	2015-16
Incidents	No. of reported incidents	1	3	6
Claims*	No. of standard claims^	1	2	0
Fatalities	Fatality claims	0	0	0
Claim costs	Average cost per standard claim	\$85	\$6,924	0
Return to work	Percentage of claims with return to work plan < 30 days	N/A	N/A	N/A
Management commitment	Evidence of OHS policy statement, OHS objectives, regular reporting to senior management of OHS and OHS plans	Completed	Completed	Completed
Consultation and participation	Evidence of agreed structure of designated workgroups, (DWGs), health and safety, representatives (HSRs) and issue resolution procedures (IRPs) Compliance with agreed structure of DWGs, HSRs and IRPs	Completed	Completed	Completed
		Completed	Completed	Completed
Risk management	Percentage of internal audits/inspections conducted as planned	100%	100%	100%
	Percentage of issues resolved arising from: <ul style="list-style-type: none"> - internal audits and inspections - HSR Provisional Improvement Notices (PINs) - WorkSafe Notices 	100%	100%	100%
Training	Percentage of staff that have received OHS training:			
	- induction	100%	100%	100%
	- contractors and temporary staff	100%	100%	100%
	Percentage of health and safety representatives trained:			
- on acceptance of role	100%	100%	100%	
- on reporting of incidents and injuries	100%	100%	100%	

* Data for standard claims, time lost claims and fatality claims are at 30 June for the year shown.

^ Standard claims are those that have exceeded the employer excess (for medical and like expenses) threshold and/or liability for 10 working days of time lost.

Under section 25 of the *Occupational Health and Safety Act 2004*, employees must take reasonable care for their own and others' health and safety and cooperate with their employer in the workplace.

We continued our commitment to the health, safety and welfare of staff and others in the workplace. The QUIT smoking program, eye tests, subsidised spectacles, on-site influenza inoculations, ergonomic assessments and confidential counselling with external professionals remain available to staff.

Our Occupational Health and Safety Committee, established under the provisions of the Occupational Health and Safety Act, continues to make recommendations to our executive about all matters to do with the health, safety and welfare of employees and other people at work.

This year we had six incidents. They were:

- a fall from a chair
- a back injury sustained while moving partition walls
- an injury sustained at lunch time
- a head hit on the underside of a desk
- overstretching back/neck
- neck/shoulders injury caused by long hours sitting down.

Victorian Industry Participation Policy

The Victorian Industry Participation Policy, in operation since 2001, aims to boost employment and business growth in Victoria by encouraging contractors for major projects to maximise use of local suppliers, while still delivering value for money.

The policy applies to all state government procurements and projects where values exceed \$3 million and have their primary impact in metropolitan Melbourne, and those that exceed \$1 million and have their primary impact in regional Victoria.

The *Victorian Industry Participation Policy Act 2003* requires public bodies to report on their compliance. In 2015-16, our office had no procurements or projects to which the policy applied.

Corporate governance

The Ombudsman is the:

- 'Accountable Officer' pursuant to section 42 of the Financial Management Act
- 'Responsible Authority' under the Standing Directions of the Minister for Finance
- 'Public Service Body Head' pursuant to sub-section 16(1)(h) of the Public Administration Act and section 3 of the *Privacy and Data Protection Act 2014*
- 'Officer in Charge' pursuant to section 13 of the *Public Records Act 1973*.

The Ombudsman Act bestows all the powers and functions conferred on the office of the Ombudsman to the Ombudsman personally. Employees and executive staff exercise only the powers and functions that the Ombudsman delegates to them.

This year, the Ombudsman was supported by two internal committees – the Executive Committee and the Senior Leadership Committee – and one external committee – the Audit and Risk Committee. Each committee:

- has terms of reference approved by the Ombudsman stating:
 - the purpose and membership
 - meeting frequency
 - record keeping obligations
 - reporting obligations
- may co-opt expertise from across the office as required
- receives appropriate secretariat support.

The Audit and Risk Committee also reviews our performance against our purpose at least annually.

Executive Committee

Consisting of the Ombudsman, the Deputy Ombudsman and the Assistant Ombudsman, the committee's function is to oversee the office's:

- strategic focus
- good governance
- strategies and plans that commit significant resources
- overall performance.

The committee regularly reviews the status of the office's:

- budget
- compliance obligations; for example, the Privacy and Data Protection Act standards and requirements, including the office's information security management system
- strategic risks
- business continuity planning
- information management governance.

Senior Leadership Committee

The Senior Leadership Committee consists of the Ombudsman, Deputy Ombudsman, Assistant Ombudsman and directors. The committee reviews the following, prior to the Ombudsman’s formal approval:

- organisational strategies
- annual plan
- new policies
- substantive revisions to existing policies.

The committee will regularly review the status of the office’s:

- key performance indicators
- workforce metrics
- quality assurance framework and reports
- analysis of complaints data.

Audit and Risk Committee

The *Standing Directions of the Minister for Finance* state⁵:

Each public sector agency must, unless an exemption has been obtained, appoint an audit committee to oversee and advise the public sector agency on matters of accountability and internal control affecting the operations of the public sector agency.

Our Audit and Risk Committee membership is shown in Table 12.

Table 12: Audit and Risk Committee membership

Independent member and Chairperson	Mr Adam Awty Chief Financial Officer and Company Secretary CPA Australia
Independent member	Mr Andrew Dell Chief Information Security Officer National Australia Bank
Victorian Ombudsman representative	Ms Megan Philpot Deputy Ombudsman Office of the Victorian Ombudsman
Victorian Ombudsman representative	Mr Stephen Mumford Assistant Ombudsman Office of the Victorian Ombudsman

⁵ Direction 2.2, procedure ‘e’.

Attestation for compliance with Ministerial Standing Direction 4.5.5

I, Deborah Glass, Ombudsman of Victorian Ombudsman's Office

Certify that:

- the office of the Victorian Ombudsman has complied with the Ministerial Standing Direction 4.5.5 – Risk Management Framework and Processes.
- The Victorian Ombudsman Audit and Risk Committee has verified this



Deborah Glass OBE
Ombudsman

Date: 1.9.16

Strategically focussed

Our corporate planning framework is based on the six core elements of the Victorian Government's Strategic Management Framework:⁶

- analyse
- plan
- allocate resources
- implement and monitor
- evaluate
- report.

Key outputs from the corporate planning framework are:

- a multi-year strategic framework
- an annual plan
- regular reporting on progress against objectives.

Our risk management framework is aligned to our strategic framework, to give the Ombudsman confidence that our objectives can be delivered.

Transparent and accountable

We make our priorities known publicly through our Strategic Framework. Performance targets are set and published in the performance statement included in our annual report (see page 51). The Accountability and Oversight Committee reviews our annual report and can hold public hearings where the Ombudsman gives evidence.

We also ensure we are accountable by:

- publishing our policies on our website
- tabling reports in Parliament
- having internal review and complaint processes
- establishing performance criteria for every member of staff
- having a service charter.

⁶ Department of Treasury and Finance, Strategic Management Framework, May 2011.

Committed to compliant practices

We are committed to complying with all relevant obligations, internal and external. We maintain a compliance register and use quality assurance and internal audit programs to monitor compliance.

Ethical culture

Good governance practices are only effective when supported by an ethical culture, where the values of the office are lived and its institutional practices are respected. This is particularly critical for us, where an ethical culture not only supports good governance but supports our position as a leading public sector organisation.

Our leaders are accountable for upholding and developing an ethical culture by:

- modelling ethical conduct
- expressly canvassing ethical issues as they arise
- recognising and reinforcing ethical conduct by staff
- intervening and addressing unethical conduct.

Ethical decision-making is also supported by:

- our code of conduct
- the *Code of Conduct for Victorian Public Sector Employees of Special Bodies* issued by the Victorian Public Sector Commission
- internal policies and procedures, such as our conflict of interest policy and financial code of practice.

Procurement

We have a procurement governance strategy and governance framework for managing the purchase of goods and services.

The governance framework establishes the processes, authorities, accountabilities and relationships for managing an efficient and effective procurement function. It enables us to analyse our procurement spend and how we will build our capability and implement procurement reform.

We received no complaints about our procurement activities in 2015-16. Our governance framework and complaint management policy are available on our website.

Advertising expenditure

We did not conduct any activities that triggered the disclosure threshold of \$100,000 or greater on government advertising expenditure. We make a nil report statement against this requirement.

Declaration of private interests

The Deputy Ombudsman, Assistant Ombudsman and where appropriate, other staff, have lodged declarations of pecuniary and other interests with the Ombudsman. The Ombudsman has lodged a corresponding declaration with the Department of Premier and Cabinet. These declarations are made on appointment and updated annually or more frequently as individual circumstances change.

Compliance with the *Building Act 1993*

We do not own or control any government buildings, so are exempt from notifying our compliance with the building and maintenance provisions of the *Building Act 1993*.

Consultancies

A consultant is a contractor engaged primarily to perform a discrete task that facilitates decision-making through providing expert analysis and advice, and/or developing intellectual output.

On 29 August 2016, we moved offices from 459 Collins Street, Melbourne to 570 Bourke Street, Melbourne. Because of the unique costs associated with the relocation, we have separated consultants engaged for this project (see Table 13) from consultants engaged for other reasons (see Table 14).

We spent \$5,000 on LAG Consultancies in 2015-16, reflected in Table 14 because it is the final payment for a larger fee paid across the past three financial years. There were no further consultancies with a fee below \$10,000.

National Competition Policy

The National Competition Policy requires that (among other things) where government services compete with the private sector, any advantage arising solely from government ownership be removed if the advantage is not in the public interest.

We do not provide services in competition with the private sector.

