

# **Corruption risks and prevention practices in New South Wales and Queensland public sectors**

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## Introduction

The management of risk is crucial for public sector organisations. The consequences of failing to appropriately manage risks can be devastating for an organisation. As well as the financial or material loss – which may be substantial – significant damage can also occur to an organisation’s performance, reputation, credibility, market and public confidence and ultimately even its ongoing viability. Unheeded misconduct damages staff productivity and morale which in turn undercuts the organisation’s image and the quality of service it can offer.

The identification and analysis of risks associated with agencies’ functions is an important step in developing sound risk management practices.

Part of the ICAC’s role is to “investigate, expose and prevent corruption involving or affecting public authorities and public officials, and to educate public authorities, public officials and members of the public about corruption and its detrimental effects on public administration and on the community” (the *Independent Commission Against Corruption Act 1988* (ICAC Act)).

Similarly, the Crime and Misconduct Commission (CMC) has the goal of reducing misconduct and improving public sector integrity. The *Crime and Misconduct Act 2001* (CM Act) requires the CMC to play a lead role in building the capacity of public sector agencies to prevent and deal with misconduct. The CMC’s prevention function requires it generally to increase the capacity of agencies to prevent misconduct by providing information, advice and training to agencies, and to inform the general community about misconduct prevention.

To this end the ICAC and the CMC support public sector agencies within a capacity building framework to enable them to better manage their corruption risks. However, the public sectors in NSW and Queensland are diverse and different agencies face different risks associated with the functions and activities they undertake.

It is important to identify those particular risks and put in place appropriate risk management strategies to address them. For this reason, research examining the current views about the activities, risks and perceptions of risks across the public sectors in NSW and Queensland can be used to better facilitate organisations’ risk assessments and management.

Earlier research conducted by the ICAC (Independent Commission Against Corruption 2003) and the CMC (Crime and Misconduct Commission 2004) included the publication of a profile of their respective public sectors in relation to their functions, risks and corruption prevention strategies.

The reports of these first two surveys were:

- Profiling the NSW Public Sector (ICAC, 2003)
- Profiling the Queensland Public Sector (CMC 2004).

In that research the ICAC surveyed 265 organisations and 357 staff members in late 2001 to early 2002 concerning their views regarding these issues. Demographic information concerning the agencies allowed for agency responses to be grouped in terms of a variety of factors such as the organisational type (i.e., universities, area health services, state owned corporations, departments, authorities, boards and committees and ‘other’ agencies).

For the CMC’s publication (CMC, 2004), a similar instrument was used to survey 234 organisations. However, the staff were not surveyed as part of that research. Public sector organisation types examined by the CMC research were similar to those studied in NSW. They included universities, state owned corporations, departments, statutory bodies, boards and committees, local councils and Indigenous councils.

The current paper reports on a replication and extension of the earlier profiling research projects conducted in NSW and Queensland. The current research was conducted jointly by the ICAC and the CMC and attempted to obtain the profiles of the activities and corruption risks within the NSW and Queensland public sectors.

These corruption risk profiles will assist the ICAC and the CMC, as well as individual organisations, to develop tailored approaches to building and sustaining corruption resistance across the public sector.

## **Methodology:**

Slightly different methodologies were employed to identify and invite participants in NSW and Queensland. This paper provides a broad overview of the methodology.<sup>1</sup>

The original surveys were jointly reviewed and amended for 2007. There were two surveys administered in each jurisdiction - the organisational and staff surveys.

### ***Organisational survey***

The organisational survey examined activities, risks and risk management strategies at a whole of organisation level. The survey was divided into the following main sections:

- organisations and their functions – gathered demographic information about each organisation, e.g. length of existence, budget, staffing, location and jurisdiction and performance of ‘high-risk’ functions
- misconduct or corruption risk areas - asked questions about agencies’ *perceptions* of risk
- organisational strategies – concerned with determining the types of corruption prevention strategies used by each agency, e.g. through the code of conduct, other policies and procedures, education and training
- reporting misconduct
- relationship with the ICAC/CMC.

