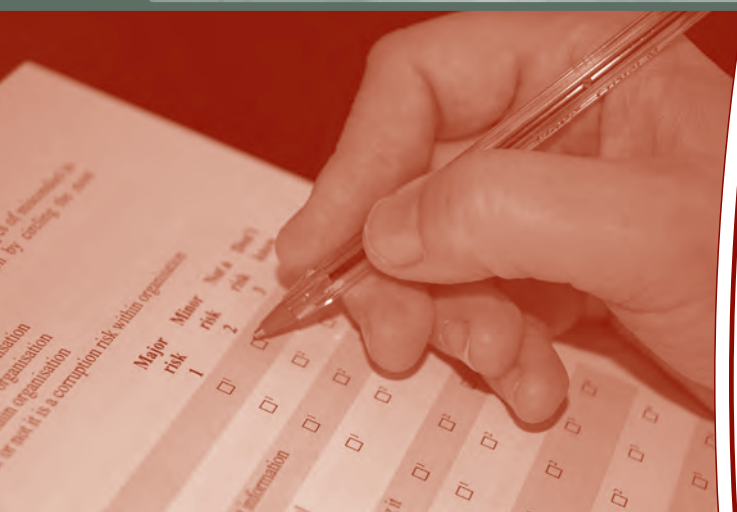


The logo for the Independent Commission Against Corruption (ICAC), consisting of the letters 'I·C·A·C' in a stylized, serif font with dots between the letters.

INDEPENDENT COMMISSION  
AGAINST CORRUPTION



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## PROFILING THE NSW PUBLIC SECTOR II

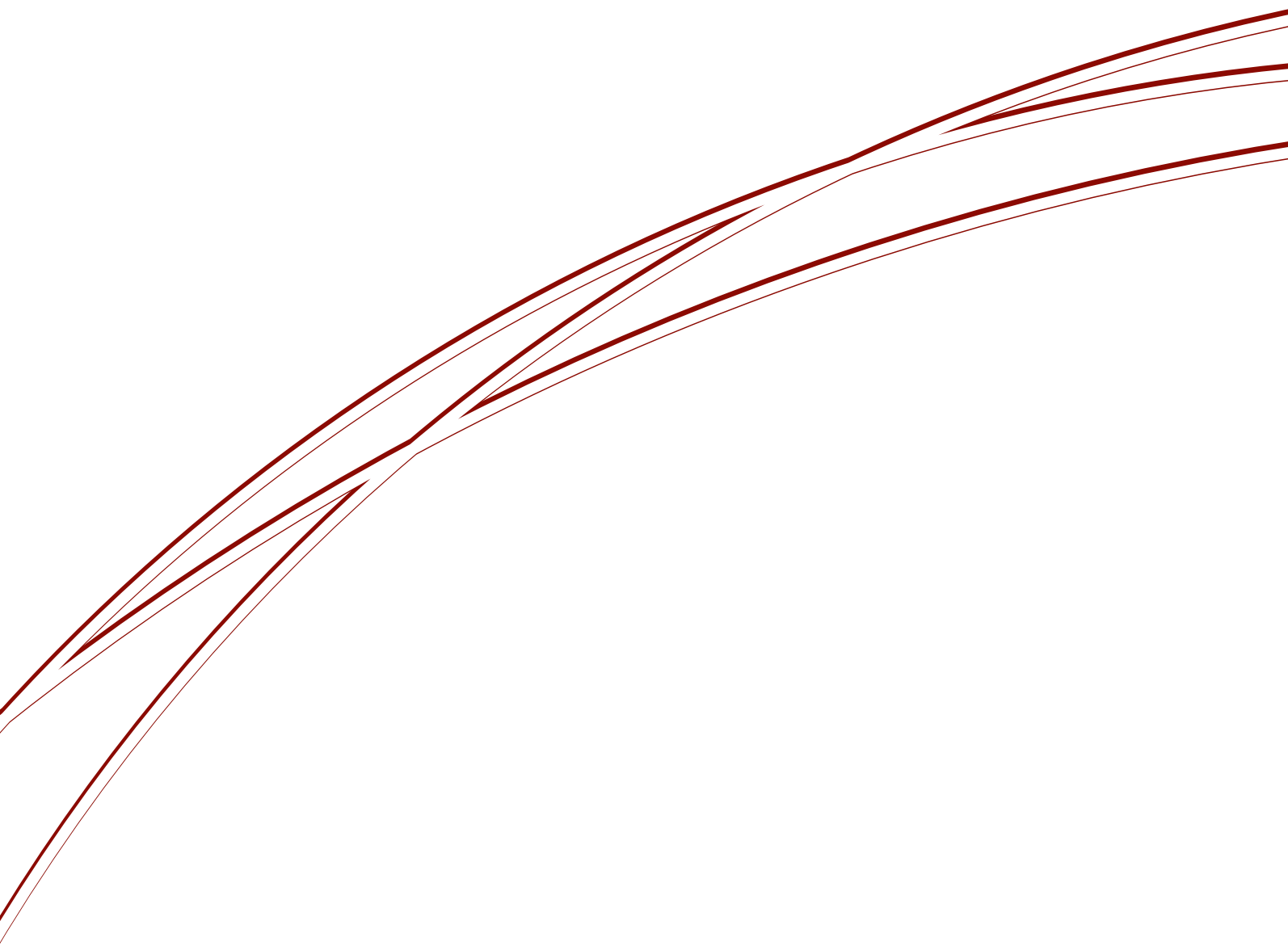
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## REPORT 3: DIFFERENCES BETWEEN LOCAL AND STATE GOVERNMENT

APRIL 2010

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INDEPENDENT COMMISSION  
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**PROFILING THE NSW  
PUBLIC SECTOR II**

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**REPORT 3: DIFFERENCES  
BETWEEN LOCAL AND  
STATE GOVERNMENT**

**APRIL 2010**

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- Newcastle City Council
- Department of Local Government
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## Executive summary

The *Profiling the NSW public sector II* research results indicate that local councils face a wider range of corruption risks than state agencies. This arises from the number of high-risk functions that local councils perform and the business processes that are used to conduct these functions. Corruption risks arising from staff misconduct do not appear to differ greatly between local councils and state agencies in NSW.

Local councils also appear less likely to use the management controls that are important to sound corporate governance. This finding was observed across a range of management controls such as audit mechanisms, risk management processes and fraud control plans. Reduced usage of such controls makes managing a broad array of corruption risks more challenging.

There are, however, several areas where local councils appear to use a greater number of specific operational controls relevant to corruption prevention. Examples include record-keeping, gifts and benefits, and codes of conduct. A notable exception to this is in information technology where local councils appear to have inferior password management.

