

2000
ANNUAL REPORT SUMMARY
2001



Independent Commission Against Corruption

2000 – 2001 Annual Report Summary

Highlights – 2000-2001 in brief

What we learned about corrupt conduct

- Received and assessed 1 509 complaints.
- Researched the nature of corruption risk in the application of new technology (eCorruption) and local government.
- Commissioned research into the obstacles preventing community members of non-English speaking background from reporting corruption.
- Ran regional forums on principal officer responsibility to report corruption in partnership with Local Government Managers Australia.

What we achieved through investigating corrupt conduct

- Conducted hearings into ten matters.
- Released six investigation reports. Findings of corrupt conduct were made in respect of 37 individuals.
- In these reports sixteen recommendations were made for systems reform.

How we helped build corruption resistance

- Hosted an inaugural two-day conference on eCorruption attended by over 250 public sector managers.
- Launched a corruption resistance strategy for local government based on research into local government corruption risk.
- Conducted three Corruption Resistance Reviews.
- Launched a Rural and Regional Outreach Strategy at Broken Hill in the Far West region.
- Satisfied 416 advice requests.

Our people and management

- Undertook two major internal reviews – a Strategic Functional Review of Commission operations and an Investigative Capacity Review.
- Completed a Strategic Direction for 2001-2006 and developed a Corporate Operational Plans.
- Initiated a Skills Audit.
- Developed a new Information Management and Technology Strategic Plan.
- Met the NSW government requirements for Electronic Services Delivery.

Performance; Risk Management; Accountability

During 2000–2001 the ICAC’s external focus was directed toward addressing and anticipating corruption risks in the public sector. In particular, this was the focus of the ICAC’s investigation and corruption prevention work.

We continued to deal with corruption risks by mounting investigations to expose corruption. To better position the ICAC to detect and respond to emerging risks, we also used research and intelligence-led strategic assessments to identify existing and future risks for the NSW public sector. Two major projects looked at corruption risks from the use of new and emerging technologies in the NSW public sector (eCorruption), and the nature of corruption risks in local government.

We also took the opportunity to focus internally, to ensure that we are in a position to anticipate and address the risks that may prevent us continuing and building on our successes. Reviews of the ICAC’s functions and investigative capacity were undertaken during the year. These reviews, and a number of other internal reviews, identified opportunities for improvements and enhancements to the ICAC’s systems and procedures.

The Parliamentary Joint Committee and the Operations Review Committee continued to be the major accountability bodies for the ICAC during 2000–2001. A major focus of the Parliamentary Joint Committee was tracking the performance of the ICAC. Key performance indicators have been developed in association with the ICAC’s internal planning processes, and the ICAC will be in a position to provide improved performance reporting in ensuing years.

Investigating Corruption

During the year, the ICAC reported a number of investigations including *The Greyhounds Inquiry* and *Rebirthing of motor vehicles*, which followed lengthy investigations into corrupt conduct by public officials.

Significant investigative work was undertaken on a number of operations. This included substantial work on allegations of corrupt conduct arising

from the collapse of the New South Wales Grains Board. Much of the investigation took place during the reporting year, but public hearings commenced only in September 2001.

Considerable investigative resources were also devoted to the investigation of allegations of corrupt conduct against officers of the National Parks and Wildlife Service. This matter necessitated special audit and oversight arrangements to take into account an allegation levelled at an unnamed officer of the ICAC, and involved public hearings from March 2001. It is anticipated that both these matters will be reported to Parliament during 2001–2002.

ICAC investigations are not limited to those that became public hearings. The Commission makes preliminary enquiries, and investigates significant matters using its special powers without necessarily resorting to public hearings. These investigations may find no evidence of corrupt conduct, but nevertheless they still involve considerable work and resources. The seriousness of having an allegation of corrupt conduct levelled at an individual or an agency is considerable, so a result indicating a lack of evidence to support the allegations can be significant.