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<sup>1</sup> More details of the methodology and copies of the surveys used in NSW can be obtained by emailing: [emazurski@icac.nsw.gov.au](mailto:emazurski@icac.nsw.gov.au). The Queensland details and surveys can be obtained by contacting [Stephanie.rogan@cmc.qld.gov.au](mailto:Stephanie.rogan@cmc.qld.gov.au).

In NSW, public sector organisations were invited to participate in the survey if they were included in at least one of the following categories:

- Local council
- Local Aboriginal Land Council
- An agency identified in the Public Sector Employment and Management Act (PSEMA) or the Public Finance and Audit Act (PFAA), or referred to from those Acts
- Public university
- State owned corporation
- The Health Services Act.

In Queensland, surveys were distributed to:

- State government Departments
- State owned corporations
- Local councils, including Aboriginal and Torres Strait Island councils
- Universities
- Statutory bodies
- Boards and committees
- Other units of public administration.

A major difference in the organisational sample was that NSW included area health services while Queensland did not.

The organisational surveys were not anonymous. The survey was sent to the Chief Executive Officer of each agency and the agency was asked to indicate its name on the survey.

### *Staff survey*

The staff survey examined corruption risks and activities from the perspective of the individual employee. This survey included the following main sections:

- demographic information about the employee (type of organisation, number of employees, location, employment status, salary range, supervisory roles),
- perceptions of misconduct problem areas within the organisation
- organisational strategies to address risks
- reporting misconduct
- relationship with the ICAC/CMC.

To enable general comparisons of organisational results with staff results, organisations were grouped into the following categories:

- Local councils
- Universities
- Area health services and affiliated health corporations (NSW only)
- Government departments
- State owned corporations
- Other organisations not previously listed.

Five agencies from each group were randomly selected and asked to participate in the staff survey. Each agency invited was required to have at least 40 staff members to

enable sufficient numbers to be selected and remain anonymous (with a maximum of 50% of staff being invited to participate). If an organisation was not large enough, the next on the list was invited.

In NSW this resulted in 30 organisations participating. In Queensland, there was some difficulty in getting agency agreement to the staff survey and only 15 agencies participated (although nearly thirty were approached).

Once an organisation agreed to participate, staff were randomly selected from the staff lists and sent a copy of the survey (to be completed anonymously) along with a reply paid envelope.

### ***Response rates***

The number of surveys distributed and received is shown in Table 1. After the initial surveys were distributed, some organisations indicated that they would not be participating. The primary reason provided was because the nominated organisation was considered part of a larger organisation which was also participating. Therefore the actual number of surveys that were originally distributed was slightly higher than that indicated as distributed to determine the response rate.

Similarly, a small number of staff surveys were returned to sender indicating that the person was no longer employed at that organisation or that the address was incorrect. Again these were not calculated in the response rate.

The Queensland response rate is lower as the surveys were sent out later than in New South Wales and follow-up action is still being undertaken in Queensland.

**Table 1: Response rates for each survey**

<b>Survey</b>	<b>Jurisdiction</b>	<b>Number distributed<sup>2</sup></b>	<b>Number received (to date)</b>	<b>Response rate (to date)</b>
<b>Organisational</b>	NSW	513	315	61%
	Qld	420	129	31%
	<b>Total</b>	<b>933</b>	<b>444</b>	<b>47%</b>
<b>Staff</b>	NSW	994	493	50%
	Qld	585	185	32%
	<b>Total</b>	<b>1579</b>	<b>678</b>	<b>43%</b>

### **Survey results**

The surveys were quite comprehensive and only a small number of survey items will be presented in this report. This paper presents some of the **preliminary** results of the latest surveys in the following areas:

- workplace *activities* most commonly perceived as major risks
- *types of misconduct* most commonly identified as major risks
- corruption prevention strategies employed by agencies

<sup>2</sup> The number distributed does not include those that were returned to sender as described above.

- emerging risks

Most of the following discussion provides overall data, but some examples are provided of the comparisons that can be drawn:

- across the two jurisdictions
- among different organisational types
- over time
- between agencies' perceptions and those of staff.

The paper concludes by pointing out what we, as integrity agencies, can and will do with the data, and how the results can be useful to you and your agency.

### **Which workplace *activities* are perceived as a major corruption risk?**

Agencies were asked to consider a list of activities/functions carried out by organisations<sup>3</sup> and indicate which they considered to be major risk areas, minor risk areas or not a risk<sup>4</sup>.