Local councils should review their usage of management controls such as audit mechanisms and risk management processes to better manage the corruption risks that they face. They should also consider reviewing their processes for managing computer passwords.

These comparisons of corruption risks and corruption prevention controls across local councils and state agencies were derived from survey responses of NSW public sector organisations and staff. Given the limitations inherent in such research, caution is urged in interpreting these results, although local councils are encouraged to use these results to benchmark their own corruption risk management frameworks.

The ICAC advocates a risk management approach to corruption prevention. This approach requires each organisation to undertake a detailed and comprehensive analysis of the specific corruption risks it faces, and the adequacy of its existing controls. This publication, and the information on specific corruption risk areas on the ICAC website ([www.icac.nsw.gov.au/preventing-corruption](http://www.icac.nsw.gov.au/preventing-corruption)), is intended to assist organisations in this process.

# Introduction

This report compares the corruption risk management of local councils and state agencies within NSW. This allows local councils to:

- benchmark themselves against other local councils
- benchmark themselves, and the local government sector, against state government agencies.

During 2007, as part of the *Profiling the NSW public sector II* project, the ICAC distributed surveys to chief executive officers (CEOs) and staff from NSW state and local government organisations.

The results of this project are being presented in a series of reports and this report is the third in this series. The first report presented results from the NSW public sector as a whole.<sup>1</sup> The second compared results with those obtained six years earlier.<sup>2</sup> A separate publication outlined both the project's methodology and the demographics of respondents.<sup>3</sup>

These previous reports focused on results across the whole state. However, the NSW public sector consists of two levels of government and there are clear differences in the regulatory environments of state and local government in NSW. Moreover, differences in corruption risk management between local councils and state agencies were not examined in the previous *Profiling II* reports.

## Methodology

General information about *Profiling II* methodology is available in the first report of the series and details of the methodology employed are presented in *Profiling the NSW public sector II – Methodology and respondent demographics*.

All publications from the Profiling II project are available on the Commission's website – [www.icac.nsw.gov.au](http://www.icac.nsw.gov.au).

It should also be noted that, for the purposes of this report, “very small” organisations were removed from the sample.<sup>4</sup> These organisations were removed because there were no “very small” local councils in the sample and this would have biased the comparison.

Finally, it should be noted that because of the large number of statistical tests,  $\alpha$  was set to 0.01 for each statistical test.

1 *Profiling the NSW public sector II – Report 1: Results for the NSW public sector as a whole*, ICAC, Sydney, 2009.

2 *Profiling the NSW public sector II – Report 2: Comparison of 2001 and 2007 organisation responses*, ICAC, Sydney, 2009.

3 *Profiling the NSW public sector II – Methodology and respondent demographics*, ICAC, Sydney, 2009.

4 An organisation was defined as very small if it had 15 or fewer staff and a recurrent budget of less than \$5,000,000. Most of these organisations were either Local Aboriginal Land Councils or Rural Lands Protection Boards.



## Corruption risks

Corruption risk arises from a combination of factors. Organisational functions and processes, together with individual behaviours, can combine to produce circumstances that create significant corruption risks.

For instance, an organisation that makes discretionary judgments about development applications (function), is frequently subject to political interference (business process) and often fails to document significant information (misconduct behaviour) is very vulnerable to corruption. In this case, each of the elements (functions, processes and behaviours) increases the corruption risk and the combination is thus very dangerous, in terms of corruption risks, for an organisation.

Although these elements are intertwined, it is useful to examine what functions, processes and behaviours increase corruption risk. To this end, organisations were asked to:

- identify what high-risk functions they performed
- rate what business processes constituted major corruption risks
- rate what types of employee misconduct constituted major corruption risks.

### High-risk functions

This section compares the number and type of high-risk functions performed by local councils to those performed by state agencies. As discussed in the initial Profiling research<sup>5</sup>, high-risk functions either:

- involve both the execution of discretion and an outcome important to a member of the public (e.g. having discretion in related to development applications), or

- involve a vulnerable client group (e.g. providing a service to new immigrants), or
- provide both the opportunity and the temptation for fraud (e.g. receiving cash payments).

An organisation that performs many of these functions has a greater variety of specific corruption risks, given that each carries considerable corruption risk.

Organisations and staff were provided with a list of 15 functions previously identified by the ICAC as high-risk in terms of corruption risk. Both organisation and staff surveys examined whether the function was performed and whether it was performed with policy guidance.

### High-risk functions – results from organisations

The number of high-risk functions local councils and state agencies reported performing is presented in Figure 1.

Although both local councils and state agencies exercise the vast majority of their high-risk functions under the guidance of a policy framework, local councils reported performing both significantly more high-risk functions and significantly more high-risk functions without a policy framework than state agencies.<sup>6</sup>

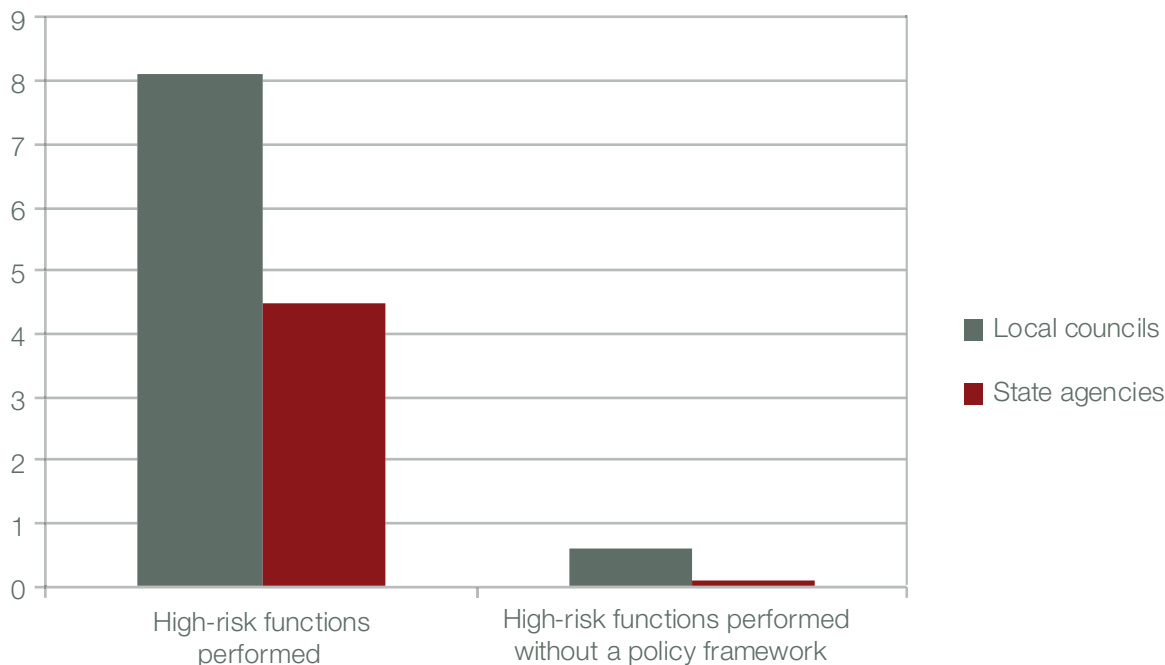
Given the diversity of local government functions, it is not surprising that councils perform a larger number of these high-risk functions.