Positive investigation outcomes

Investigations that were the subject of hearings and investigation reports and have achieved significant reform outcomes include:

- The NSW Greyhound Racing Association (GRA) is working to implement 16 corruption prevention recommendations that followed an investigation into the activities of former GRA Chief Steward Rodney Potter, since dismissed, for corruptly influencing the drug testing of racing dogs. Four greyhound trainers and one punter were also found to have acted corruptly, and the NSW Director of Public Prosecutions was asked to consider criminal charges against all six men.
- We issued a report on rebirthing \$1 million of mainly prestige stolen cars that involved corruption by 29 individuals, including some NSW Roads & Traffic Authority (RTA) staff. Rebirthing involves the use of false vehicle identification numbers to mask the origins of stolen vehicles. On the release of the report, Commissioner Moss called for a

national approach to deal with the corruption prevention issues raised in the report. In response, NSW Transport Minister Carl Scully tabled the report at a meeting of the Australian Transport Council. The ICAC has since been advised that at least two other Australian motor vehicle registration authorities have sought assistance from the RTA on matters raised by the Commission’s report.

- Practices by the NSW State Rail Authority (SRA) for minimising corruption risks in the information technology area have been improved after an SRA employee was found to have acted corruptly. The ICAC found the employee misused his technical expertise to influence an Authority manager to purchase the employee’s own computer equipment at inflated prices; a third party seller was used to disguise true ownership. To stop this recurring, the SRA has improved internal audits, implemented a new assets database and revamped its code of conduct. The employee has since been dismissed.

‘Recos on the web’



This year we launched ‘Recos on the Web’, an initiative whereby reports which describe how well recommendations made in ICAC investigation reports have been implemented.

The purpose of this initiative is to have agencies report on the implementation of the investigation report recommendations, and to make these reports available to the public. This is also intended to encourage other agencies to consider the continuing need for vigilance in reviewing and implementing corruption resistance strategies. The advice of the agencies who have submitted reports, is that around 92% of recommendations have been fully or partially implemented.

To view these reports click on ‘Recos on the Web’ on the ICAC website homepage www.icac.nsw.gov.au

Complaints and reports received

Not all ICAC investigations result in hearings and reports. The ICAC receives many allegations of serious and substantial corruption. This year the matters received totalled 1509. About a quarter of matters are referred for further action within the ICAC, while the remainder is referred to other agencies for action as appropriate, kept for information, or falls outside the Commission's jurisdiction.

Reporting corruption to the ICAC and responding to allegations by agencies and councils is encouraged and supported by ICAC. The ICAC Act requires State Agency CEOs and General Managers of Councils to report suspected corruption to it. 411 such reports were received in 2000–2001. The Commission can also request agencies investigate and report back. Through these means the investigative outreach of the Commission, and its deterrent effect, is extended.

Allegations of corrupt conduct are also received from employees of public sector agencies. If they meet certain requirements set out in the *Protected Disclosures Act*, such complaints can attract protections for the employee. Not all complaints from government employees can attract these protections, but during 2000–2001, 130 protected disclosures were received. These are an important source of information to the ICAC, and we are continually looking at ways to improve the reporting of protected disclosures.

eCorruption



The rapid introduction of new technologies by the NSW public sector presents significant benefits to the community. However, as with all business and service systems, there is good reason to be aware of the corruption risks that are associated with government in cyberspace.

To determine the existence and nature of these risks, the ICAC undertook a preliminary strategic assessment that described a number of potential risks and foreshadowed strategic, tactical

and practical considerations for investigation of eCorruption matters.

Following from that risk assessment, this year we developed and implemented a strategy to help public sector managers respond to these new corruption risks. First among the outputs was the release of *The need to know: eCorruption and unmanaged risk*, a summary of the strategic assessment report.

Research to provide baseline measures of emerging eCorruption and eCrime risks for public sector organisations was commissioned. It revealed that there is a basic awareness amongst NSW public sector managers of the threat of eCorruption, but that generally, safeguards are not adequate. The main areas of concern about eCorruption identified by the research are:

- database and information misuse. Large scale data warehousing represents a major new opportunity for eCorruption since it increases the value of information that is created by aggregating data, and there is much wider access to the aggregated information than there was likely to be to its individual components
- a lack of high level technical knowledge and expertise in-house is said by key informants to be a major problem in, first, establishing and maintaining adequate security systems, and second, in procuring and maintaining IT consultant and contractor services.