Having worked together in developing and administering the surveys across the public sectors of NSW and Qld at the same time and having almost identical surveys, we can compare the two jurisdictions.

Table 2 shows the same activities - purchasing, use of organisational funds and use of confidential information - identified in the top three for each jurisdiction but in different order.

Purchasing of goods and services was the activity nominated by the highest percentage of organizations in NSW, followed by use of organisation's funds and using confidential information.

In Queensland, using confidential information was the activity nominated by the highest percentage of organizations, followed by purchasing goods and services and use of organisation's funds.

**Table 2: Activities most commonly identified as major corruption risks**

Activities most commonly identified as major corruption risks	Percent of organisations	
	NSW	QLD
Purchasing - services	45	33
Purchasing - goods	45	33
Use of organisation's funds	44	32
Using confidential information	39	43

Agencies were also asked to indicate whether the major risk was being well handled or required more attention. Overall, although a relatively large number of

<sup>3</sup> A full list of the activities which were listed is provided in the appendix.

<sup>4</sup> Some activities were not included in both lists used by the ICAC and the CMC. Those that were not in both lists are not reported on here.

organisations identified major risks, many believed that these risks were generally being well handled.

Of the agencies that identified purchasing as a ‘major risk’ activity, most believed it was being well handled (about three quarters of those NSW agencies that identified it as a major risk thought it was well handled and about 70% of the corresponding Queensland organisations believed it to be well handled). However, overall 10% of the NSW and Queensland agencies surveyed nominated purchasing as a major risk requiring further attention.

As shown in Table 3, the activity most often identified as a major risk requiring further attention was record keeping. That was closely followed by purchasing and use of confidential information.<sup>5</sup>

**Table 3. Percentage of organisations that identified activities as having a major risk that required attention**

<b>Activities most commonly perceived as a major corruption risk requiring attention</b>	<b>NSW %</b>	<b>QLD %</b>
Record keeping	12	13
Purchasing - services	10	9
Purchasing - goods	9	10
Use of confidential information	8	10
Enforcing/compliance requirements	8	8

The fact that the largest number of organisations nominated purchasing of goods or services as major risks (and with relatively large numbers indicating that that particular activity required attention) accords with observations made through investigations conducted by the ICAC and the CMC. For example, in the investigations conducted by the ICAC where findings of corrupt conduct were made, almost one third concerned issues related to procurement.

It is important for the ICAC and CMC to monitor the risks, especially those requiring further attention, as it provides useful guidance for our capacity building activities and resource development. For example, the CMC has recently collaborated with Queensland Purchasing to produce “*Ethics, Probity and Accountability in Procurement – a better purchasing guide*” (2006).

The existence of commonly identified major risks across our two jurisdictions will assist us to develop our work programs with a continuing focus on collaborative projects and sharing of resources across the jurisdictions.

As well as allowing for cross-jurisdictional comparisons, the survey results also enable us to compare the risks facing different organisational types. For example, we can look at the major risks facing the local government or university sector and target

<sup>5</sup> In NSW *political interference in organizational processes* was identified as the second most commonly identified activity that required attention in NSW. This item was not included in the Queensland survey.

our work with those sectors according to the greatest risks. Anecdotal information from the CMC Misconduct area suggests that procurement is a common misconduct risk area, especially in local government. The Queensland profiling data support this view with 55% of local governments nominating purchasing of goods and services as a major risk (compared to only 33% of organisations overall).

As the data are analysed in greater depth, further collaboration between the ICAC and CMC may lead to joint projects or publications examining the risks facing specific organisation types.

### **Which types of misconduct are perceived to be major risks?**

As well as asking about *activities* that posed corruption risks, we also asked agencies to identify the *types of misconduct* that posed a major risk to their organisation.

Agencies were provided with a list of about 30 different types of misconduct and asked to indicate the level of risk they represented, if known. The items included a variety of types of misconduct ranging from fraud, forgery, bribery/corruption and falsification of records to favouritism/nepotism, exceeding or breaching delegation, assault and alcohol use at work<sup>6</sup>.