The high-risk functions that local councils and state agencies most frequently reported performing are presented in Tables 1 and 2, respectively, together with the percentages of local councils and state agencies that indicated they perform each function.

<sup>5</sup> *Profiling the NSW public sector: Functions, risks and corruption resistance strategies*, ICAC, Sydney, 2003.

<sup>6</sup> Unequal variance  $t=10.7$ ,  $df=226.9$ ,  $p<0.001$  and unequal variance  $t=5.1$ ,  $df=163.0$ ,  $p<0.001$  respectively.

**Figure 1: How many high-risk functions do organisations perform?**



**Table 1: High-risk functions local councils most frequently report performing**

Function	Percentage of local councils performing function*
Has discretion concerning land rezoning or development applications	100 (20)
Inspects, regulates or monitors standards of premises, businesses, equipment or products	100 (31)
Issues, or reviews the issue of, fines or other sanctions	97 (36)
Receives cash payments	97 (62)
Undertakes construction	88 (42)

\* Figures in parentheses represent the percentage of state agencies performing the function.

**Table 2: High-risk functions state agencies most frequently report performing**

Function	Percentage of state agencies performing function*
Receives cash payments	62 (97)
Has regular dealings with the private sector other than for routinely purchasing goods and services	51 (60)
Allocates public grants	43 (81)
Undertakes construction	42 (88)
Issues qualifications or licenses	38 (14)

\* Figures in parentheses represent the percentage of local councils performing the function.

While the lists are somewhat different, it should be noted that four out of the five high-risk functions most frequently performed by state agencies are actually performed by a greater percentage of local councils.

## High-risk functions – results from staff

Staff indicated whether they or the people they “work with on a daily basis”<sup>7</sup> perform each high-risk function. The number of high-risk functions performed, and the number performed without specific policies and/or procedures, is presented in Figure 2. Neither of these numbers differed significantly between local council and state agency staff.<sup>8</sup>

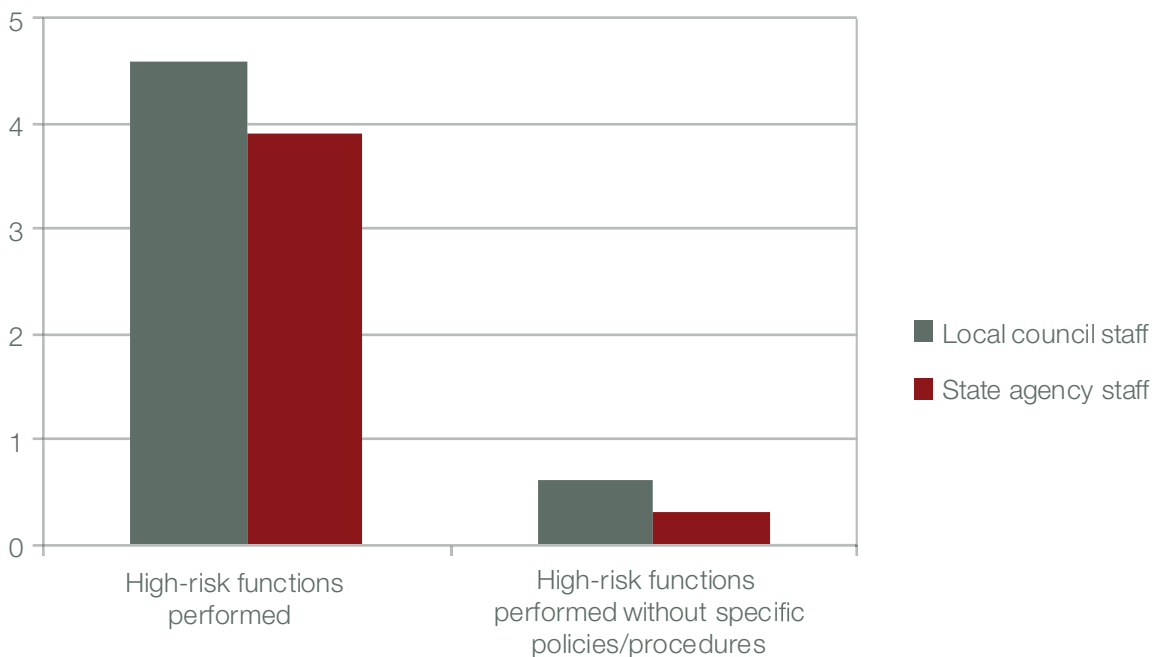
The high-risk functions that local council staff and state agency staff most frequently reported as being performed are presented in Tables 3 and 4 respectively. The percentages of local council staff and state agency staff nominating each function are also presented.

**Table 3: High-risk functions that local council staff most frequently report as being performed by their council**

Function	Percentage of local council staff nominating function*
Inspects, regulates or monitors standards of premises, businesses, equipment or products	74 (66)
Has discretion concerning land rezoning or development applications	51 (13)
Receives cash payments	51 (35)
Undertakes construction	47 (30)
Has regular dealings with the private sector other than for routinely purchasing goods and services	46 (43)

\* Figures in parentheses represent the percentage of state agency staff nominating the function.

**Figure 2: How many high-risk functions do staff report as being executed?**



<sup>7</sup> This expression was designed to approximate their business unit.

<sup>8</sup>  $t=1.7$ ,  $df=491$ ,  $n.s.$  and unequal variance  $t=1.6$ ,  $df=64.3$ ,  $n.s.$  respectively.

**Table 4: High-risk functions that state agency staff most frequently report as being performed by their agency**

Function	Percentage of state agency staff nominating function*
Inspects, regulates or monitors standards of premises, businesses, equipment or products	66 (74)
Has regular dealings with the private sector other than for routinely purchasing goods and services	43 (46)
Receives cash payments	35 (51)
Issues qualifications or licenses	31 (14)
Undertakes construction	30 (47)

\* Figures in parentheses represent the percentage of local council staff nominating the function.

Four items are common to each list, suggesting considerable similarity in the high-risk functions that staff from local councils and state agencies perform.

## High-risk functions – conclusions

Local councils appear to perform more high-risk functions than state agencies. This appears to be due to local councils having a larger variety of business units, as opposed to specific local council business units performing more high-risk functions. Even though the high-risk functions that state agency and local council CEOs frequently report differ, the high-risk functions that staff frequently report are somewhat similar across state agencies and local councils.