The ICAC hosted an eCorruption Symposium in May attended by over 250 public sector managers and specialists in audit, investigation and IT. The first step towards embedding the management of eCorruption risk into central government policy and guidelines was taken at the Symposium, where it was announced that the Chief Executive Officers e-Government Committee would be tasked with overseeing the implementation of eCorruption solutions for the whole of government.

Further work will be undertaken in the coming year. To find out more go to the ICAC website www.icac.nsw.gov.au by clicking on the eCorruption icon on the home page.

Local Government Strategy



A large proportion of our complaints consistently concerns local government. This year the complaints and reports concerning local councils comprised almost 36 per cent of the total received.

While this may be explained by the fact that the local government sector encompasses over 173 different organisations and that council decisions, many of which are discretionary and have a direct impact on individuals, we wanted a rigorous assessment of the nature and extent of corruption risks in local government.

To this end the ICAC initiated a Local Government research strategy, with the aim of providing relevant and targeted advice and assistance to local councils.

The research initially identified the practices councils currently had in place to prevent corruption. Further research was then undertaken to help develop a profile of corruption risks. Principal among the identified potential corruption risks were:

- partiality and personal interest in procurement, tendering and contracting
- partiality, bribery and conflict of interest, especially by elected officials, in assessing development applications and rezoning
- misuse of council resources
- cash handling.

The availability of a comprehensive risk profile means the ICAC can develop projects that target the risks in local government with greater precision.

Procurement and contracting was the first issue to be addressed. In collaboration with the Department of Local Government and the NSW Ombudsman, we produced a discussion paper, *Taking the con out of contracting: Issues for local government procurement and contract administration*. Feedback was sought by 30 June 2001 and the guidelines were produced in September 2001.

Further discussion papers and guidelines, on development applications and use of resources, will be released in the coming year. To view the current status of the Local Government Strategy, click on the icon on the ICAC homepage.

Taking the corruption prevention message to rural and regional NSW



Just as rural and regional agencies and councils differ from their metropolitan counterparts in size, composition and functions, they also differ in the nature of corruption risks. Until recently, most ICAC guidance was tailored towards the needs of larger, central agencies – a one-size-fits-all approach.

The ICAC is now looking to identify sectors where particular circumstances create particular risks, and to offer tailored guidance. To assist rural and regional organisations understand and manage the risk, the ICAC has launched a Rural and Regional Outreach Strategy (RAROS).

The central platform for the RAROS program is a series of rural and regional visits that include:

- training for employees of state agencies and councils, and their managers about the role of the ICAC, risk management, managing internal reporting systems, reporting corrupt conduct and carrying out internal investigations
- providing opportunities for general managers of councils and regional heads of state agencies to meet individually with ICAC officers to discuss and clarify issues
- community awareness activities such as a community forum and the opportunity to provide complaints to the ICAC
- launches of Local Government Strategy initiatives
- undertaking Corruption Resistance Reviews with agencies.

The Broken Hill visit

The first RAROS visit was to the State's Western Region and was centred in Broken Hill in June. Evaluation showed that the impact of the visit was most strongly felt in public authorities, with 80 per cent of public officials surveyed being aware of the visit, and 60 per cent saying they had a better understanding of corruption as a result.

Lord Howe Island

Included within the RAROS program was an examination of complaints made by residents of Lord Howe Island. The community, though small and isolated, inhabits an island that is the subject of much wider interest. The average incidence of complaints about conduct on the Island, 300 times that of state average, indicated some assistance in management of corruption risk was warranted.

ICAC enquiries and research led to the production of a discussion paper, *Trouble in Paradise?*, which was released in June. The paper is concerned with conflict of interest, governance and, to a lesser extent, shipping. Feedback on the recommended strategies was received up till August 2001, and it is expected that the resulting guidelines will be available in late 2001.

Building corruption resistance: Corruption Resistance Reviews



A Corruption Resistance Review (CRR) is a tool we developed to help agencies identify areas in which they can improve corruption resistance. It is not intended as a pass /fail test. It measures what agencies have in place against the ideal, and suggests areas where an agency may aspire to improve.