As shown in Tables 4 and 5, for both jurisdictions the most frequently identified types of misconduct included a failure to disclose or abuse of a conflict of interest and improper use of information, although the rank order of these varied. Fraud was also ranked in the top four by both jurisdictions. However, there was more divergence between the jurisdictions below the top four risks.

**Table 4: Top five types of misconduct posing a major risk, NSW**

<b>Top five types of misconduct</b>	<b>NSW (%)</b>
Failure to disclose or abuse of a conflict of interest	26
Improper use of information	19
Intentional failure to document	17
Fraud	16
Bribes, gifts, secret commissions	16

**Table 5: Top five types of misconduct posing a major risk, QLD**

<b>Top five types of misconduct</b>	<b>QLD (%)</b>
Improper use of information	28
Failure to disclose or abuse of a conflict of interest	24
Fraud	23
Failure to separate authorization and approval	15
Harrassment/Victimisation/Discrimination	15

<sup>6</sup> A full list of types of misconduct used in the survey are presented in the appendix.

Staff were also asked about their perceptions of misconduct. Rather than asking about risks, they were asked if they believed the particular type of misconduct was a problem in their organisation.

As can be seen in Table 6, the staff's perceptions of misconduct were primarily related to issues concerning personnel and staffing issues, with favouritism being the issue of concern to the greatest number of staff in both jurisdictions. It should be noted however, that this was an issue identified by only about ten per cent of staff surveyed.

**Table 6: Top five types of misconduct seen as a major problem by staff**

<b>NSW</b>	<b>%</b>	<b>QLD</b>	<b>%</b>
Favouritism/nepotism	11	Favouritism/nepotism	13
Harassment	6	Fraud	12
Failure to advertise	4	Plagiarism	10
Failure to disclose/abuse of conflict of interest	3	Harassment	10
Failure to take action if corruption reported	3	Failure to advertise	7

The administration of the surveys about five years apart enables us to monitor changes over time in the corruption issues facing the public sector and how they are managing those issues. Tables 7 and 8 set out types of misconduct identified as major risks for each jurisdiction in both the 2007 and the corresponding earlier surveys.

Conflicts of interest and improper use of information continue to dominate as the most frequently nominated major risk areas in both Queensland and New South Wales with around a quarter of respondents now nominating conflicts of interest as a major risk.

**Table 7: Top five types of misconduct posing a major risk, NSW**

<b>Top five types of misconduct (2007)</b>	<b>2007 (%)</b>	<b>2001-02 (%)</b>
Failure to disclose or abuse of a conflict of interest	26	16
Improper use of information	19	18
Intentional failure to document	17	14
Fraud	16	14
Bribes, gifts, secret commissions	16	14

**Table 8: Top five types of misconduct posing a major risk, Qld**

<b>Top five types of misconduct (2007)</b>	<b>2007 (%)</b>	<b>2003 (%)</b>
Improper use of information	28	13
Failure to disclose or abuse of a conflict of interest	24	15
Fraud	23	14
Failure to separate authorization and approval	15	9
Harrassment/Victimisation/Discrimination	15	12

Interestingly, the proportion of agencies nominating types of misconduct as major risks appears to have increased in each jurisdiction over time, as shown in the tables.

This raises the question: Does this trend over time indicate a greater threat posed by these types of misconduct or a heightened awareness among agencies?

We would like to think that it reflects a greater awareness, but we will need to explore that further.

### **What corruption prevention strategies are being used?**

The purpose of the staff survey was to provide a different perspective on the corruption risks and strategies to that provided by CEOs or their delegates in the agency survey. The section examines some of the corruption prevention strategies in place in each jurisdiction including some of the results from the staff surveys.

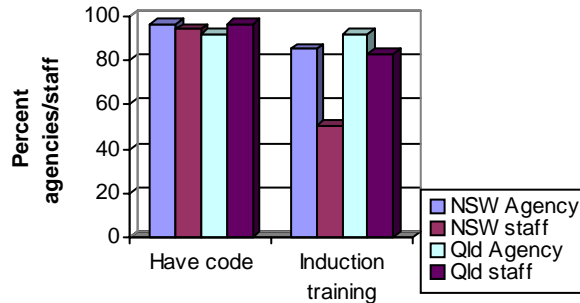
#### ***The Code of Conduct***

We asked agencies if they had a code of conduct. The good news is that, as Figure 1 shows, 96% of NSW and 92% of Queensland agencies responded that they had a code of conduct. Most of the agencies which did not have a code of conduct were agencies with five or fewer employees.