## Business processes

Business processes (such as tendering) can be expected to interact with organisation functions (such as regular dealings with the private sector) to enhance or reduce the overall vulnerability. This section examines the differences between local councils and state agencies in terms of corruption risk arising from business processes.

Organisations were asked to indicate how much of a corruption risk each of 43 business processes posed.

These business processes were selected so as to obtain a broad representation of organisational activity. For business processes that were rated as corruption risks, organisations also indicated whether the risk “requires more attention” or was “being well handled”. Note that the staff survey did not contain these business processes, as the vast majority of staff would be unfamiliar with the way that most of these processes were conducted within their organisations.

## Business processes – results from organisations

The numbers of business processes rated as major corruption risks, and major corruption risks that require more attention, is presented in Figure 3. Local councils rated significantly more processes as major corruption risks and significantly more processes as major corruption risks that require more attention.<sup>9</sup>

The business processes most frequently rated by local councils and state agencies as major corruption risks are presented in Tables 5 and 6 respectively, together with the percentages of local councils and state agencies that rated each as a major corruption risk.

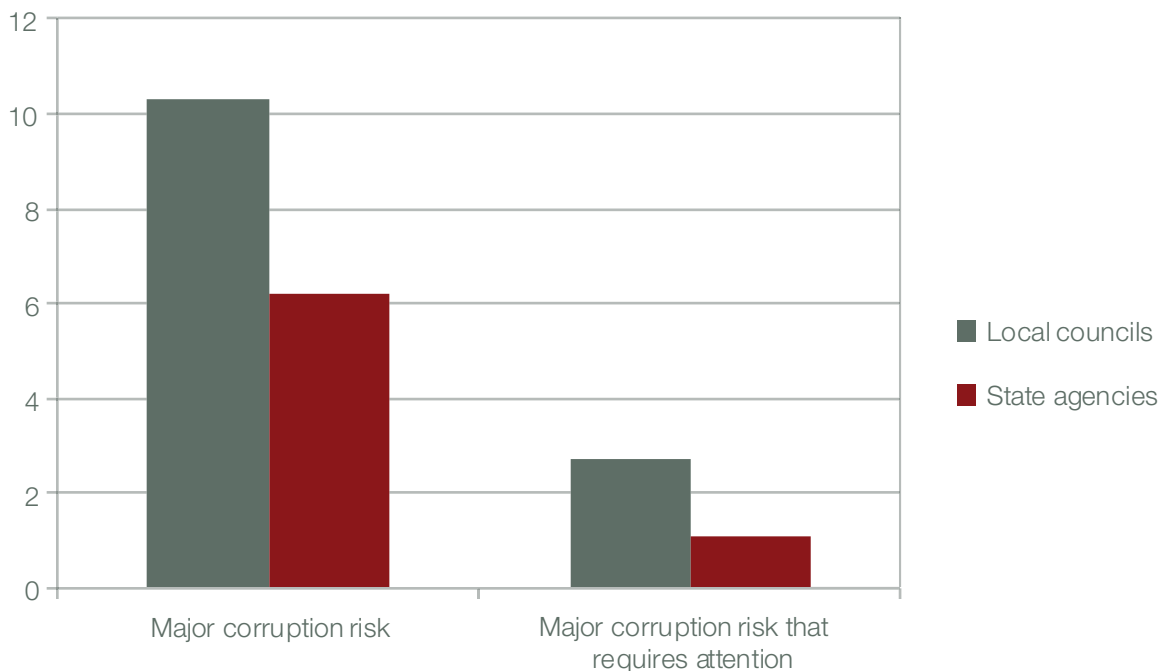
**Table 5: Business processes that local councils most frequently rate as major corruption risks**

Business process	Percentage of local councils rating process as a major corruption risk*
Development applications/rezoning/environmental planning	77 (9)
Purchasing or tendering for goods for organisation	71 (34)
Tendering or contracting for services for organisation	69 (37)
Use of organisation’s funds or bank accounts	55 (38)
Cash handling	51 (16)

\* Figures in parentheses represent the percentage of state agencies rating the business process as a major corruption risk.

<sup>9</sup>  $t=4.8$ ,  $df=251$ ,  $p<0.001$  and unequal variance  $t=3.7$ ,  $df=167.0$ ,  $p<0.001$  respectively.

**Figure 3: How many business processes do organisations rate as major corruption risks?**



**Table 6: Business processes that state agencies most frequently rate as major corruption risks**

Business process	Percentage of state agencies rating process as a major corruption risk*
Use of organisation’s funds or bank accounts	38 (55)
Tendering or contracting for services for organisation	37 (69)
Use of confidential information	35 (43)
Purchasing or tendering for goods for organisation	34 (71)
Record-keeping	29 (35)

\* Figures in parentheses represent the percentage of local councils rating the business process as a major corruption risk.

There is a moderate degree of overlap between local council and state agency lists of major corruption risks with three items in common. The most notable difference between the lists is in relation to development-related processes, which (unsurprisingly) appear to be a much greater issue for local councils.

The business processes that local councils and state agencies most frequently rated as major corruption risks that require more attention are presented in Tables 7 and 8 respectively, together with the percentages of local councils and state agencies that rated each as a major corruption risk that requires attention.

**Table 7: Business processes that local councils most frequently rate as major corruption risks that require attention**

Business process	Percentage of local councils rating process as a major corruption risk that requires more attention*
Tendering or contracting for services for organisation	17 (7)
Record-keeping	17 (13)
Political interference in organisational processes	16 (8)
Purchasing or tendering for goods for organisation	16 (6)
Relationship between board members/councillors and stakeholders	14 (2)

\* Figures in parentheses represent the percentage of state agencies rating the business process as a major corruption risk that requires attention.

**Table 8: Business processes that state agencies most frequently rate as major corruption risks that require attention**

Business process	Percentage of state agencies rating process as a major corruption risk that requires more attention*
Record-keeping	13 (17)
Political interference in organisational processes	8 (16)
Tendering or contracting for services for organisation	7** (17)
Ensuring compliance with/enforcement of requirements	7** (17)
Purchasing or tendering for goods for organisation	6 (16)

\* Figures in parentheses represent the percentage of local councils rating the business process as a major corruption risk that requires attention.

\*\* Tied for rank.

The corresponding lists of major corruption risks that require more attention appear very similar. There are four items in common and, while differently ordered, the top three items are the same.

## Business processes – conclusions

Local councils perceive more business processes as posing both major corruption risks and major corruption risks that require more attention. Generally speaking, the specific business processes that local councils and state agencies most frequently rate as major corruption risks, or as major corruption risks that require attention, are somewhat similar. However, planning and development clearly stands out as a risk specific to councils.

