

# Mature corruption control: the key outcomes of better practice

Mature corruption control helps agencies avoid the negative consequences caused by corrupt conduct. These consequences may be financial (for example, direct financial loss, wasted resources), performance (for example, reduced operational effectiveness, increased likelihood of other risks) and/or social (for example, reduced staff morale, reputational damage) in nature.

This publication provides an overview of the Commission's understanding of better practice corruption control. It aims to facilitate agencies to assess the maturity of their corruption control programs and identify any immature elements. Further detail about assessing corruption control maturity is available in the Commission's publication, *Assessing Corruption Control Maturity*.<sup>1</sup>

## Nature of corruption risk

Corruption risk is multifaceted. Corrupt conduct can have many different forms, such as fraud, bribery, misuse of information, favouring of a personal interest and so on. It can also occur across a large range of organisational functions, including those specific to a given agency and those performed broadly across the NSW public sector (for example, procurement, recruitment).

Given the complexity of corruption risk, it is perhaps not surprising that there is no panacea to combat it. Instead, corruption control involves the interplay of a variety of mechanisms applied by a diverse range of business units across all three lines of defence<sup>2</sup>. These mechanisms can be organised into four pillars of control, and four supporting systems and processes.

## Pillars of control

Better practice corruption control is built on four key pillars of control:

- Building integrity
- Preventing corrupt conduct
- Detecting corrupt conduct
- Responding to integrity breaches.

### Building integrity

Building integrity controls aim to ensure that integrity is a key feature of the agency and its organisational environment results in staff behaving with integrity by default. Better practice has three essential elements:

- systematic promotion of integrity
- an organisational environment that fosters integrity
- stopping unethical actors.

Systematically promoting integrity to staff and organisational associates helps build perceptions that the agency values integrity.

#### Key outcomes are that integrity is:

- linked to organisational success
- promoted via a range of techniques and in a variety of forums.

<sup>1</sup> NSW ICAC, *Assessing corruption control maturity*, Sydney, February 2023.

<sup>2</sup> See definition for the "Three line of defence model/Three lines model" on page 7 of the above publication.

Having an organisational environment that fosters integrity allows soft controls to reinforce formal integrity messaging.

**Key outcomes are that:**

- integrity is incentivised
- the organisational culture supports integrity.

Stopping unethical actors helps prevent organisational processes from being compromised or creating a culture that lacks integrity.

**Key outcomes are that:**

- due diligence screening is systematically conducted
- integrity breaches are not tolerated.

## Preventing corrupt conduct

Preventing corrupt conduct controls aim to ensure that organisational systems and processes make it challenging to engage in corrupt conduct. Better practice has five essential elements:

- organisational performance management
- integrity policy framework
- understanding corruption vulnerabilities
- protecting high-risk systems
- process and system design.

Managing an agency's performance to achieve its purpose effectively and efficiently reduces the scope of any potential corrupt conduct that might occur.

**Key outcomes are that:**

- organisational performance is robustly managed.

Implementing an integrity policy framework that provides clear guidance on expected integrity standards prevents ignorance from being used as an excuse for corrupt behaviour.

**Key outcomes are that:**

- the framework has sufficient coverage of integrity issues to clearly articulate relevant requirements
- integrity policies are communicated in a manner that ensures these requirements are understood
- the agency ensures compliance with these requirements.

Having a good understanding of an agency's corruption vulnerabilities facilitates the targeted use of additional controls.

**Key outcomes are that:**

- frontline managers use their understanding of corruption risk to identify vulnerabilities
- specialist corruption control units continually update and share their understanding of corruption vulnerabilities
- an independent internal audit unit identifies corruption vulnerabilities as part of its work.

Taking additional steps to protect systems that are both vulnerable and widely used can markedly reduce an agency's corruption risk exposure.

**Key outcomes are that:**

- more stringent controls are applied to high-risk processes and systems
- the residual level of corruption risk is monitored
- timely and appropriate action is taken in response to audit and review findings.

Considering corruption control factors whilst designing work arrangements can help prevent corruption vulnerabilities from being created.

#### Key outcomes are that:

- segregations of duties are considered and enforced
- clear accountabilities are set
- reliable information is readily available to someone overseeing or reviewing the process.

## Detecting corrupt conduct

Detecting corrupt conduct controls aim to ensure that any corrupt conduct that occurs is identified quickly, reducing its impact and deterring future corrupt conduct. Better practice has two essential elements:

- complaints management
- review and analysis of organisational activities.

Effectively managing complaints of wrongdoing is critical to detecting corrupt conduct, given such complaints are how corrupt conduct is most frequently identified.

#### Key outcomes are that:

- a documented process is in place
- complainants find it easy to make a complaint
- the agency demonstrates that it genuinely values complaints
- complaint handling processes manage relevant risks.

Adopting a variety of review and analysis mechanisms also facilitates detecting corrupt conduct, especially as some conduct may never be reported.

#### Key outcomes are that:

- the frontline routinely checks for red flags of corrupt conduct and organisational systems support the review of these red flags
- assurance units adopt a range of additional measures to identify potential corrupt conduct.

## Responding to integrity breaches

Controls regarding responding to integrity breaches aim to ensure that such breaches are responded to in a comprehensive but proportionate manner. Better practice has three essential elements:

- responses to specific breaches
- analysis of patterns of breaches
- using integrity breaches to improve corruption control.

Responding to specific integrity breaches in a manner that demonstrates that “something will be done” sends a clear message about the ramifications of breaching integrity.

#### Key outcomes are that:

- alleged integrity breaches constituting corrupt conduct or other serious misconduct are appropriately reported externally by agencies and investigated
- proportionate action is taken in response to established integrity breaches.