Table 13: Consultants engaged for relocation – fee over \$10,000

Consultancies for relocation	Purpose	Start date	End date	Total fee	Expenditure in 2015-16 (ex GST)	Future expenditure
Blueprint Information Security P/L	ISMS implementation project, and report on security specifications for relocation	Mar 2016	May 2016	\$60,500	\$60,500	TBD
Indec Pty Ltd	Relocation project advice and management	Feb 2016	Jun 2016	\$97,513	\$97,513	TBD

Table 14: Consultants engaged for operations – fee over \$10,000

Consultant	Purpose	Start date	End date	Total fee	Expenditure in 2015-16 (ex GST)	Future expenditure
LAG Consultancies	Review of management arrangements	May 2016	May 2016	\$32,000	\$5,000	Nil
Indec Pty Ltd	Strategic budget and finance advice	Jan 2016	Feb 2016	\$59,900	\$59,900	TBD

Gifts, benefits and hospitality

We have gifts, benefits and hospitality policies and procedures consistent with the requirements and accountabilities in the Gifts, Benefits and Hospitality Policy Framework for the Victorian Public Sector issued by the Victorian Public Sector Commission.

These policies and procedures are reviewed at least annually. They are provided to the Audit and Risk Committee, together with the register of any gifts offered to or received by our staff, during each reporting period.

I, Deborah Glass, Ombudsman of Victorian Ombudsman's Office

Certify that:

- my organisation has policies and procedures in place that are consistent with the minimum requirements and accountabilities outlined in the Gifts, Benefits and Hospitality Policy Framework issued by the Victorian Public Sector Commissioner;
- staff are informed about these gifts, benefits and hospitality policies and procedures; and
- the audit committee reviews the operation of the policies and procedures at least once a year to ensure transparent reporting of accepted gifts, benefits and hospitality.

Signature:



Date: 1.9.16

ICT expenditure

Our ICT expenditure comprises:

- non-business as usual expenditure: extending or enhancing our current capabilities
- business as usual expenditure: all remaining ICT expenditure, which primarily relates to operating and maintaining our current capability.

We received a state contribution toward our relocation to a new premises. Of this, we spent \$38,709 in 2015-16 on ICT.

This year, we had a total operational ICT expenditure of \$1,779,448. This is reflected in Table 16.

Table 15: ICT expenditure – relocation

Business As Usual (BAU) ICT expenditure	Non Business As Usual (non BAU) ICT expenditure	Operational expenditure (\$ thousand)	Capital expenditure
(Total)	(Total = Operational expenditure and Capital Expenditure)		
0	\$38,709	\$38,709	0

Table 16: ICT expenditure – not related to relocation

Business As Usual (BAU) ICT expenditure	Non Business As Usual (non BAU) ICT expenditure	Operational expenditure (\$ thousand)	Capital expenditure
(Total)	(Total = Operational expenditure and Capital Expenditure)		
\$1,656,006	\$123,442	\$123,442	0

Office-based environmental impact

The use of electrical power, paper and office vehicles over the five years since 2011-12 is outlined below.

Electricity use

In 2015-16, electricity use was about 13 per cent higher than in 2014-15, when measured on a per FTE staff member basis. Greenhouse gas emissions in 2015-16 per FTE staff member were also higher than the previous four years. Twenty five per cent of the electricity we used was purchased as green power.

Paper use

Paper use in 2015-16 per FTE staff member increased from 2014-15.

During the year, we changed paper suppliers. We were unable to get a final usage report from our previous supplier and have provided an average for 2015-16 based on paper used since the change.

We are moving to a paperless record keeping system which will see a drop in paper use in coming years.

Table 17: Electricity usage since 2011-12

	2011-12	2012-13	2013-14	2014-15	2015-16
Total electricity used in the office (gigajoules)	305	320	362	394	430
Electricity used per FTE staff member (megajoules)	4,696	4,792	5,003	4,917	5,624
Electricity used per m ² office space (megajoules)	243	255	288	314	343
Net greenhouse emissions	90	94	101	109	118
Net greenhouse emissions per FTE staff member (tonnes)	1.39	1.40	1.40	1.37	1.55

Table 18: Paper usage since 2011-12

	2011-12	2012-13	2013-14	2014-15	2015-16
Total paper used in office (reams)	1,165	1,195	1,121	893	952
Paper used per FTE staff member (reams)	17.95	17.88	15.50	11.15	12.45

Waste

In 2015-16, we continued to use recycling bins throughout the office for recyclable materials including paper, cardboard and plastics. The bins are emptied daily and deposited into communal recycling facilities serving all tenants in the building. Printer consumable wastes are now separately collected.

Water

There are no separate water metering facilities for individual tenancies in the building we occupy. We use water efficient appliances wherever possible.

Transportation

We encourage our staff to use public transport for official business instead of office cars, where feasible. The office has two vehicles; both are hybrid electric/petrol cars. This year, kilometres travelled decreased by 44 per cent. Cars have been less available for staff, as we have reduced the number of cars from three to two.

Table 19: Vehicle usage since 2011-12

	2011-12	2012-13	2013-14	2014-15	2015-16
Passenger vehicle trips					
Total kilometres driven	31,865	36,346	31,390	36,397	20,546
Kilometres driven per FTE staff member	491	544	434	454	269
Greenhouse gas emissions associated with vehicles					
Total tonnes CO ₂ -e emitted	6.20	5.59	4.46	5.17	2.92
Tonnes CO ₂ -e emitted per FTE staff member	0.10	0.08	0.06	0.06	0.04

Freedom of information

The *Freedom of Information Act 1982* creates a right for the public to access certain documents held by public sector agencies, including the Victorian Ombudsman.

In 2015-16 we received three freedom of information (FOI) requests.

Categories of documents held

We hold several categories of documents:

- investigation reports, tabled in Parliament and posted on our website
- internal administrative and operational documents
- internal policy and procedural documents
- documents about developing or implementing policy and legislation
- personnel and human resources documents
- financial records
- legislation
- documents obtained or created in the course of conducting investigations or making enquiries, including complaints, correspondence, file notes and reports
- documents relating to our functions under the Protected Disclosure Act
- background material, records of conversation, analysis and advice
- documents related to our inspection function under the Domestic Animals Act
- fact sheets, brochures and promotional material.

Certain documents are destroyed or transferred to the Public Record Office in accordance with the Public Records Act.

- The FOI Act does not apply to documents that disclose information about:
 - a complaint, a referred complaint, a referred matter or a matter referred to the Ombudsman by Parliament

- an enquiry or investigation under the Ombudsman Act
- a recommendation made by the Ombudsman under the Ombudsman Act
- a report or draft report made under the Ombudsman Act.

Publicly available information

The following information is available on our website:

- fact sheets
- guidelines
- policy and practice documents
- reports
- frequently asked questions
- information about community education and public sector workshops
- statements about the Ombudsman's role, responsibilities, scope, governing law and reporting to Parliament
- information about the Protected Disclosure Act
- media releases
- tabled parliamentary reports
- complaint handling good practice guides.

This material can also be requested by writing to us or calling us.

Level 2, 570 Bourke Street
Melbourne VIC 3000
(03) 9613 6222
1800 806 314 (toll free for regional callers)

Media releases are also available by subscription, via the 'News' section of our website.

Making a freedom of information request

Authorised officers deal with all requests for access to documents held by our office. Applicants seeking access to documents should try to specify the topic of interest, rather than the file series in which the applicant considers the document may exist.

Making an FOI request

The FOI Act requires that requests for documents be in writing. An FOI request can be made to the Victorian Ombudsman by:

- completing an online form and paying the application fee at <https://online.foi.vic.gov.au/foi/request.doj>
- sending a letter and enclosing a cheque for the application fee to:

FOI Officer
Victorian Ombudsman
Level 2, 570 Bourke Street
Melbourne VIC 3000

Applications should clearly describe the document/s sought. They should specify that the application is a request made under the FOI Act and should not form part of a letter or email on another subject.

The applicant should provide the following information:

- name
- address
- phone number
- details of document(s) requested
- form of access required, e.g. copy of documents, inspection of file or other.

People with questions about making an application can speak to an authorised officer by calling (03) 9613 6222 or 1800 806 314 (toll free number for regional callers).

Fees

An application fee of \$27.90 is required unless an authorised officer, satisfied that the payment of the fee would cause hardship, waives that fee.

Reviews

Applicants may seek an external review of a decision made about:

- requests for access to documents or amendment of records
- the cost levied for allowing access to documents.

Depending on the decision made in the first instance, the FOI Commissioner or the Victorian Civil and Administrative Tribunal can conduct the review. The letter to the applicant advising our FOI decision will include information on the appropriate avenue of review. Applicants are advised to consult Part VI of the FOI Act for more information about appeal rights.

Complaints

A person may complain to the FOI Commissioner about certain matters, including about:

- an action taken or not taken by an agency in relation to its FOI functions
- a decision by an agency that a document does not exist or cannot be found.

For more information on complaining to the FOI Commissioner, visit: <http://foicommissioner.vic.gov.au/home/complaints>

Further information about the FOI Act is available online at <http://foicommissioner.vic.gov.au>

DataVic Access Policy

The intent of the government's DataVic Access Policy is to enhance public access to the vast range of information held by Victorian government agencies. Comprehensive information about our office is available on our website: www.ombudsman.vic.gov.au. Publicly available information is listed at page 64 of this report.

Consistent with the DataVic Access Policy issued by the Victorian Government in 2012, data for all tables and charts included in this Annual Report will be available at <http://www.data.vic.gov.au/> in electronic readable format.

Financial statements

VAGO

Victorian Auditor-General's Office

Level 24, 35 Collins Street
Melbourne VIC 3000

Telephone 61 3 8601 7000
Facsimile 61 3 8601 7010

Website www.audit.vic.gov.au

INDEPENDENT AUDITOR'S REPORT

To the Victorian Ombudsman, Office of the Victorian Ombudsman

The Financial Report

I have audited the accompanying financial report for the year ended 30 June 2016 of the Office of the Victorian Ombudsman which comprises the comprehensive operating statement, balance sheet, statement of changes in equity, cash flow statement, notes comprising a summary of significant accounting policies and other explanatory information, and the accountable officer's and chief financial officer's declaration.