## Misconduct types

Functions and business processes provide a profile of the corruption opportunities than an organisation faces. However, the behaviour of staff within the function-process profile can also raise or lower the corruption risk.

For instance, while undertaking construction is considered to be a high-risk function, and purchasing is laden with corruption risk, the likelihood of corruption in relation to construction-related procurement can be greatly affected by staff behaviour in areas such as record-keeping and conflict of interest management. The biggest risks arise from behaviour that constitutes misconduct.

Both organisations and staff were presented with a list of 31 misconduct types (e.g. fraud, improper use of information), which were selected so as to obtain a broad representation of possible corrupt conduct. Organisations were required to rate the extent to which each was a corruption risk, whereas staff were required to rate the extent to which each was a problem within their organisations.

## Misconduct types – results from organisations

The number of misconduct types organisations rated as major corruption risks is presented in Table 9. The number of misconduct types rated as major corruption risks did not significantly differ between local councils and state agencies.<sup>10</sup>

**Table 9: Number of misconduct types organisations rate as major corruption risks**

	Number of misconduct types
Local councils	3.9 (SD=6.0)
State agencies	2.4 (SD=3.8)

SD=Standard deviation

<sup>10</sup> Unequal variance  $t=2.5$ ,  $df=204.6$ ,  $n.s.$

The misconduct types that local councils and state agencies most frequently rated as major corruption risks are presented in Tables 10 and 11 respectively, together with the percentages of local councils and state agencies that rated each as a major corruption risk.

**Table 10: Misconduct types that local councils most frequently rate as major corruption risks**

Misconduct type	Percentage of local councils rating this type of misconduct as a major corruption risk*
Failure to disclose/abuse of a conflict of interest	38 (20)
Improper use of information	23 (16)
Fraud	23 (11)
Bribery/gifts/secret commissions	22 (13)
Failure to separate authorisation and approval process	20 (7)

\* Figures in parentheses represent the percentage of state agencies rating the misconduct type as a major corruption risk.

**Table 11: Misconduct types that state agencies most frequently rate as major corruption risks**

Misconduct type	Percentage of state agencies rating this type of misconduct as a major corruption risk*
Failure to disclose/abuse of a conflict of interest	20 (38)
Improper use of information	16 (23)
Intentional failure to document significant information	16 (20)
Falsification of records	14 (9)
Bribery/gifts/secret commissions	13 (22)

\* Figures in parentheses represent the percentage of local councils rating the misconduct type as a major corruption risk.

There is moderate similarity between the misconduct types that councils and agencies rate as major corruption risks. The top two items are the same and an additional item appears in both lists.

## Misconduct types – results from staff

The number of misconduct risks that staff rated as major problems in their organisation is presented in Table 12. Staff from state agencies rated significantly more misconduct types as major problems than staff from local councils.<sup>11</sup> It should, however, be noted that the average number of problem areas nominated by state agency staff is still very small.

**Table 12: Number of misconduct types staff rate as major corruption risks**

	Number of misconduct types
Local council staff	0.05 (SD=0.3)
State agency staff	0.7 (SD=2.6)

SD=Standard deviation

The misconduct types that local council staff and state agency staff most frequently rated as major problems are presented in Tables 13 and 14 respectively, together with the corresponding percentages of staff from local councils and state agencies. Note that only two misconduct types in total were nominated by local council staff.

**Table 13: Misconduct types local council staff most frequently rate as major problems**

Misconduct type	Percentage of local council staff rating misconduct as a major corruption risk*
Favouritism/nepotism	4 (12)
Bribery/gifts/secret commissions	2 (1)

\* Figures in parentheses represent the percentage of state agency staff rating the misconduct type as a major problem.

<sup>11</sup> Unequal variances  $t=5.1$ ,  $df=487.2$ ,  $p<0.001$ .

**Table 14: Misconduct types state agency staff most frequently rate as major problems**

Misconduct type	Percentage of state agency staff rating misconduct as a major corruption risk*
Favouritism/nepotism	12 (4)
Harassment/victimisation/discrimination	7 (0)
Failure to advertise appropriately	5 (0)
Failure to disclose/abuse of a conflict of interest	4 (0)
Intentional failure to document significant information	3 (0)

\* Figures in parentheses represent the percentage of local council staff rating the misconduct type as a major problem.

## Misconduct types – conclusions

The number of misconduct types rated as major risks, and the specific misconduct types rated as major corruption risks, by local councils and state agencies are quite similar. While the number of misconduct types rated by staff as major problems is small for state agencies, it is smaller still for local councils – so small that it is difficult to determine which misconduct types are most frequently perceived as major problems by council staff.

## Corruption risk conclusions

An organisation's functions and processes together with the behaviour of its staff combine to produce its level of corruption risk. Overall, local councils appear to face greater risk from their function-process profile, but not from the behaviour of the staff, than do state agencies.

That local councils perform more high-risk functions is not surprising given that local councils tend to have a more diverse range of functions generally. It also suggests that local councils face a wider range of corruption risks.

Additionally, local councils perceive more corruption risk in their day-to-day work, as they rate more business processes as major corruption risks and more as major

corruption risks that require attention. This suggests that councils are reasonably aware of the risks that their functions pose.

With the marked exception of planning-related issues, the specific business processes that local councils and state agencies most frequently perceive as major corruption risks or major corruption risks that require attention are somewhat similar. This suggests that differences in corruption risk perceptions between councils and agencies are mostly differences of degree rather than kind. This is supported by similar results in relation to the risk of different types of misconduct.

By contrast, local council staff do not appear to be performing more high-risk functions than state agency staff. At first glance, this appears inconsistent with the corresponding organisation results. However, it should be noted that the organisation survey examined this issue at an organisation level whereas the staff survey examined this issue at a business unit level. Consequently, the explanation for these results may be that local councils have a wider variety of business units which, given the diversity of local council operations, seems at least plausible. An alternate explanation is that local council staff may be less aware of the high-risk functions executed by their colleagues.

The high-risk functions most frequently reported as being performed by local council staff are, however, similar to those most frequently reported by agency staff (with the notable exception of discretion regarding development applications and land rezoning). It is difficult to explain this apparent inconsistency between staff and organisation results.

It should also be noted that local council staff almost never reported a misconduct type as being a major problem in their council – while the numbers reported by agency staff were small, they were smaller still for council staff. This could be because of a genuinely positive evaluation of their councils or it could be due to differences in the interpretation of the expression “major problem”.



# Corruption prevention controls

Controls which play a role in corruption prevention can be divided into two categories – management controls and specific operational controls.