The staff surveys showed high levels of awareness of the existence of a code of conduct with more than 90% of staff in NSW and QLD also reporting that their agencies had a code of conduct.

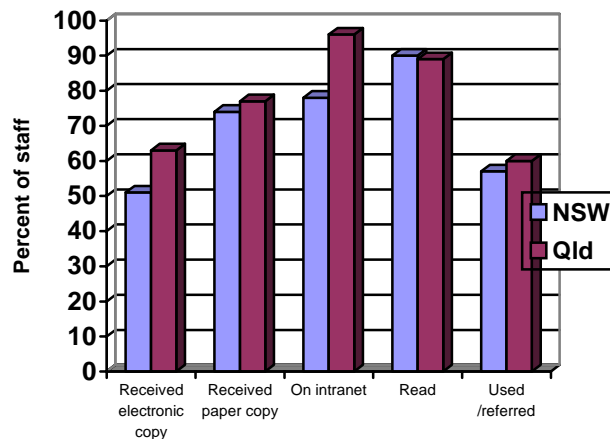
While 85% of NSW agencies reported providing training on the code of conduct at induction, only 50% of NSW staff reported having received training on the code of conduct. In Queensland, 86% of agencies reported providing training to all staff at induction and 83% of staff surveyed reported having received training.

**Figure 1. Percent of NSW and QLD organisations and staff indicating if they have a code of conduct and provide/receive training at induction**



A variety of media can be used for promoting or accessing the code of conduct. Staff were asked about the means of access to their codes. Almost 80% of NSW staff and more than 90% of Queensland staff indicated that it was available on their intranet site. Slightly fewer staff reported receiving either paper or electronic copies of their code. Ninety per cent of staff in each jurisdiction reported having read the code of conduct and around 60% had used it.

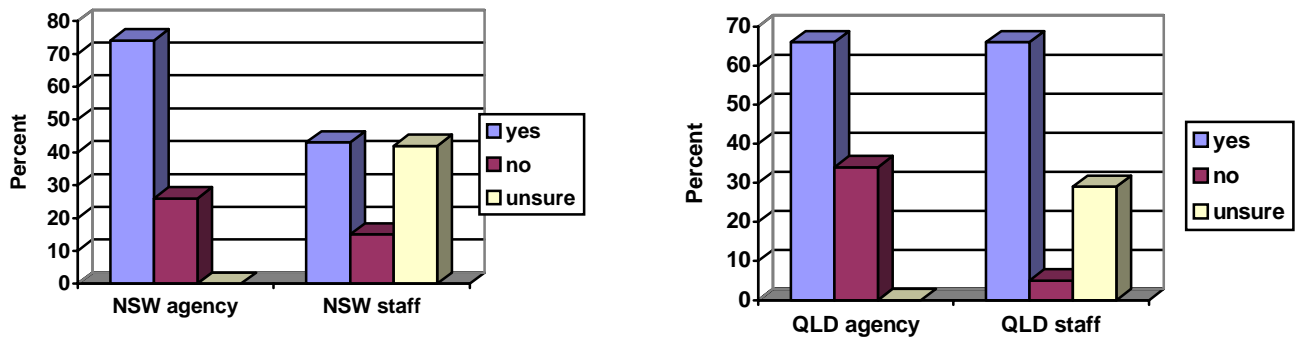
**Figure 2. Percent of NSW and QLD staff indicating type of access to a code of conduct**



### *Gifts and Benefits*

The earlier profiling research suggested that the management of gifts and benefits might be one area which organisations might want to address, particularly in terms of gifts and benefits registers. In the current research, most agencies reported having a gifts and benefits register in their workplaces, with 74% in NSW and 66% in Queensland indicating that they maintained a register.

**Figure 3. Percent of NSW and QLD organisations and staff indicating if they have a gift register at their workplace**



While the data suggest that there has been significant improvement in the maintenance of gifts registers in both jurisdictions, it appears that a large number of staff are not aware of whether or not their agency has a register with only about one third of staff in NSW and two thirds of staff in Queensland reporting that they had a gift and benefit register at their workplace (see figure 3). This may not be surprising, as staff may not inquire about such a register without having first been offered a gift.