Information about patterns of integrity breaches may provide additional insights for an agency, such as the extent to which given integrity breaches reflect a broader organisational control issue.

#### Key outcomes are that:

- the agency systematically analyses patterns of integrity breaches.

Corruption control-related information obtained from integrity breaches is most impactful when it formally influences future corruption control efforts.

#### Key outcomes are that:

- insights from integrity breaches are used to enhance an agency’s corruption control program.

## Supporting systems and processes

The adoption of a broad range of controls is, by itself, insufficient to ensure good corruption control. For instance, the controls adopted may not be commensurate with an agency's risk profile or may be implemented poorly because of factors such as poor risk awareness, or confusion over responsibilities or accountabilities.

Because of these risks, and the more general need to ensure that corruption control is efficiently and effectively performed, better practice corruption control adopts specific systems and processes that work together to support the implementation of an agency's corruption control program, namely:

- Corruption risk management
- Corruption control framework
- Corruption control roles
- Corruption control competence.

## Corruption risk management

The formal management of corruption risks is a critical part of corruption control, as it moves corruption control from the abstract to the concrete. Better practice has three essential elements:

- integration with agency business
- robust corruption risk analysis
- efficient and effective selection of corruption controls.

Integrating corruption risk management with agency business helps ensure that it successfully influences how organisational processes and systems operate in practice.

### Key outcomes are that:

- managing corruption risk is treated as a routine part of an agency's operations
- corruption risk management (CRM) occurs at strategic, operational and project levels
- CRM occurs during both planning and development, and operations phases
- the ownership of corruption risks and controls is located across the agency with corruption control specialists playing a coordinating role.

Robust analysis of corruption risks is particularly important for corruption risks given that corrupt individuals actively try to defeat existing controls and hide evidence of control weaknesses they have exploited.

### Key outcomes are that:

- corruption risks are analysed using appropriate methodology, standards and approaches
- an agency's operating environment informs its analysis of corruption risks
- corruption risk analysis is performed with sufficient frequency across the organisation to ensure that an agency's knowledge of its corruption risk profile is current
- when analysing corruption risks, it is explicitly considered that corruption risks may manifest differently across the agency.

Carefully selecting corruption controls can help ensure that they effectively and efficiently control relevant risks.

### Key outcomes are that:

- a sufficiently broad range of controls is used
- the application and evaluation of controls supports agency outcomes.

## Corruption control framework

Carefully coordinating corruption control activities can help ensure they are both implemented in an efficient and effective manner, and suitably adapted to an agency's particular circumstances. Better practice has two essential elements:

- the corruption control framework ("Framework")
- a corruption control plan ("Plan") associated with this Framework.

A robust Framework helps ensure that an agency's corruption risk profile appropriately informs its corruption control activities.

### Key outcomes are that a Framework:

- is rigorous from a corruption control perspective
- ensures that corruption control activity is adapted to an agency's internal context.

A robust Plan helps ensure the efficient and effective implementation of corruption control activity.

### Key outcomes are that a Plan:

- provides a detailed description of an agency's corruption control efforts
- is tailored to the agency's operational environment.

## Corruption control roles

Carefully assigning corruption control responsibilities and accountabilities across all three lines of defence helps ensure that an agency's corruption control program is implemented as intended. Better practice has four essential elements:

- responsibilities of all staff
- additional responsibilities of staff in specialist functions
- accountabilities of senior management
- role of the audit and risk committee ("the ARC").

Assigning general corruption control responsibilities to all staff is critical because corruption control should be integrated with other business activity.

### Key outcomes are that all:

- staff are responsible for reporting corrupt conduct, and identifying corruption risks and control weaknesses
- managers are responsible for adopting controls to manage corruption risk within their remit.

Additional responsibilities are assigned to staff in functions that are particularly important from a corruption control perspective (for example, corruption prevention, internal audit, enterprise risk, human resources, ICT, finance).

### Key outcomes are that:

- there are clear responsibilities for reporting against the Framework
- expert input informs the control of vulnerable processes
- corruption controls are designed and implemented effectively and efficiently.

It is essential that senior management be assigned broad corruption control accountabilities because specific accountabilities for corruption control activities may span across the entire agency.

### Key outcomes are that:

- corruption control activities receive sufficient organisational support and resourcing
- corruption control is integrated with other organisational activity
- senior management can readily hold an individual accountable for the agency's corruption control program.

Consistent with its governance responsibilities, an agency's ARC also has a key role to oversee its corruption control program.

### Key outcomes are that the ARC obtains assurance that:

- the agency's Framework represents better practice
- corruption control functions are performed in accordance with better practice
- activities of other governance functions (for example, internal audit, risk management) sufficiently consider potential corrupt conduct.

### Key outcomes are that they:

- have sufficient knowledge of corruption-control-related policies to ensure that ignorance is not a valid excuse for not following them
- have the ability to identify likely corruption risks and prudent control strategies
- know how to respond to suspected corrupt conduct.

Corruption control specialists need additional corruption control competence because they provide input about vulnerable processes and systems, and assist in the design and implementation of corruption controls.

## Corruption control competence

Individuals assigned corruption control responsibilities or accountabilities cannot fulfil them without sufficient corruption control competence. Better practice has two essential elements:

- competence of generalist staff and organisational associates
- additional competence required by corruption control specialists.

Generalist staff and organisational associates need sufficient corruption control competence to ensure the day-to-day operation of frontline corruption controls.

### Key outcomes are that they:

- ensure that corruption control activity is based on input from both corruption control and process experts
- use psychological understanding of the causes of corrupt behaviour and its mitigation to inform corruption control activity
- use performance and benchmarking data to guide and monitor corruption control activity
- have the capacity to diagnose and remedy corruption control weaknesses.



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