The Victorian Ombudsman's Responsibility for the Financial Report

The Victorian Ombudsman is responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards, and the financial reporting requirements of the *Financial Management Act 1994*, and for such internal control as the Victorian Ombudsman determines is necessary to enable the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

As required by the *Audit Act 1994*, my responsibility is to express an opinion on the financial report based on the audit, which has been conducted in accordance with Australian Auditing Standards. Those standards require compliance with relevant ethical requirements relating to audit engagements and that the audit be planned and performed to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The audit procedures selected depend on judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, consideration is given to the internal control relevant to the entity's preparation and fair presentation of the financial report 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 entity's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by the Victorian Ombudsman, as well as evaluating the overall presentation of the financial report.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Independent Auditor's Report (continued)

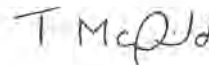
Independence

The Auditor-General's independence is established by the *Constitution Act 1975*. The Auditor-General is not subject to direction by any person about the way in which his powers and responsibilities are to be exercised. In conducting the audit, my staff and I have complied with the applicable independence requirements of the Australian Auditing Standards and relevant ethical pronouncements.

Opinion

In my opinion, the financial report presents fairly, in all material respects, the financial position of the Office of the Victorian Ombudsman as at 30 June 2016 and its financial performance and cash flows for the year then ended in accordance with applicable Australian Accounting Standards, and the financial reporting requirements of the *Financial Management Act 1994*.

MELBOURNE
16 September 2016



for Dr Peter Frost
Acting Auditor-General

OFFICE OF THE OMBUDSMAN

*Comprehensive operating statement
For the year ended 30 June 2016*

	Notes	2016 \$	2015 \$
Income from transactions			
Grants	2	<u>14,070,271</u>	<u>11,993,618</u>
Total income from transactions		<u>14,070,271</u>	<u>11,993,618</u>
Expenses from transactions			
Employee expenses	3(a)	10,115,016	9,029,972
Depreciation	3(b)	524,777	139,864
Finance lease interest		1,782	870
Capital asset charge	1(f)	184,000	184,000
Supplies and services	3(c)	<u>3,492,322</u>	<u>2,672,124</u>
Total expenses from transactions		<u>14,317,897</u>	<u>12,026,830</u>
Net result from transactions		<u>(247,626)</u>	<u>(33,212)</u>
Other economic flows included in net result			
Net gain/(loss) on disposal of property, plant and equipment		2,908	(5,312)
Net gain/(loss) arising from revaluation of leave liabilities		<u>(39,746)</u>	<u>(9,385)</u>
Total other economic flows included in net result		<u>(36,838)</u>	<u>(14,697)</u>
Net result		<u>(284,464)</u>	<u>(47,909)</u>
Other economic flows – other comprehensive income		<u>-</u>	<u>-</u>
Comprehensive result		<u>(284,464)</u>	<u>(47,909)</u>

The above comprehensive operating statement should be read in conjunction with the accompanying notes.

OFFICE OF THE OMBUDSMAN

Balance sheet *As at 30 June 2016*

	Notes	2016 \$	2015 \$
Assets			
Financial assets			
Cash on hand		400	1,000
Receivables	4	<u>1,383,989</u>	<u>1,156,118</u>
Total financial assets		<u>1,384,389</u>	<u>1,157,118</u>
Non-financial assets			
Prepayments		4,686,488	51,773
Property, plant and equipment	5	<u>383,051</u>	<u>441,125</u>
Intangible assets	6	<u>13,742</u>	<u>22,405</u>
Total non-financial assets		<u>5,083,281</u>	<u>515,303</u>
Total assets		<u>6,467,670</u>	<u>1,672,421</u>
Liabilities			
Payables	7	433,356	240,457
Provisions	8	<u>2,138,108</u>	<u>1,676,857</u>
Borrowings	9	<u>56,980</u>	<u>91,434</u>
Total liabilities		<u>2,628,444</u>	<u>2,008,748</u>
Net Assets		<u>3,839,226</u>	<u>(336,327)</u>
Equity			
Contributed capital		4,973,393	513,376
Accumulated deficit		<u>(1,134,167)</u>	<u>(849,703)</u>
Total equity / (deficit)		<u>3,839,226</u>	<u>(336,327)</u>

The above balance sheet should be read in conjunction with the accompanying notes.

OFFICE OF THE OMBUDSMAN

Statement of changes in equity For the year ended 30 June 2016

	Contributed capital	Accumulated deficit	Total
	\$	\$	\$
Balance at 1 July 2014	513,376	(801,794)	(288,418)
Net result for the year		(47,909)	(47,909)
Balance at 30 June 2015	513,376	(849,703)	(336,327)
Capital appropriations	4,460,017		4,460,017
Net result for the year		(284,464)	(284,464)
Balance at 30 June 2016	4,973,393	(1,134,167)	3,839,226

The above statement of changes in equity should be read in conjunction with the accompanying notes.

OFFICE OF THE OMBUDSMAN

Cash flow statement *For the year ended 30 June 2016*

	Notes	2016 \$	2015 \$
Cash flows from operating activities			
Receipts from government		14,164,149	12,420,178
Payments to suppliers and employees		(18,136,441)	(12,173,100)
Capital asset charge paid		(184,000)	(184,000)
Interest and other finance costs paid		(1,782)	(870)
Net cash flows from operating activities	17	(4,158,074)	62,208
Cash flows from investing activities			
Payments for property, plant and equipment		(285,453)	(41,269)
Proceeds from disposal of property, plant and equipment		17,364	37,091
Net cash flows used in investing activities		(268,089)	(4,178)
Cash flows from financing activities			
Proceeds from capital contribution by State Government		4,460,017	-
Repayment of finance leases		(34,454)	(58,030)
Net cash flows used in financing activities		4,425,563	(58,030)
Net increase in cash held		(600)	-
Cash at the start of the year		1,000	1,000
Cash at the end of the year		400	1,000

The above cash flow statement should be read in conjunction with the accompanying notes.

Note 1. Summary of significant accounting policies

(a) Statement of compliance

These general purpose financial statements have been prepared in accordance with the *Financial Management Act 1994* and applicable Australian Accounting Standards (AASs) including Interpretations, issued by the Australian Accounting Standards Board (AASB). In particular, they are presented in a manner consistent with the requirements of AASB 1049 *Whole of Government and General Government Sector Financial Reporting*. Where relevant, those paragraphs of the AASs applicable to not-for-profit entities have been applied.

Accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events is reported.

A glossary of terms applied in financial statements is available in note 19.

(b) Basis of preparation

The accrual basis of accounting has been applied in the preparation of these financial statements whereby assets, liabilities, equity, income and expenses are recognised in the reporting period to which they relate, regardless of when cash is received or paid.

Judgements, estimates and assumptions are required to be made about the carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on professional judgements derived from historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

Revisions to accounting estimates are recognised in the period in which the estimate is revised and in future periods that are affected by the revision. Judgements and assumptions made by management in the application of AASs that have significant effects on the financial statements relate to:

- the fair value of plant and equipment (see note 1(i)); and
- employee benefits provisions based on likely tenure of existing staff, patterns of leave claims, future salary movements and future discount rates (see note 1(j)).

The financial statements are presented in Australian dollars and have been prepared in accordance with the historical cost convention, except where noted.

Consistent with AASB 13 *Fair Value Measurement*, the Office of the Ombudsman (the Office) determines the policies and procedures for both recurring fair value measurements such as property, plant and equipment and financial instruments and for non-recurring fair value measurements such as non-financial physical assets held for sale, in accordance with the requirements of AASB 13 and the relevant Financial Reporting Directions. All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For the purpose of fair value disclosures, the Office has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

In addition, the Office determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The Office monitors changes in the fair value of its assets through relevant data sources to determine whether revaluation is required.

The accounting policies set out below have been applied in preparing the financial statements.

(c) Reporting entity

The financial statements include all the controlled activities of the Office of the Ombudsman. The Office was established under the *Ombudsman Act 1973*. Its principal address is:
Level 1, 459 Collins Street
Melbourne Victoria 3000

Objectives and funding

The Office handles complaints concerning administrative actions taken by Victorian Government departments, Victorian statutory authorities and local councils under the *Ombudsman Act 1973* (including whether administrative actions are compatible with the *Victorian Charter of Human Rights and Responsibilities Act 2006*); assesses disclosures received under the *Protected Disclosure Act 2012*, refers relevant disclosures to the Independent Broad-based Anti-corruption Commission (IBAC) and investigates protected disclosures referred by the IBAC; monitors compliance by officers of the Royal Society for the Prevention of Cruelty to Animals with specified sections of the *Prevention of Cruelty to Animals Act 1986*; and monitors compliance by certain categories of authorised officers with the *Domestic Animals Act 1994*.

It aims to improve the accountability of State and local government agencies to the public and the Parliament, and to promote fair and ethical public administration.

The Office is predominantly funded by accrual based Parliamentary appropriations for the provision of outputs. These appropriations are received by the Department of Premier and Cabinet and on-forwarded to the Office in the form of grants.

(d) Scope and presentation of financial statements

Comprehensive operating statement

The comprehensive operating statement comprises three components, being 'net result from transactions', 'other economic flows included in net result', as well as 'other economic flows – other comprehensive income'. Other economic flows included in net result are changes in the volume or value of an asset or liability that do not result from transactions. It includes gains and losses from disposals, revaluations and impairments of non-financial physical and intangible assets. The sum of the first two represents the net result which is equivalent to profit or loss derived in accordance with AASs. This classification is consistent with the whole of government reporting format and is allowed under AASB 101 *Presentation of Financial Statements*.

Balance sheet

Assets and liabilities are presented in liquidity order with assets aggregated into financial assets and non-financial assets. Current and non-current assets and liabilities are disclosed in the notes, where relevant. Non-current assets or liabilities are those expected to be recovered or settled more than 12 months after the reporting period.

Statement of changes in equity

The statement of changes in equity presents reconciliations of non-owner and owner changes in equity from opening balance at the beginning of the year to the closing balance at the end of the year. It also shows separately changes due to amounts recognised in the comprehensive result and amounts recognised in other economic flows – other movements in equity related to transactions with the owner in its capacity as owner.

Cash flow statement

Cash flows are classified according to whether they arise from operating, investing or financing activities. This classification is consistent with requirements of AASB 107 *Statement of Cash Flows*.

(e) Income from transactions

Income is recognised to the extent that it is probable that the economic benefits will flow to the Office and the income can be reliably measured.

Grants

Income from grants (other than contribution by owners) is recognised when the Office obtains control over the contribution. Where grants are reciprocal (i.e. equal value is given back by the Office to the provider), the Office is deemed to have assumed control when it has satisfied its performance obligations under the terms of the grant.