The results of the 2007 surveys show a great improvement on the earlier surveys when only 26% of NSW agencies and 19% of NSW staff reported that their agency had a gift register. Similarly, Queensland agencies reporting that they had a gift register increased from 45% in 2003 to 66% in 2007. (In Queensland, staff were not surveyed in 2003).

The survey asked staff if, as an employee performing their duties, they had ever been offered a gift that they felt was designed to influence their professional judgment. It is interesting to note that in NSW 12% of the staff surveyed, and in Queensland 15% of the staff surveyed reported that they had been offered a gift that they felt was designed to influence their professional judgment. These data alone emphasise the importance of staff being aware of the agency's policies and their managers having adequate information to guide their behaviour.

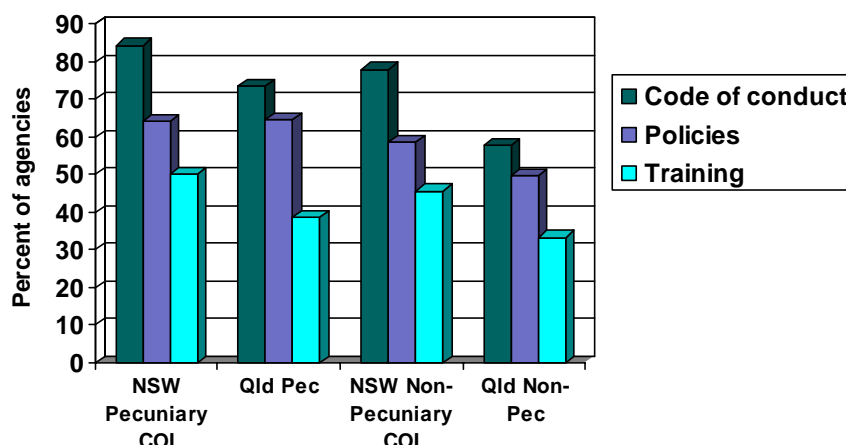
The ICAC and CMC assist in providing information through our publications and our advice. ICAC telephone advice services report frequent requests for advice on whether a gift could be accepted. The CMC has recently published a capacity building paper on the topic, and the ICAC has also published some guidelines on the management of gifts and benefits.

### ***Conflicts of interest***

As discussed earlier, organisations identified failure to disclose a conflict of interest as a major risk. The survey found that over three quarters of agencies in NSW have information about conflicts of interest in their codes of conduct, with slightly more providing information about pecuniary than non-pecuniary conflicts of interest. Around three quarters of Queensland agencies reported providing information about

pecuniary conflicts of interest in their code of conduct and just over half provided information about non-pecuniary conflicts in their codes. Fewer organisations provided information about these issues in policies and less than half of the agencies provided the information in staff training.

**Figure 4. Percentage of organisations providing guidance on conflicts of interest**



Staff were also asked about some items about their perceptions of conflicts of interest. To determine the type of understanding of conflicts of interest they were asked to define the term. Of those who responded, about a quarter showed an understanding of the fundamental issues in a conflict of interest. About a third provided definitions that did not address the fundamental concepts involved e.g “difference in opinion of between two or more staff that might not be amicably resolved”, “when your job gives you access to information or other things, like cash, that you would use inappropriately to your personal advantage.”

### **What are the emerging risks?**

The surveys also explore possible emerging risks with agencies asked an open-ended question about what they see as the emerging misconduct risks for their organisation over the next three to five years. This helps us to plan our future work program and increases awareness for the public sector generally.

Although not all the responses have been coded as yet, it appears that risks in relation to information technology continue to be identified as emerging risks in both jurisdictions. The risks associated with electronic communication were also identified as emerging risks in the first round of surveys and so we included questions in the 2007 to enable us to explore some of those issues. Preliminary examination of the results suggest that staff also nominated issues related to staff management (including understaffing) as emerging risks. Our final reports will include the data on these issues.

## Where to from here?

The surveys that have been discussed here were comprehensive and provide a great deal of information. Further analyses will include a breakdown of responses by organisational type, functions and other demographic variables.