The methodology can be applied in different ways. As a result of analysis of information received, the ICAC may approach an agency. Alternatively, agencies may self nominate when they are of the view that such a review would assist their performance.

A CRR examines a range of generic features that our experience indicates are necessary in order to build a corruption resistant environment. These include:

- risk management
- conduct guidance
- internal reporting
- human resource management
- complaint and grievance systems.

Areas of particular risk for specific agencies or industries were included in the program on a needs basis.

During the year CRRs were conducted with the Registry of Births, Deaths and Marriages, University of Wollongong and Broken Hill City Council. Reports, each including a number of recommendations for improvements, were provided to the participating agencies.

A total of ninety-one such recommendations were made. All three agencies have accepted the recommendations and have developed plans for their implementation.

In order to extend the reach of the CRR method, it is planned to develop with the Premiers Department a 'Do-it-yourself' (DIY) CRR that agencies can self-administer.

Providing advice and guidance

Providing a corruption advice service continues to be an important element of preventing corruption. In the 2000-2001 financial year, the ICAC provided advice on 416 matters – an increase of almost 20 per cent over the previous year's 349 matters. This includes responses to 285 telephone requests and 131 written matters.

NESB research

During 2000–2001 we endeavoured to reach out to community members and public officials whose first language is not English. Both translated and English press releases were forwarded to ethnic press outlets and our multi language brochures were made available on our website. Copies of the releases were printed in 29 newspapers, covering most of these community languages.

As we receive relatively few complaints from people from non-English speaking backgrounds (NESB), we commissioned research to gain a better understanding of the barriers to reporting by these groups.

The company conducted in-depth interviews and discussions in the appropriate language with representatives from Arabic, Chinese, Croatian, Greek, Italian, Korean, Russian, Serbian, Turkish and

Vietnamese communities. A report was provided to the ICAC in June 2001.

The research confirmed that people's experience of corruption, law enforcement and regulatory agencies in their country of origin impacts on their behaviour. They tend to be unsure of what is inappropriate or illegal behaviour in Australia, have low levels of trust in government and bureaucracy, and maintain a culture of not complaining. The ICAC will work with particular communities in 2001-2002 to identify opportunities for improving access to the ICAC for people from non-English speaking backgrounds.

Key Issues for The Year Ahead

The ICAC's intake and assessments area is undergoing restructuring, and will have a change of focus from 2001-2002. Greater emphasis will be placed on providing reasons and information, where appropriate, to people who make complaints about possible corrupt conduct. Systems for handling complaints have been reviewed, and will undergo change in the next year. There will also be a focus on developing better links with public sector agencies.

The ICAC will establish a Strategic Risk Assessment Unit during 2001-2002 to make greater use of the information held and received by the Commission. It is intended that this unit will also provide a more strategic focus to the ICAC's investigative capacity.

Investigators will be provided with an enhanced information and intelligence capacity to inform and direct investigations. Improvements to investigations will also occur through improved investigation planning and quality assurance processes. There will also be a renewed focus on developing strategic links with peer agencies to maximise the opportunities for exposing systemic corruption and the impact of ICAC investigations.

The ICAC will research the corruption risks facing the NSW public sector – similar to the work completed for local government during 2000-2001. This will contribute towards informing and directing the ICAC's future investigative and corruption prevention work.

The eCorruption initiative will be further developed, with the publication

of research and the development of guidelines for key risk areas. The Local Government Strategy will continue, with the development of guidelines on development applications and use of resources.

The Rural and Regional Outreach Strategy will be extended to the North Coast and the Hunter during 2001-2002. Six Corruption Resistance Reviews will be conducted during the next year, with four aligned to rural and regional visits. A "do it yourself" version of the Review will be developed to enable agencies to self-test their corruption resistance.

The ICAC's corruption prevention advice function will be reviewed during 2001-2002 to identify opportunities for improvement. Feedback on the quality and helpfulness of the advice will be sought, and reported in next year's Annual Report.

Further work will be done to enhance the overall management of the ICAC, including further implementation of corporate strategic and operational plans, implementation of the Information Management and Technology Strategic Plan, and finalisation of a new individual performance management system and targeted training and development for staff.

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