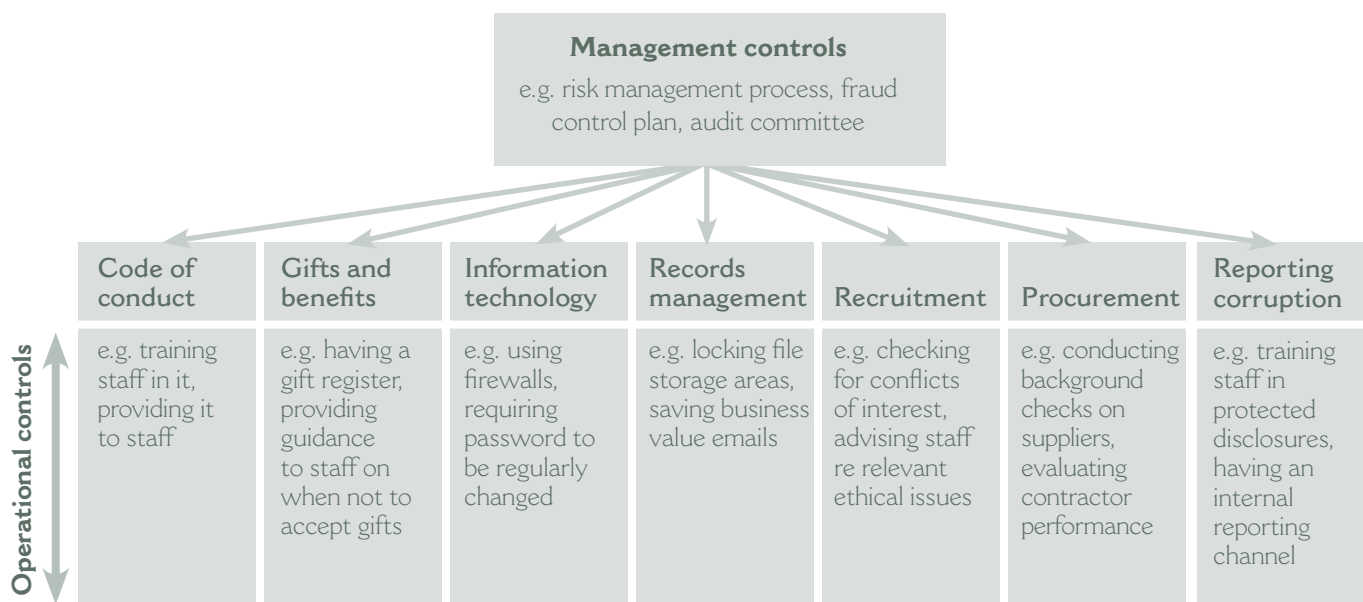
Management controls are broad, overarching controls that provide a general corruption prevention framework. Examples of management controls include risk management processes, fraud control plans and audit committees. Many of these controls are not only useful from a corruption-prevention perspective but also are integral to a robust corporate governance framework.

Operational controls are mechanisms that are directly used to help control individual corruption risks. Examples of operational controls include gift registers, codes of conduct and record-keeping measures.

As presented in Figure 4, management controls tend to guide the implementation of operational controls. A fraud control plan, for instance, may direct that certain procurement-related controls are adopted.

It should also be noted that an organisation’s capacity to implement corruption prevention controls is, to some extent, dependent on its available resources. Consequently, local councils using these results to benchmark their corruption prevention frameworks should also consider their size relative to other local councils.

**Figure 4: How management controls and specific operational controls are related**



## A. MANAGEMENT CONTROLS<sup>12</sup>

As noted above, management controls refer to broad frameworks that guide the implementation of operational controls. Two groups of management controls were examined in Profiling II – audit mechanisms and general risk control mechanisms. Note that staff were not asked questions about management controls because many employees would not be expected to have detailed knowledge of them.

### Management controls – results from organisations

The percentages of organisations that utilised each of four audit mechanisms are presented in Figure 5. Each mechanism was used by a significantly greater proportion of state agencies than local councils.<sup>13</sup>

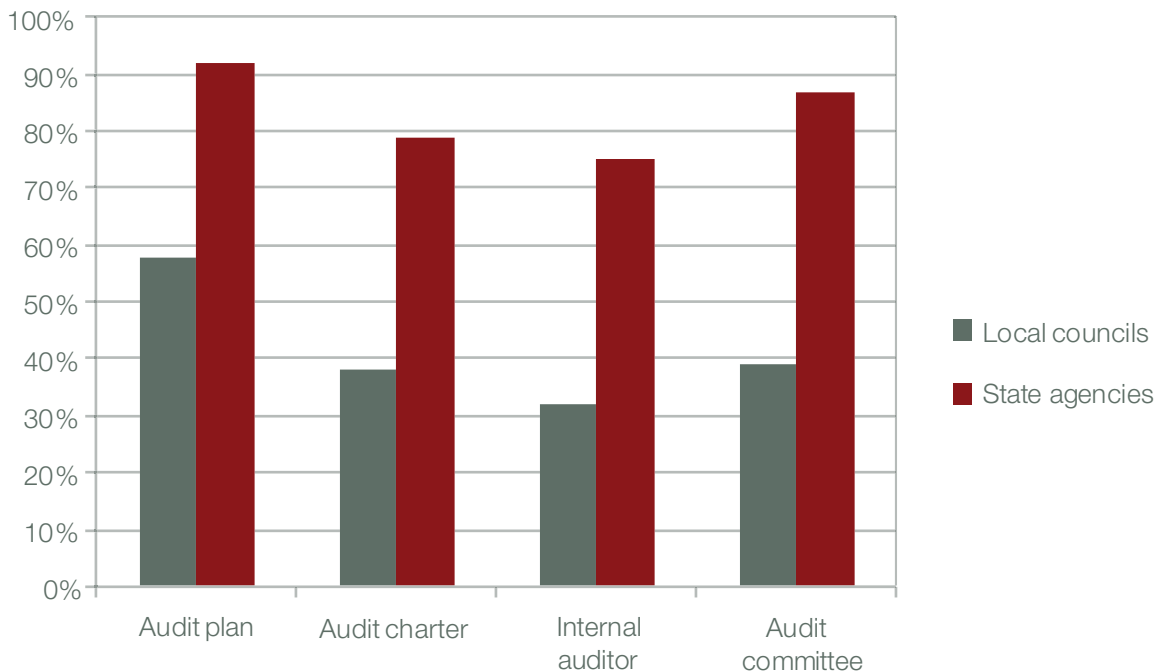
Figure 6 presents the percentage of organisations that use each of three general risk control mechanisms. Each mechanism was used by a significantly larger proportion of state agencies than local councils.<sup>14</sup>

Additionally, 73% of local council risk management processes included corruption risks compared with 90% of state agency risk management processes, which was a significant difference.<sup>15</sup>

### Management controls – conclusions

Each of these management controls appears to be used by a larger proportion of state agencies. Moreover, the consistency of these differences appears indicative of a general difference between state agencies and local councils. Local councils appear to be using fewer mechanisms to coordinate their corruption prevention efforts.