The fact that the surveys have been administered across jurisdictions, over time, and to agencies and staff, means that there is a wealth of data for use by the ICAC/CMC and by individual organisations.

For the ICAC and CMC the results will enable us to:

- monitor trends within and across our respective jurisdictions and identify significant and emerging risk areas warranting attention
- assess staff awareness of corruption prevention issues and strategies and work with agencies on ways to improve awareness
- target our resource materials and advisory services, including targeting issues identified by different sectors such as the local government or university sectors
- identify common risk areas and work collaboratively to maximize our resources and minimise duplication.

While this project itself is an excellent example of our collaboration, we can also point to practical resources produced for agencies in response to the survey findings.

For example, conflicts of interest was identified as a major risk in the first round of surveys and continues to be rated highly among NSW and QLD agencies. Following the first survey, we worked collaboratively to produce a *Toolkit and Guidelines for Managing Conflicts of Interest in the public sector*. We are planning to update this material and will continue to disseminate the information throughout the public sector.

We hope that publication of our reports on the Profiling surveys will both inform and more generally promote discussion of corruption risks and corruption prevention strategies within your organisation and within the sector as a whole. The manner in which the results are presented should assist you to:

- benchmark your own agency by comparing your agency's perceptions of and response to risks with those of other similar organisations as a whole
- identify and respond to emerging risks and challenges facing your agency.

The ICAC/CMC and CCC will continue to work with you to meet these challenges.

## Appendix

**Table 1:**

**List of activities used for organisations to identify potential corruption risks**

Development applications/Rezoning/ Environmental planning\*

Purchasing or tendering for goods for organisation

Tendering or contracting for services for organisation

Disposal and sale of organisational assets

Waste management or recycling

Allocating services to the public

Issuing licences, qualifications or certificates

Using discretionary powers (e.g. discretionary use of spot fines)

Conducting inspections / monitoring

Ensuring compliance with/enforcement of requirements

Ticket vending

Partnerships with the private sector (e.g. joint ventures)

Sponsorship arrangements

Grant administration

Revenue assessment and collection of money

Cash handling

Use of organisation's funds or bank accounts (not specifically cash)

Use of travel claims and travel allowance

Use of organisation's vehicles

Use of agency resources, materials and equipment

Using confidential information

Using the internet/email/e-commerce at work

How staff are recruited

How staff receive promotions

How work is allocated to staff

How staff are managed

How staff treat each other

Relationships between staff and clients

How staff are dismissed or made redundant

How staff are accountable for time worked

How staff take leave

Staff with second jobs elsewhere

Post-separation employment

Responding to reports of corruption

Record keeping

Political interference in organisational processes\*

How board members are appointed

How the board makes decisions

Board accountability

Concurrent employment/interests of board members/councillors

Relationship between board members/councillors & stakeholders

Relationship between board members/councillors & staff

Policy development+

Corporate governance issues – not earlier mentioned

\*items were not included in the Queensland survey

+items were not included in the NSW survey

**Table 2**  
**List of types of misconduct used for organisations to identify potential corruption risks**

Forgery

Falsification of records

Intentional failure to document significant information

Failure to separate authorisation & approval processes

Improper use of information, i.e., revealing or selling it

Plagiarism (unacknowledged use of copyrighted material)

Perverting the course of justice/tampering with evidence

Failure to advertise appropriately, e.g., tenders, job vacancies

Failure to disclose /abuse of conflict of interest

Favouritism/nepotism

Bribery/gifts/secret commissions

Fraud

False/Improper invoicing

Over-ordering of supplies

Exceeding/breaching delegation

Payment for work not performed

Collusion (secret agreement for a fraudulent purpose)

Intentional inconsistent application of procedures

Misuse of discretionary powers

Misuse of public resources by a public official

Theft of public resources by a public official

Failure to take action if corruption is reported

Negligence of public duty

Harassment/victimisation/ discrimination

Sexual assault/sexual misconduct/sexual harassment

Assault (non-sexual)

Threats/extortion/blackmail/undue influence

Perjury (making a false statement under oath)

Drug trafficking or drug use at work

Alcohol use at work

Gambling while at work