Non-reciprocal grants are recognised as income when the grant is received or receivable. Conditional grants may be reciprocal or non-reciprocal depending on the terms of the grant.

(f) Expenses from transactions

Employee benefits

Employee benefits comprise all costs related to employment including wages and salaries, superannuation, fringe benefits tax, leave entitlements, redundancy payments and WorkCover premiums.

Superannuation expenses represent the employer contributions for members of both defined benefit and defined contribution superannuation plans that are paid or payable to these plans during the year.

The Department of Treasury and Finance (DTF) centrally recognises, on behalf of the State as the sponsoring employer, the defined benefit liability or surplus of most Victorian government employees in such funds. Refer to DTF's annual financial statements for more detailed disclosures in relation to these plans.

Depreciation

All plant and equipment and other non-current physical assets (excluding items under operating leases and assets held-for-sale) that have finite useful lives are depreciated. Depreciation is generally calculated on a straight line basis at rates that allocate the asset's value, less any estimated residual value, over its expected useful life.

Leasehold improvements are depreciated over the period of the lease or estimated useful life, whichever is the shorter, using the straight line method.

Intangible produced assets with finite useful lives are depreciated as an expense from transactions on a straight-line basis over the asset's useful life. Depreciation begins when the asset is available for use, that is, when it is in the location and condition necessary for it to be capable of operating in the manner intended by management.

The estimated useful lives, residual values and depreciation method are reviewed at least annually. Typical estimated useful lives applicable for the years ended 30 June 2016 and 30 June 2015 are as follows:

Leasehold improvements	10 years
Office furniture and computer equipment	3-5 years
Motor vehicles under finance lease	3 years
Capitalised software development	3-7 years

Finance lease interest

Finance lease interest charges are recognised as expenses in the period in which they are incurred.

Capital asset charge

A charge levied on the written-down value of controlled non-current physical assets in an agency's balance sheet which aims to: attribute to agency outputs the opportunity cost of capital used in service delivery; and provide incentives to agencies to identify and dispose of underutilised or surplus assets in a timely manner. The capital asset charge is calculated on the budgeted carrying amount of applicable non-financial physical assets.

Supplies and services

Supplies and services are recognised as an expense in the reporting period in which they are incurred.

(g) Other economic flows included in net result

Other economic flows measure the change in volume or value of assets or liabilities that do not result from transactions. They include net gains and losses on financial and non-financial assets and liabilities and other gains and losses from other economic flows.

Net gains and losses on non-financial assets and liabilities include realised and unrealised gains and losses from impairments, and disposals of property, plant and equipment and intangible assets. Net gains and losses on financial instruments include impairment and reversal of impairment for financial instruments at amortised cost, and disposals of financial assets. Other gains and losses from other economic flows include the transfer of amounts from reserves and accumulated surplus to net result due to disposal, derecognition, or reclassification, the revaluation of the present value of leave liabilities due to changes in bond interest rates, and the revaluation of the restoration costs provision.

Disposal of non-financial assets

Any gain or loss on the disposal of non-financial assets is recognised at the date of disposal and is determined after deducting from the proceeds the carrying value of the asset at that time.

Impairment of non-financial assets

All non-current physical assets and intangible assets are assessed annually for indications of impairment. If there is an indication of impairment, the assets concerned are tested as to whether their carrying value exceeds their recoverable amount. Where an asset's carrying value exceeds its recoverable amount, the difference is written off as another economic flow except to the extent that the write-down can be debited to an asset revaluation reserve amount applicable to that class of asset.

It is deemed that, in the event of the loss of an asset, the future economic benefits arising from the use of the asset will be replaced unless a specific decision to the contrary has been made. The recoverable amount for most assets is measured at the higher of depreciated replacement cost and fair value less costs to sell. Recoverable amount for assets held primarily to generate net cash inflows is measured at the higher of the present value of future cash flows expected to be obtained from the asset and fair value less costs to sell.

Impairment of financial assets

The Office assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. All financial assets, except those measured at fair value through profit or loss, are subject to annual review for impairment.

Bad and doubtful debts are assessed on a regular basis. Those bad debts considered as written off by mutual consent are classified as a transaction expense. The allowance for doubtful receivables and bad debts not written off by mutual consent are adjusted as other economic flows.

Other gains/(losses) from other economic flows

Other gains/(losses) from other economic flows include the gains or losses from:
the revaluation of the present value of leave liabilities due to changes in bond interest rates.

(h) Financial instruments

Financial instruments arise out of contractual agreements that give rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Due to the nature of the Office's activities, certain financial assets and financial liabilities arise under statute rather than a contract. Such financial assets and financial liabilities do not meet the definition of financial instruments in AASB 132 *Financial Instruments: Presentation*. For example, statutory receivables do not meet the definition of financial instruments as they do not arise under contract.

The financial assets held by the Office include cash and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

The Office assesses at each balance sheet date whether a financial asset or group of financial assets is impaired.

Cash and deposits

Cash and deposits comprise cash on hand and cash at bank, deposits at call and short term deposits that are held for the purpose of meeting short term cash commitments rather than for investment purposes, and which are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value.

Receivables

Receivables consist of:

- contractual receivables, which include mainly debtors in relation to goods and services; and
- statutory receivables, which include predominantly amounts owing from the Victorian Government and GST input tax credits recoverable.

Receivables that are contractual are classified as financial instruments. Statutory receivables are recognised and measured on the same basis as contractual receivables (except for impairment) but are not classified as financial instruments as they do not arise from a contract.

Debtors are due for settlement at no more than 30 days from the date of recognition. Collectability of debtors is reviewed on an ongoing basis. A provision for doubtful debts is recognised when there is objective evidence that the debts may not be collected. Bad debts are written off when identified.

(i) Non-financial assets

Prepayments

Prepayments represent payments in advance of receipt of goods or services or that part of expenditure made in one accounting period covering a term extending beyond that period.

Property, plant and equipment

Property, plant and equipment are recognised initially at cost and subsequently measured at fair value less accumulated depreciation and impairment. Where an asset is acquired for no or nominal cost, the cost is its fair value at the date of acquisition. Assets transferred as part of a machinery of government change are transferred at their carrying amount.

The initial cost for non-financial physical assets under a finance lease (see note 1(k)) is measured at amounts equal to the fair value of the leased asset or, if lower, the present value of the minimum lease payments, each determined at the inception of the lease.

The fair value of plant, equipment and vehicles, is normally determined by reference to the asset's depreciated replacement cost. For plant, equipment and vehicles, existing depreciated historical cost is generally a reasonable proxy for depreciated replacement cost because of the short lives of the assets concerned. Unless otherwise disclosed, the current use of these non-financial physical assets will be their highest and best use.

Leasehold improvements

The cost of leasehold improvements is capitalised as an asset and depreciated over the remaining term of the lease or the estimated useful life of the improvements, whichever is the shorter.

Intangible assets

Intangible assets represent identifiable non-monetary assets without physical substance. Intangible assets are measured at cost less accumulated depreciation and impairment. Costs incurred subsequent to initial acquisition are capitalised when it is expected that additional future economic benefits will flow to the Office.

(j) Liabilities

Payables

Payables consist predominantly of creditors and accruals. Payables represent liabilities for goods and services provided to the Office that are unpaid at the end of the financial year. Payables are initially measured at fair value, being the cost of the goods and services, and then subsequently measured at amortised cost.

Provisions

Provisions are recognised when the Office has a present obligation where the future sacrifice of economic benefits is probable and the amount of the provision can be measured reliably. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows, using a discount rate that reflects the time value of money and risks specific to the provision.

Employee benefits

Provision is made for benefits accruing to employees in respect of wages and salaries, annual leave and long service leave for services rendered to the reporting date.

Provisions made in respect of employee benefits expected to be wholly settled within 12 months are measured at their nominal values, using the remuneration rate expected to apply at the time of settlement. Provisions made in respect of employee benefits which are not expected to be wholly settled within 12 months are measured as the present value of the estimated future cash outflows to be made by the Office in respect of services provided by employees up to reporting date. The liability is classified as a current liability where the Office does not have an unconditional right to defer settlement for at least 12 months after the reporting date. The long service leave liability is classified as non-current where the Office has an unconditional right to defer the settlement of the entitlement until the employee has completed the required years of service.

Termination benefits are payable when employment is terminated before the normal retirement date, or when an employee decides to accept an offer of benefits in exchange for the termination of employment. The Office recognises termination benefits when it is demonstrably committed to either terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after the end of the reporting period are discounted to present value.

Borrowings

Borrowings of the Office relate to finance leases on motor vehicles - see note 1(k). Fair value is determined in the manner described in note 10(f).

(k) Leases

A lease is a right to use an asset for an agreed period of time in exchange for payment. Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Finance leases are recognised as assets and liabilities of the Office at amounts equal to the fair value of the lease property or, if lower, at the present value of the minimum lease payments, each determined at the inception of the lease. The leased asset is depreciated over the shorter of the estimated useful life of the asset or the term of the lease.

Minimum finance lease payments are apportioned between reduction of the lease liability and periodic finance charges which are calculated using the interest rate implicit in the lease and charged directly to the comprehensive operating statement.

Operating lease payments are recognised as an expense in the comprehensive operating statement on a straight line basis over the lease term, except where another systematic basis is more representative of the time pattern of the benefits derived from the use of the leased asset. The leased asset is not recognised in the balance sheet.

(l) Goods and services tax

Income, expenses and assets are recognised net of goods and services tax (GST), unless the GST incurred is not recoverable from the Australian Taxation Office (ATO). In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the ATO is included as part of receivables or payables.

Cash flows are presented on a gross basis. The GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the ATO is classified as operating cash flows.

Commitments and contingent assets and liabilities are also stated inclusive of GST.

(m) Contributed capital

Consistent with the requirements of AASB 1004 *Contributions*, contributions by owners (that is, contributed capital and its repayment) are treated as equity transactions and, therefore, do not form part of the income and expenses of the Office.

Additions to net assets which have been designated as contributions by owners are recognised as contributed capital. Other transfers that are in the nature of contributions or distributions are also designated as contributed capital. Transfers of net assets or liabilities arising from administrative restructurings are treated as distributions to or contributions by owners.