**Figure 5: What audit mechanisms do organisations use?**



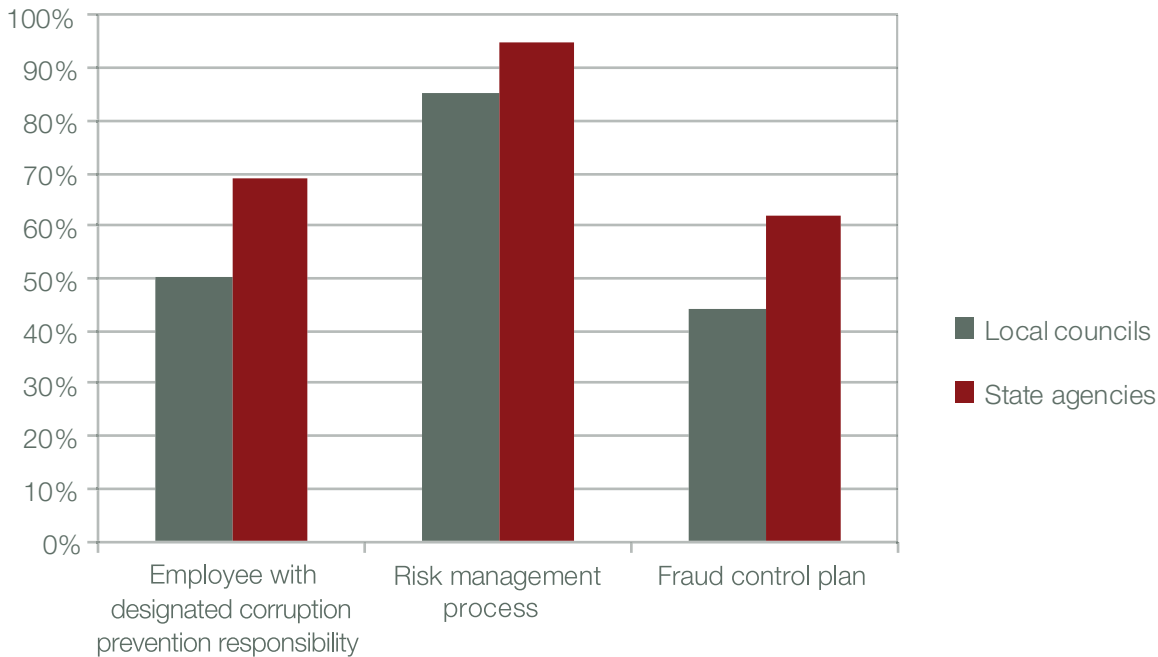
<sup>12</sup> Some of these survey items were suggested by the NSW Audit Office.

<sup>13</sup>  $X^2 \geq 39.2$ ,  $dfs=1$ ,  $ns=245-251$ ,  $ps<0.001$ .

<sup>14</sup>  $X^2 \geq 7.6$ ,  $dfs=1$ ,  $ns=246-252$ ,  $ps<0.01$ .

<sup>15</sup>  $X^2=9.2$ ,  $df=1$ ,  $n=211$ ,  $p<0.005$ .

**Figure 6: What risk-based management controls do organisations use?**



## B. OPERATIONAL CONTROLS

As noted earlier, operational controls are direct measures that organisations can use in order to attempt to prevent corruption. For the purposes of this research, these operational controls were grouped into the areas of codes of conduct (e.g. related training), gifts and benefits (e.g. gift registers), information technology (e.g. security measures), records management (e.g. record tracking capabilities), recruitment (e.g. addressing related issues such as conflicts of interest), procurement (e.g. contract management controls) and internal reporting (e.g. informing staff about protected disclosures).

### Codes of conduct

Operational controls related to codes of conduct are important to organisations because codes of conduct help propagate the standards of behaviour an organisation expects of its employees (including behavioural standards specifically relevant to corruption) and provide a basis for disciplinary action. Both organisation survey and staff survey items investigated whether organisations had codes of conduct and the mechanisms by which staff were informed about them. The organisation survey also asked about organisations' reviews of their codes of conduct.

### Codes of conduct – results from organisations

All local councils and 98% of state agencies indicated that they had a code of conduct.

The length of time since organisations last reviewed their code of conduct is presented in Figure 7. The patterns of responses from local councils and state agencies did not significantly differ.<sup>16</sup>

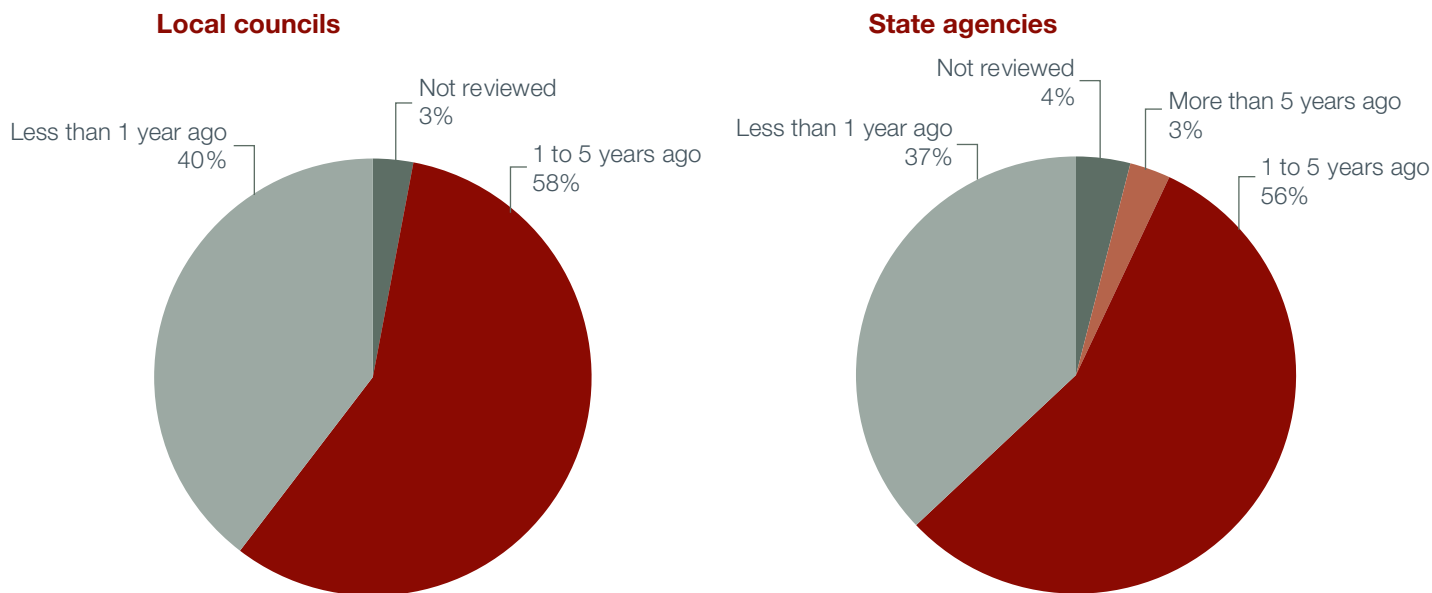
Table 15 presents organisation responses regarding the provision of code of conduct training. The proportion of organisations that provide induction training on the code of conduct to all employees, and the proportion that always provide training when the code of conduct changes, did not significantly differ between local councils and state agencies.<sup>17</sup> A significantly larger proportion of local councils did, however, provide code of conduct refresher training at least once every five years.<sup>18</sup>