(n) Commitments

Commitments for future expenditure include operating commitments arising from contracts. These commitments are disclosed in note 11 at their nominal value and inclusive of GST payable. These future expenditures cease to be disclosed as commitments once the related liabilities are recognised in the balance sheet.

(o) Contingent assets and contingent liabilities

Contingent assets and contingent liabilities are not recognised in the balance sheet, but are disclosed by way of a note and, if quantifiable, are measured at nominal value. Contingent assets and liabilities are presented inclusive of GST receivable or payable respectively.

(p) Accounting standards issued but not yet effective

As at 30 June 2016, the following standards and interpretations (applicable to the Office) had been issued but were not mandatory for the 30 June 2016 reporting period. The Department of Premier and Cabinet assesses the impact of these new standards and advises the Office of their applicability and early adoption where applicable.

AASB 9 Financial Instruments, applicable for reporting periods commencing 1 January 2018. The key changes include the simplified requirements for the classification and measurement of financial assets, a new hedging accounting model and a revised impairment loss model to recognise impairment losses earlier, as opposed to the current approach that recognises impairment only when incurred. While the Office's assessment has not identified any material impact arising from AASB 9, it will continue to be monitored and assessed.

AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2010), applicable for reporting periods commencing 1 January 2018. The requirements for classifying and measuring financial liabilities were added to AASB 9. The existing requirements for the classification of financial liabilities and the ability to use the fair value option have been retained. However, where the fair value option is used for financial liabilities the change in fair value is accounted for as follows:

- the change in fair value attributable to changes in credit risk is presented in other comprehensive income; and
 - other fair value changes are presented in profit or loss. If this approach creates or enlarges an accounting mismatch in the profit or loss, the effect of the changes in credit risk are also presented in profit or loss.
- The Office's assessment has identified that the amendments are likely to result in earlier recognition of impairment losses and at more regular intervals.

AASB 2014-1 Amendments to Australian Accounting Standards [Part E Financial Instruments], applicable for reporting periods commencing 1 January 2018. Amends various AASs to reflect the AASB's decision to defer the mandatory application date of AASB 9 to annual reporting periods beginning on or after 1 January 2018; as a consequence of Chapter 6; and to amend reduced disclosure requirements. This amending standard will defer the application period of AASB 9 to the 2018-19 reporting period in accordance with the transition requirements.

AASB 2014-7 Amendments to Australian Accounting Standards arising from AASB 9, applicable for reporting periods commencing 1 January 2018. Amends various AASs to incorporate the consequential amendments arising from the issuance of AASB 9. The Office's assessment has indicated that there will be no significant impact for the Office.

AASB 2014-5 Amendments to Australian Accounting Standards arising from AASB 15, applicable 1 Jan 2017, except amendments to AASB 9 (Dec 2009) and AASB 9 (Dec 2010) apply from 1 Jan 2018. Amends the measurement of trade receivables and the recognition of dividends. Trade receivables, that do not have a significant financing component, are to be measured at their transaction price, at initial recognition. The Office's assessment has indicated that there will be no significant impact for the Office.

AASB 16 Leases, applicable for reporting periods commencing 1 January 2019. The key changes introduced by AASB 16 include the recognition of most operating leases (which are currently not recognised) on balance sheet. The Office's assessment has indicated that as most operating leases will come on balance sheet, recognition of lease assets and lease liabilities will cause net debt to increase. Depreciation of lease assets and interest on lease liabilities will be recognised in the income statement with marginal impact on the operating surplus. The amounts of cash paid for the principal portion of the lease liability will be presented within financing activities and the amounts paid for the interest portion will be presented within operating activities in the cash flow statement.

AASB 2015-1 Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012-2014 Cycle [AASB 1, AASB 2, AASB 3, AASB 5, AASB 7, AASB 11, AASB 110, AASB 119, AASB 121, AASB 133, AASB 134, AASB 137 & AASB 140], applicable for reporting periods commencing 1 January 2016. Amends the methods of disposal in AASB 5 Non-current assets held for sale and discontinued

Notes to the financial statements

30 June 2016

operations. Amends AASB 7 Financial Instruments by including further guidance on servicing contracts. The assessment has indicated that when an asset (or disposal group) is reclassified from 'held to sale' to 'held for distribution', or vice versa, the asset does not have to be reinstated in the financial statements. Entities will be required to disclose all types of continuing involvement the entity still has when transferring a financial asset to a third party under conditions which allow it to derecognise the asset.

AASB 2015-6 Amendments to Australian Accounting Standards – Extending Related Party Disclosures to Not-for-Profit Public Sector Entities [AASB 10, AASB 124 & AASB 1049], applicable for reporting periods commencing 1 January 2016. AASB 2015-6 extends the scope of AASB 124 Related Party Disclosures to not-for-profit public sector entities. Guidance has been included to assist the application of the Standard by not-for-profit public sector entities. The amending standard will result in extended disclosures on the entity's key management personnel, and the related party transactions.

ABOUT US

OUR WORK

WHAT WE DO

OUR PEOPLE AND
OUR PERFORMANCE

STATUTORY DISCLOSURES

FINANCIAL STATEMENTS

Notes to the financial statements
30 June 2016

	2016 \$	2015 \$
Note 2. Income from transactions		
Grants		
Grants from Department of Premier and Cabinet	<u>14,070,271</u>	<u>11,993,618</u>
Total income from transactions	<u>14,070,271</u>	<u>11,993,618</u>
Note 3. Expenses from transactions		
Expenses from transactions includes:		
(a) Employee expenses*		
Salaries and wages	7,870,092	7,033,232
Superannuation		
- Defined contribution plans	730,314	630,412
- Defined benefits plans	42,000	56,167
Annual and long service leave expense	947,685	861,611
On-costs	<u>524,925</u>	<u>448,550</u>
Total employee expenses	<u>10,115,016</u>	<u>9,029,972</u>
(b) Depreciation		
Leasehold improvements	468,575	51,904
Office furniture and equipment	28,069	51,426
Motor vehicles under finance lease	19,470	21,744
Capitalised software development	<u>8,663</u>	<u>14,790</u>
Total depreciation	<u>524,777</u>	<u>139,864</u>
(c) Supplies and services*		
Purchase of services	1,370,999	731,853
Lease rentals and outgoings	711,888	707,473
Information technology costs	818,509	658,756
Other supplies and services	<u>590,926</u>	<u>574,042</u>
Total supplies and services	<u>3,492,322</u>	<u>2,672,124</u>

* Certain expenses have been reclassified to more appropriately reflect their nature. Prior year comparatives have been adjusted accordingly.

Notes to the financial statements
30 June 2016

	2016 \$	2015 \$
Note 4. Receivables		
Current:		
Contractual		
Other receivables	3,070	-
	<u>3,070</u>	<u>-</u>
Statutory		
GST recoverable	14,339	3,050
Amounts owing from Victorian Government	1,092,624	914,150
	<u>1,106,963</u>	<u>917,200</u>
Total current	<u>1,110,033</u>	<u>917,200</u>
Non-current:		
Statutory		
Amounts owing from Victorian Government	273,956	238,918
	<u>273,956</u>	<u>238,918</u>
Total receivables	<u>1,383,989</u>	<u>1,156,118</u>

Note 10 discloses the ageing analysis of contractual receivables and the nature and extent of risks arising from contractual receivables.

Note 5. Property, plant and equipment

Leasehold improvements at fair value	828,417	588,376
Less: accumulated depreciation	(770,992)	(302,417)
	<u>57,425</u>	<u>285,959</u>
Construction in progress- at cost	<u>227,453</u>	<u>-</u>
Office furniture and equipment at fair value	508,904	503,904
Less: accumulated depreciation	(467,121)	(439,054)
	<u>41,783</u>	<u>64,850</u>
Motor vehicles under finance lease at fair value	94,601	123,157
Less: accumulated depreciation	(38,211)	(32,841)
	<u>56,390</u>	<u>90,316</u>
Total property, plant and equipment	<u>383,051</u>	<u>441,125</u>

Notes to the financial statements
30 June 2016

	2016 \$	2015 \$
Reconciliation of carrying amounts		
<i>Leasehold improvements</i>		
Carrying amount at start of year	285,959	268,556
Additions	240,041	28,779
Disposals	-	(6,468)
Transfers between classes	-	46,996
Depreciation expense (note 3(b))	(468,575)	(51,904)
Carrying amount at end of year	<u>57,425</u>	<u>285,959</u>
<i>Office furniture and equipment</i>		
Carrying amount at start of year	64,850	150,783
Additions	5,000	12,489
Transfers between classes	-	(46,996)
Depreciation expense (note 3(b))	(28,069)	(51,426)
Carrying amount at end of year	<u>41,783</u>	<u>64,850</u>
<i>Motor vehicles under finance lease</i>		
Carrying amount at start of year	90,316	81,950
Additions	-	66,044
Disposals	(14,456)	(35,934)
Depreciation expense (note 3(b))	(19,470)	(21,744)
Carrying amount at end of year	<u>56,390</u>	<u>90,316</u>

	Carrying amount \$	Fair value measurement using:		
		Level 1 \$	Level 2 \$	Level 3 \$
Fair value measurement hierarchy* at 30 June 2016				
Leasehold improvements	57,425			57,425
Office furniture and equipment	41,783			41,783
Total at fair value	<u>99,208</u>			<u>99,208</u>
Fair value measurement hierarchy* at 30 June 2015				
Leasehold improvements	285,959	-	-	285,959
Office furniture and equipment	64,850	-	-	64,850
Total at fair value	<u>350,809</u>	-	-	<u>350,809</u>

* See fair value hierarchy in note 1(b)

There have been no transfers between levels during the period.

Notes to the financial statements
30 June 2016

Reconciliation of Level 3 fair value

	Leasehold improvements \$	Office furniture and equipment \$
2016		
Opening balance	285,959	64,850
Purchases	240,041	5,000
Depreciation	(468,575)	(28,069)
Closing balance	<u>57,425</u>	<u>41,783</u>
2015		
Opening balance	268,556	150,783
Purchases	28,779	12,489
Disposals	(6,468)	-
Reclassification	46,996	(46,996)
Depreciation	(51,904)	(51,426)
Closing balance	<u>285,959</u>	<u>64,850</u>

Description of significant unobservable inputs to Level 3 valuations

	Valuation technique	Significant Unobservable Inputs
Leasehold improvements	Depreciated replacement cost	Cost per item Useful life
Office furniture and equipment	Depreciated replacement cost	Cost per unit Useful life

The significant unobservable inputs have remain unchanged from 2015

	2016 \$	2015 \$
Note 6. Intangible assets		
Capitalised software development – at cost	104,750	104,750
Less: accumulated depreciation	<u>(91,008)</u>	<u>(82,345)</u>
	<u>13,742</u>	<u>22,405</u>
Carrying amount at start of year	22,405	37,195
Depreciation expense (note 3(b))	<u>(8,663)</u>	<u>(14,790)</u>
Carrying amount at end of year	<u>13,742</u>	<u>22,405</u>

Note 7. Payables

Current:		
Contractual		
Creditors and accruals	<u>433,356</u>	<u>240,457</u>
Total payables	<u>433,356</u>	<u>240,457</u>

Note 10 discloses the ageing analysis of contractual payables and the nature and extent of risks arising from contractual payables.

Notes to the financial statements
30 June 2016

	2016 \$	2015 \$
Note 8. Provisions		
Current:		
Employee benefits		
- Annual leave		
Unconditional and expected to be paid within 12 months	578,886	536,366
Unconditional and expected to be paid after 12 months	78,074	88,036
- Long service leave		
Unconditional and expected to be paid within 12 months	113,053	184,516
Unconditional and expected to be paid after 12 months	542,349	469,868
- Performance bonus	44,000	30,000
Restoration costs	310,000	122,959
Redundancy provision	180,800	-
	<u>1,847,162</u>	<u>1,431,745</u>
Non-current:		
Employee benefits		
- Long service leave	290,946	245,112
	<u>290,946</u>	<u>245,112</u>
Total provisions	<u>2,138,108</u>	<u>1,676,857</u>

Note 9. Borrowings

Secured		
Current lease liabilities	23,794	45,380
Non-current lease liabilities	33,186	46,054
	<u>56,980</u>	<u>91,434</u>
Total borrowings	<u>56,980</u>	<u>91,434</u>

Lease liabilities are effectively secured as the rights to the leased assets revert to the lessor in the event of default.

Assets pledged as security

The carrying amounts of non-current assets pledged as security are:

Motor vehicles under finance lease	56,390	90,316
	<u>56,390</u>	<u>90,316</u>

Note 10 discloses the maturity analysis of borrowings and the nature and extent of risks arising from borrowings.

Note 10. Financial instruments

(a) Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement, and the basis on which income and expenses are recognised, with respect to each class of financial asset, financial liability and equity instrument are disclosed in note 1 to the financial statements.

(b) Categorisation of financial instruments

	Note	Category	Carrying amount	
			2016 \$	2015 \$
Financial assets				
Cash on hand		Cash	400	1,000
Receivables *	4	Loans and receivables	3,070	-
			<u>3,470</u>	<u>1,000</u>
Financial liabilities				
Payables		Financial liabilities at amortised cost	433,356	240,456
Borrowings	8	Financial liabilities at amortised cost	56,980	91,434
			<u>490,336</u>	<u>331,890</u>
Net holding gain/(loss) on financial instruments by category:				
Financial liabilities				
Borrowings		Financial liabilities at amortised cost	(1,782)	(870)
			<u>(1,782)</u>	<u>(870)</u>

* Receivables disclosed here exclude statutory receivables (i.e. amounts receivable from government departments and GST recoverable).

- The net holding gains or losses disclosed for financial liabilities are measured at amortised cost, the net gain or loss is the related interest expense.

(c) Credit risk

Credit risk arises from the financial assets of the Office, which comprise cash and cash equivalents, and trade and other receivables. The Office's exposure to credit risk arises from the potential default of counterparties on their contractual obligations resulting in financial loss to the Office. Credit risk is measured at fair value and is monitored on a regular basis.

Credit risk associated with the Office's financial assets is minimal because the main debtor is the Victorian Government. For debtors other than government, it is the Office's policy to only deal with entities with high credit ratings and to obtain sufficient collateral or credit enhancements where appropriate. The Office does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The carrying amount of financial assets recorded in the financial statements, net of any allowances for losses, represents the Office's maximum exposure to credit risk without taking account of the value of any collateral obtained.

Financial assets that are either past due or impaired:

There are no material financial assets which are individually determined to be impaired. Currently the Office does not hold any collateral as security nor credit enhancements relating to any of its financial assets.

As at the reporting date, there was no event to indicate that any of the financial assets were impaired.

There are no financial assets that have had their terms renegotiated so as to prevent them from being past due or impaired, and they are stated at the carrying amounts as indicated. There are no financial assets that are past due but not impaired.

Notes to the financial statements
30 June 2016

Credit quality of contractual financial assets that are neither past due nor impaired

	Financial institutions (AAA Credit rating)	Government agencies (AAA Credit rating)	Other (min BBB credit rating)	Total
2016				
Receivables	-	2,010	1,060	3,070
	-	2,010	1,060	3,070
2015				
Receivables	-	-	-	-
	-	-	-	-

Ageing analysis of contractual financial assets is as follows:

	Carrying amount \$	Neither past due nor impaired \$	Past due but not impaired			
			Less than 1 month \$	1-3 months \$	3 months - 1 year \$	1-5 years \$
2016						
Receivables	3,070	-	1,060	-	2,010	-
	3,070	-	1,060	-	2,010	-
2015						
Receivables	-	-	-	-	-	-
	-	-	-	-	-	-

(d) Liquidity risk

Liquidity risk arises when the Office is unable to meet its financial obligations as they fall due. The Office operates under the Victorian Government's fair payments policy of settling financial obligations within 30 days and in the event of a dispute, making payments within 30 days from the date of resolution.

The Office's exposure to liquidity risk is deemed insignificant based on prior periods' data and current assessment of risk. Maximum exposure to liquidity risk is the carrying amounts of financial liabilities. The Office manages its liquidity risk by maintaining an adequate level of uncommitted funds that can be drawn at short notice to meet its short term obligations.

The contractual maturity analysis of financial liabilities is as follows:

	Carrying amount \$	Nominal amount \$	Maturity dates *			
			Less than 1 month \$	1-3 months \$	3 months - 1 year \$	1-5 years \$
2016						
Payables	433,356	433,356	433,356	-	-	-
Borrowings	56,980	59,337	12,153	2,454	11,045	33,685
	490,336	492,693	445,509	2,454	11,045	33,685
2015						
Payables	240,456	240,456	240,456	-	-	-
Borrowings	91,434	97,806	2,404	4,808	42,183	48,411
	331,890	338,262	242,860	4,808	42,183	48,411

* The amounts disclosed are the contractual undiscounted cash flows of each class of financial liabilities.

(e) Market risk

The Office has no exposure to interest rate, foreign currency or other price risks. Interest rates on the Office's finance lease liabilities are fixed.

Interest rate exposure of financial instruments

	Weighted average effective interest rate %	Carrying amount \$'000	Interest rate exposure		
			Fixed interest rate \$'000	Variable interest rate \$'000	Non-interest bearing \$'000
2016					
Financial liabilities					
Payables		433,356			433,356
Finance lease liabilities	5.29	56,980	56,980	-	-
		<u>490,336</u>	<u>56,980</u>	<u>-</u>	<u>433,356</u>
2015					
Financial liabilities					
Payables		240,457			240,457
Finance lease liabilities	5.34	91,434	91,434	-	-
		<u>331,891</u>	<u>91,434</u>	<u>-</u>	<u>240,457</u>

(f) Fair value

The carrying amount of financial assets and financial liabilities recorded in the financial statements approximates their fair values because of the short term nature of the financial instruments and the expectation that they will be paid in full.

The fair values of financial assets and financial liabilities are determined as follows:

- Level 1 – the fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices;
- Level 2 – the fair value is determined using inputs other than quoted prices that are observable for the financial asset or liability, either directly or indirectly; and
- Level 3- the fair value of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using unobservable market inputs.

None of the classes of financial assets and liabilities are readily traded on organised markets in standardised form.

Note 11. Commitments for expenditure

	2016 \$	2015 \$
Operating lease commitments*		
Commitments for minimum lease payments in relation to non-cancellable operating leases, not recognised as liabilities, are payable as follows:		
Within one year	94,529	504,734
Later than one year but not later than five years	-	93,937
Later than five years	-	-
	<u>94,529</u>	<u>598,671</u>

*The Office has entered into a new operating lease agreement to occupy Level 2, 570 Bourke Street for an initial term of ten years, commencing 1 September 2016. The total commitment costs (net of lease incentive of \$3,225,339) for the initial term is \$8,052,212 (Inclusive of GST).

Outsourcing commitments

Commitments under outsourcing contracts for human resources services payable:		
Within one year	110,648	107,470
Later than one year but not later than five years	113,921	224,569
	<u>224,569</u>	<u>332,039</u>

Finance lease liabilities

Commitments in relation to finance leases are payable as follows:		
Within one year	25,652	49,395
Later than one year but not later than five years	33,685	48,411
Minimum lease payments	59,337	97,806
Less: future finance charges	(2,357)	(6,372)
Total lease liabilities	<u>56,980</u>	<u>91,434</u>
Shown in the financial statements (note 9) as:		
Current	23,794	45,380
Non-current	33,186	46,054
	<u>56,980</u>	<u>91,434</u>

Note 12. Contingent liabilities and contingent assets

There are no contingent liabilities or contingent assets for the Office at 30 June 2016 or at 30 June 2015.

Note 13. Responsible persons

The persons who held the positions of Minister and Accountable Officer in the Office (from 1 July 2015 to 30 June 2016 unless otherwise stated) were:

Responsible Minister	The Hon Daniel Andrews, MP, Premier
Accountable Officer	Deborah Glass OBE, Ombudsman

Remuneration

Remuneration received or receivable by the person holding the office of Ombudsman, in connection with the management of the Office during the reporting period, was in the income bands shown below:

Income band	2016 No.	2015 No.
\$470,000 - \$479,999	-	1
\$490,000 - \$499,999	1	-

Amounts relating to Ministers are reported in the financial statements of the Department of Premier and Cabinet. For information regarding related party transactions of Ministers, the register of members' interests is publicly available from [www.parliament.vic.gov.au/publications/register of interests](http://www.parliament.vic.gov.au/publications/register_of_interests).

Other transactions

Other related transactions and loans requiring disclosure under the Directions of the Minister for Finance have been considered and there are no matters to report.

Note 14. Remuneration of executives

(a) Remuneration of executives

The numbers of executive officers, other than the Accountable Officer, whose total remuneration exceeded \$100,000 during the reporting period, are shown in their relevant income bands in the first two columns of the table below. The base remuneration of these executive officers is shown in the third and fourth columns. Base remuneration is exclusive of bonus payments, long service leave payments, redundancy payments and retirement benefits.

Income band	Total remuneration		Base remuneration	
	2016 No.	2015 No.	2016 No.	2015 No.
\$130,000 - \$139,999	-	1	-	1
\$150,000 - \$159,999	-	-	-	1
\$170,000 - \$179,999	-	-	-	1
\$180,000 - \$189,999	-	1	-	1
\$200,000 - \$209,999	-	-	1	-
\$210,000 - \$219,999	-	1	-	-
\$220,000 - \$229,999	1	-	-	-
\$310,000 - \$319,999	-	-	1	-
\$330,000 - \$339,999	1	1	-	-
Total numbers	2	4	2	4
Total amount (\$)	\$557,054	\$880,387	\$526,278	\$654,774
Total annualised employee equivalent	2.0	2.0	2.0	2.0

Note 15. Remuneration of auditors

	2016 \$	2015 \$
Audit fees paid or payable to the Victorian Auditor-General's Office		
Audit of the annual financial statements	<u>15,200</u>	<u>14,800</u>

No other services were provided by the Victorian Auditor-General's Office.

Note 16. Superannuation

Employees of the Office are entitled to receive superannuation benefits and the Office contributes to both defined benefit and defined contribution plans. The defined benefit plans provide benefits based on years of service and final average salary.

The Office does not recognise any defined benefit liability in respect of the plans because the Office has no legal or constructive obligation to pay future benefits relating to its employees; its only obligation is to pay superannuation contributions as they fall due. The Department of Treasury and Finance recognises and discloses the State's defined benefit liabilities as an administered item in its financial statements.

However, superannuation contributions for the reporting period are included as part of salaries and associated costs in the comprehensive operating statement of the Office.

The Office made contributions to the following major employee superannuation funds during the period:

Defined benefit funds	Emergency Services and State Super - New Scheme
Accumulation funds	VicSuper

The Office does not have any contributions outstanding to the above funds and there have been no loans made from the funds. The bases for contributions are determined by the various schemes.

Note 17. Reconciliation of net result to net cash flows from operating activities

	2016 \$	2015 \$
Net result	(284,464)	(47,909)
<i>Non-cash movements</i>		
Depreciation	524,777	139,864
(Gain)/Loss on disposal of non-current assets	(2,908)	5,312
Change in operating assets and liabilities		
(Increase)/decrease in receivables	(227,873)	244,867
(Increase)/decrease in prepayments	(4,634,715)	511
Increase/(decrease) in payables	192,899	(191,840)
Increase/(decrease) in provisions	<u>274,210</u>	<u>(88,597)</u>
Net cash flows from operating activities	<u>(4,158,074)</u>	<u>62,208</u>

Note 18. Administered items

In addition to the specific operations of the Office which are included in the balance sheet, comprehensive operating statement and cash flow statement, the Office administers or manages activities on behalf of the State. The transactions relating to these activities are reported as administered in this note. Administered transactions reflect the operations of the Commuter Club. During the year ended 30 June 2016, net administered assets amounted to \$8,461 (2015 - \$6,393).

Note 19. Glossary of terms

Administered item

Administered item generally refers to a department lacking the capacity to benefit from that item in the pursuit of the department's objectives and to deny or regulate the access of others to that benefit.

Annualised employee equivalent

Annualised employee equivalent is based on paid working hours of 38 ordinary hours per week over 52 weeks for a reporting period.

Comprehensive result

The net result of all items of income and expense recognised for the period. It is the aggregate of operating result and other comprehensive income. Total comprehensive result is the change in equity for the period other than changes arising from transactions with owners. It is the aggregate of net result and other non-owner changes in equity.

Controlled item

Controlled item generally refers to the capacity of a department to benefit from that item in the pursuit of the department's objectives and to deny or regulate the access of others to that benefit.

Capital asset charge

A charge levied on the written-down value of controlled non-current physical assets in an agency's balance sheet which aims to: attribute to agency outputs the opportunity cost of capital used in service delivery; and provide incentives to agencies to identify and dispose of underutilised or surplus assets in a timely manner.

Commitments

Commitments include those operating, capital and other outsourcing commitments arising from non-cancellable contractual or statutory sources.

Depreciation

Depreciation is an expense that arises from the consumption through wear or time of a produced physical or intangible asset. This expense is classified as a transaction and so reduces the net result from transactions.

Employee benefits expenses

Employee benefits expenses include all costs related to employment including wages and salaries, fringe benefits tax, leave entitlements, redundancy payments and superannuation contributions.

Financial asset

A financial asset is any asset that is:

- (a) cash;
- (b) an equity instrument of another entity;
- (c) a contractual right:
 - to receive cash or another financial asset from another entity; or
 - to exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity; or
- (d) a contract that will or may be settled in the entity's own equity instruments and is:
 - a non-derivative for which the entity is or may be obliged to receive a variable number of the entity's own equity instruments; or
 - a derivative that will or may be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the entity's own equity instruments.

Financial instrument

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Financial assets or liabilities that are not contractual (such as statutory receivables or payables that arise as a result of statutory requirements imposed by governments) are not financial instruments.

Financial liability

A financial liability is any liability that is:

- (a) a contractual obligation:
 - to deliver cash or another financial asset to another entity; or
 - to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the entity; or
- (b) a contract that will or may be settled in the entity's own equity instruments and is:
 - a non-derivative for which the entity is or may be obliged to deliver a variable number of the entity's own equity instruments; or
 - a derivative that will or may be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the entity's own equity instruments. For this purpose the entity's own equity instruments do not include instruments that are themselves contracts for the future receipt or delivery of the entity's own equity instruments.

Financial statements

A complete set of financial statements comprises:

- a) a comprehensive operating statement for the period;
- b) a balance sheet as at the end of the period;
- c) a statement of changes in equity for the period;
- d) a cash flow statement for the period;
- e) notes, comprising a summary of significant accounting policies and other explanatory information;
- f) comparative information in respect of the preceding period as specified in paragraph 38 of AASB 101 *Presentation of Financial Statements*; and
- g) a balance sheet as at the beginning of the preceding period when an entity applies an accounting policy retrospectively or makes a retrospective restatement of items in its financial statements, or when it reclassifies items in its financial statements in accordance with paragraph 41 of AASB 101.

Grants

Transactions in which one unit provides goods, services, assets (or extinguishes a liability) or labour to another unit without receiving approximately equal value in return. Grants can either be operating or capital in nature. While grants to governments may result in the provision of some goods or services to the transferor, they do not give the transferor a claim to receive directly benefits of approximately equal value. Receipt and sacrifice of approximately equal value may occur, but only by coincidence. For example, governments are not obliged to provide commensurate benefits, in the form of goods or services, to particular taxpayers in return for their taxes. For this reason, grants are referred to by the AASB as involuntary transfers and are termed non-reciprocal transfers.

Grants can be paid as general purpose grants which refer to grants that are not subject to conditions regarding their use. Alternatively, they may be paid as specific purpose grants which are paid for a particular purpose and/or have conditions attached regarding their use.

Interest expense

Costs incurred in connection with the borrowing of funds. Interest expense includes interest on bank overdrafts and short term and long term borrowings, amortisation of discounts or premiums relating to borrowings, interest component of finance leases repayments, and the increase in financial liabilities and non-employee provisions due to the unwinding of discounts to reflect the passage of time.

Net result

Net result is a measure of financial performance of the operations for the period. It is the net result of items of income, gains and expenses (including losses) recognised for the period, excluding those that are classified as 'other economic flows – other comprehensive income'.

Net result from transactions

Net result from transactions or net operating balance is a key fiscal aggregate and is revenue from transactions minus expenses from transactions. It is a summary measure of the ongoing sustainability of operations. It excludes

gains and losses resulting from changes in price levels and other changes in the volume of assets. It is the component of the change in net worth that is due to transactions and can be attributed directly to government policies.

Non-financial assets

Non-financial assets are all assets that are not 'financial assets'.

Other economic flows included in net result

Other economic flows *included in net result* are changes in the volume or value of an asset or liability that do not result from transactions. They include gains and losses from disposal, revaluation and impairment of non-current physical and intangible assets; actuarial gains and losses arising from defined benefit superannuation plans and fair value changes of financial instruments. In simple terms, they are changes arising from market re-measurements.

Other economic flows - other comprehensive income

Other economic flows - other comprehensive income comprises items (including reclassification adjustments) that are not recognised in net result. The components of other economic flows - other comprehensive income include changes in the physical asset revaluation surplus.

Payables

Includes short and long term trade debt and accounts payable, grants and interest payable.

Receivables

Includes short and long term trade credit and accounts receivable, grants, taxes and interest receivable.

Sales of goods and services

Refers to revenue from the direct provision of goods and services and includes fees and charges for services rendered, sales of goods, fees from regulatory services, work done as an agent for private enterprises. It also includes rental income under operating leases and on produced assets such as buildings and entertainment, but excludes rent income from the use of non-produced assets such as land.

Supplies and services

Supplies and services generally represent cost of goods sold and the day to day running costs, including maintenance costs, incurred in the normal operations of the Office.

Transactions

Transactions are those economic flows that are considered to arise as a result of policy decisions, usually an interaction between two entities by mutual agreement. They also include flows within an entity such as depreciation where the owner is simultaneously acting as the owner of the depreciating asset and as the consumer of the service provided by the asset. Taxation is regarded as mutually agreed interactions between the government and taxpayers. Transactions can be in kind (e.g. assets provided/given free of charge or for nominal consideration) or where the final consideration is cash. In simple terms, transactions arise from the policy decisions of the government.

OFFICE OF THE OMBUDSMAN

Accountable Officer's and Chief Financial Officer's declaration

The attached financial statements for the Office of the Ombudsman have been prepared in accordance with Direction 4.2 of the Standing Directions of the Minister for Finance under the *Financial Management Act 1994*, applicable Financial Reporting Directions, Australian Accounting Standards, including interpretations, and other mandatory professional reporting requirements.

We further state that, in our opinion, the information set out in the comprehensive operating statement, balance sheet, statement of changes in equity, cash flow statement and notes to the financial statements, presents fairly the financial transactions during the year ended 30 June 2016 and financial position of the Office as at 30 June 2016.

At the time of signing, we are not aware of any circumstance, which would render any particulars included in the financial statements to be misleading or inaccurate.

We authorise the attached financial statements for issue on 15 September 2016.



Ingrid Klein
Chief Financial Officer
Department of Premier and Cabinet

Melbourne
15 September 2016



Deborah Glass OBE
Ombudsman
Office of the Ombudsman

Melbourne
15 September 2016

Appendix 1: Case study tags

	Page ref.
Fairness	15, 16, 18, 21, 23, 27, 28, 29, 31, 36, 40
Accountability	15, 16, 27, 34
Continuous improvement	23, 27, 29, 31, 32, 34, 36, 40
Human rights	16, 21, 27, 28, 29, 31, 32, 34

ABOUT US

OUR WORK

WHAT WE DO

OUR PEOPLE AND
OUR PERFORMANCE

STATUTORY DISCLOSURES

FINANCIAL STATEMENTS

Appendix 2: Disclosure index

This annual report is prepared in accordance with all relevant Victorian legislation and pronouncements. This index has been prepared to help identify the Ombudsman's compliance with statutory disclosure requirements.

Table 20: Disclosure index		
Legislation	Requirement	Page ref.
Ministerial Directions		
Report of Operations – FRD guidance		
Charter and purpose of office		
FRD 22G	Manner of establishment and the relevant Ministers	6
6,FRD 22G	Purpose, functions, powers and duties	6, 8
FRD 8D	Departmental objectives, indicators and outputs	47
FRD 22G	Initiatives and key achievements	3
FRD 22G	Nature and range of services provided	6, 8
Management and structure		
FRD 22G	Organisational structure	46
Financial and other information		
FRD 8C	Performance against output performance measures	51
FRD 8D	Budget portfolio outcomes	68-70
FRD 10A	Disclosure index	96
FRD 12A	Disclosure of major contracts	N/A
FRD 15C	Executive officer disclosures	58, 89
FRD 22G	Employment and conduct principles	52
FRD 22G	Occupational health and safety policy	53
FRD 22G	Summary of the financial results for the year	68-72
FRD 22G	Significant changes in financial position during the year	71
FRD 22G	Major changes or factors affecting performance	N/A
FRD 22G	Subsequent events	N/A
FRD 22G	Application and operation of <i>Freedom of Information Act 1982</i>	64
FRD 22G	Compliance with building and maintenance provisions of <i>Building Act 1993</i>	58
FRD 22G	Statement on National Competition Policy	59
FRD 22G	Application and operation of the <i>Protected Disclosure Act 2012</i>	6, 33
FRD 22G	Application and operation of the <i>Carers Recognition Act 2012</i>	N/A
FRD 22G	Details of consultancies over \$10,000	59
FRD 22G	Details of consultancies under \$10,000	59
FRD 22G	Disclosure of government advertising expenditure	58
FRD 22G	Disclosure of ICT expenditure	61
FRD 22G	Statement of availability of other information	64
FRD 24C	Reporting of office-based environmental impacts	62
FRD 25B	Victorian Industry Participation Policy disclosures	54
FRD 29A	Workforce Data disclosures	45, 52
SD 4.5.5	Attestation for compliance with <i>Ministerial Standing Direction 4.5.5</i>	57

Table 20: continued

Financial Report		
SD 4.2(g)	Specific information requirements	9-49
SD 4.2(j)	Sign-off requirements	1
Financial statements required under Part 7 of the FMA		
SD 4.2(a)	Statement of changes in equity	70
SD 4.2(b)	Operating statement	68
SD 4.2(b)	Balance sheet	69
SD 4.2(b)	Cash flow statement	71
Other requirements under Standing Directions 4.2		
SD 4.2(c)	Compliance with Australian accounting standards and other authoritative pronouncements	72
SD 4.2(c)	Compliance with Ministerial Directions	94
SD 4.2(d)	Rounding of amounts	N/A
SD 4.2(c)	Accountable officer's declaration	94, 50
SD 4.2(f)	Compliance with Model Financial Report	74
Other disclosures as required by FRDs in notes to the financial statements*		
FRD 9A	Departmental Disclosure of Administered Assets and Liabilities by Activity	90
FRD 11A	Disclosure of Ex gratia Expenses	N/A
FRD 13	Disclosure of Parliamentary Appropriations	73
FRD 21B	Disclosures of Responsible Persons, Executive Officers and other Personnel (Contractors with Significant Management Responsibilities) in the Financial Report	89
FRD 103F	Non financial Physical Assets	81
FRD 110	Cash Flow Statements	71
FRD 112D	Defined Benefit Superannuation Obligations	90
*Note: References to FRDs have been removed from the Disclosure Index if the specific FRDs do not contain requirements that are of the nature of disclosure.		
Legislation		Page ref.
<i>Ombudsman Act 1973</i>		6
<i>Terrorism (Community Protection) Act 2003</i>		6
<i>Freedom of Information Act 1982</i>		64
<i>Constitution Act 1975</i>		6
<i>Building Act 1993</i>		58
<i>Protected Disclosure Act 2012</i>		33
<i>Carers Recognition Act 2012</i>		N/A
<i>Victorian Industry Participation Policy Act 2003</i>		54
<i>Financial Management Act 1994</i>		72
<i>Disability Act 2006</i>		52
<i>Public Records Act 1973</i>		64
<i>Occupational Health and Safety Act 2004</i>		54
<i>Public Administration Act 2004</i>		52

Appendix 3: Annual Plan 2015-16

Table 21: Annual Plan 2015-16			
Focus area	Activity	Progress	Notes
A more accessible complaints handling system for Victorians	<ul style="list-style-type: none"> Seek funding to deploy a virtual assistant on our website 	Complete. Bid rejected	<p>On 12 April 2016 the Victorian Government stated that it ‘... is supportive of the Ombudsman giving further consideration to enhancements that might be desirable to its existing frameworks to streamline the complaints system’.*</p> <p>In light of this, we will make a further bid for funding from the 2017-18 Budget.</p>
	<ul style="list-style-type: none"> Explore the viability of a single complaints portal 	In progress	A prototype virtual assistant has been developed with a view to it underpinning a complaints portal, subject to funding.
	<ul style="list-style-type: none"> Implement the 2015 community engagement plan with a particular focus on: <ul style="list-style-type: none"> regional and rural Victorians Aboriginal and Torres Strait Islander people people with a disability 	Complete	In 2016-17 we will finalise our Reconciliation Action Plan and implement a new Disability Action Plan. We will also continue to work collaboratively to increase awareness of our services in regional and rural Victoria.
	<ul style="list-style-type: none"> Update our complaint handling good practice guide for public sector agencies 	Nearing completion	The revised guide will be released early in 2016-17.
Turning data into knowledge	<ul style="list-style-type: none"> Develop our capability to leverage complaint data for internal planning and providing meaningful feedback to agencies through: <ol style="list-style-type: none"> reviewing what data is captured to ensure optimum relevance and quality develop and pilot a suite of enhanced reports for internal use and provision to government agencies 	Ongoing	New data analytics tools have been rolled out to staff. We have discussed how our data can assist in identifying administrative improvement opportunities with several agencies. Our program of data sharing pilots has continued. Legislative amendments that came into effect on 1 July 2016 will assist us to pursue these strategies.
	<ul style="list-style-type: none"> Develop and implement a digital governance framework. 	Complete	
	<ul style="list-style-type: none"> Develop and implement an annual digital maturity audit to benchmark and track the digital maturity of our office and its teams 	On hold	Resources were redirected to our office relocation project.
	<ul style="list-style-type: none"> Implement our information security management system 	Nearing completion	All policies, guidelines and resources have been developed. Training of staff in the new procedures has been held over until after the office relocation in late August 2016.

* Government response - Report into Victorian oversight agencies, <http://www.parliament.vic.gov.au/aoc/inquiries/article/2850> accessed 8 September 2016.

Focus area	Activity	Progress	Notes
Recognised as a leader for our excellence and expertise in enquiries, investigations and improving public administration	<ul style="list-style-type: none"> Develop a quality assurance framework for all of our divisions that drives continuous improvement 	Ongoing	A quality assurance matrix was developed for the Ombudsman's statutory functions. Further work on related reporting mechanisms is required in 2016-17 as will adjustments made necessary by changes to organisational structure.
	<ul style="list-style-type: none"> Review and update policies, procedures, data capture and associated training for our statutory functions including: <ul style="list-style-type: none"> use of discretion human rights own motion proposals recommendations development recommendation implementation and monitoring templates 	Complete	
	<ul style="list-style-type: none"> Review and update our style guidance 	Complete	
	<ul style="list-style-type: none"> Scope the transition from paper to digital record keeping systems and build a business case for 2016-17 	Complete	Scoping has been completed and a digitisation plan prepared. Implementation will occur after the office relocation in late August 2016.
	<ul style="list-style-type: none"> Build the business case for delivering public sector education 	Complete	A number of programs addressing complaint handling, conflict of interest and managing unreasonable complainant behaviour will be rolled out progressively from October 2016.
Develop and support our people and provide a healthy and flexible working environment	<ul style="list-style-type: none"> Develop and implement a workforce plan 	Complete	
	<ul style="list-style-type: none"> Review and finalise internal structures 	Nearly Complete	From October 2016 a new "early resolution" team will replace the existing intake functions which are split across various areas of the office at present.
	<ul style="list-style-type: none"> Find new premises 	Nearly Complete	We will relocate to 2/570 Bourke Street in late August 2016.
	<ul style="list-style-type: none"> Finalise and implement our Business Continuity Plan 	Complete	

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