<sup>16</sup>  $X^2=4.6$ ,  $df=3$ ,  $n=242$ ,  $n.s.$

<sup>17</sup>  $X^2=4.1$ ,  $df=1$ ,  $n=246$ ,  $n.s.$  and  $X^2=4.4$ ,  $df=1$ ,  $n=243$ ,  $n.s.$  respectively.

<sup>18</sup>  $X^2=12.1$ ,  $df=1$ ,  $n=243$ ,  $p<0.005$ .

**Figure 7: How long has it been since organisations reviewed their codes of conduct?**



**Table 15: Organisation provision of code of conduct training**

Type of code of conduct training	Percentage of organisations	
	Local councils	State agencies
Induction	91	82
Refresher at least once every five years	84	68
When the code of conduct changes	61	74

The percentage of staff who indicated that their organisation had a code of conduct, and the percentage who had read their organisation’s code of conduct, did not differ significantly between local council and state agency staff.<sup>19</sup> Local council staff were, however, significantly more likely to report they had received a copy of the code of conduct and to have received associated training.<sup>20</sup>

**Codes of conduct – conclusions**

Almost all state agencies and all local councils have a code of conduct and similar proportions of state agency and local council staff know that their organisation has a code of conduct. However, a greater proportion of local councils report both providing their codes of conduct to staff and providing them with code of conduct-related training.

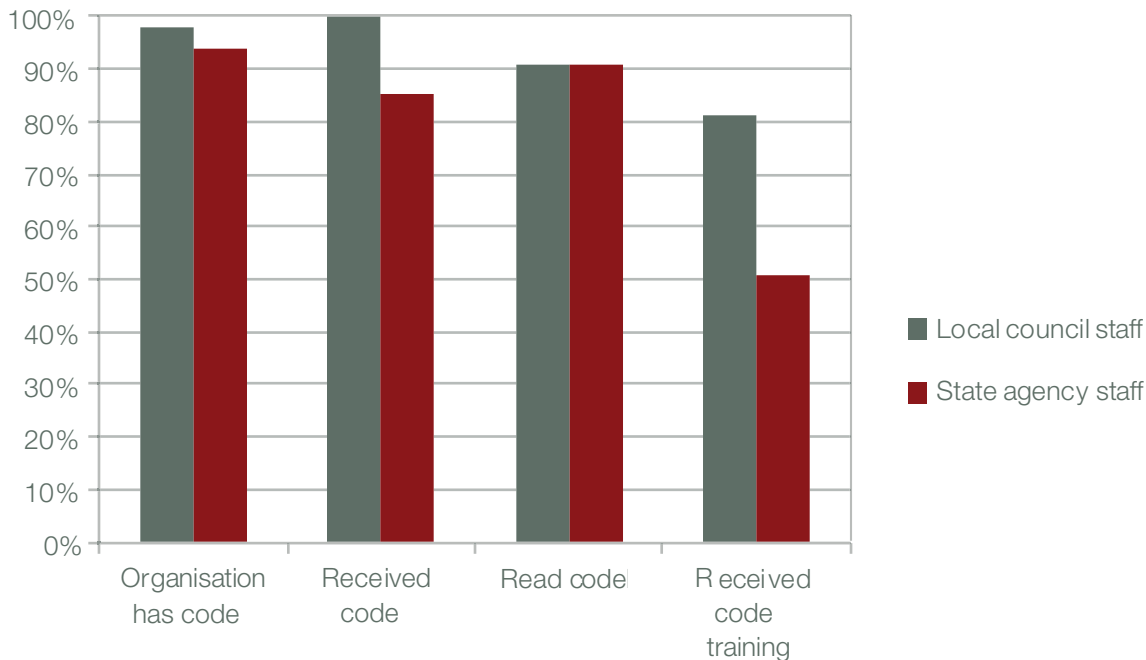
**Codes of conduct – results from staff**

Figure 8 presents staff responses concerning their organisation’s code of conduct. Note that items about receiving, reading or being trained in the code of conduct were only asked of staff that indicated that their organisation had one.

<sup>19</sup>  $X^2=2.1, df=1, n=490, n.s.$  and  $X^2<0.1, df=1, n=454, n.s.$  respectively.

<sup>20</sup>  $X^2=9.3, df=1, n=455, p<0.005$  and  $X^2=16.6, df=1, n=453, p<0.001$  respectively.

**Figure 8: Are staff aware of their organisation's code of conduct?**



## Gifts and benefits

Management of gifts and benefits is an important issue for public sector organisations. In addition to the potential of gifts to improperly influence staff, there is also a risk of reputational damage from the associated perceptions. Organisation and staff surveys focused on two issues – whether formal guidance was provided regarding the acceptance/rejection of gifts and benefits, and whether organisations have gift registers.

### Gifts and benefits – results from organisations

Organisation responses on these topics are presented in Figure 9. The proportions of organisations that indicated that they had a gifts and benefits policy, and/or a gifts and benefits policy providing guidance on when to reject gifts and benefits, did not significantly differ between local councils and state agencies.<sup>21</sup>

A significantly larger proportion of local councils had a gift register.<sup>22</sup> It should also be noted that among organisations that had a gift register, the proportion of registers that were publicly available was significantly larger for local councils.<sup>23</sup>

The proportions of organisations' gift registers that had specified features are presented in Table 16. Each proportion did not differ significantly between local councils and state agencies.<sup>24</sup>

**Table 16: Features of organisations' gift registers**

Gift register feature	Percentage of gift registers	
	Local councils	State agencies
Name of gift recipient	96	98
Name and organisation of gift offerer	95	94
Gift description	96	96
Estimated value of gift	91	87
Decision taken re gift offer	75	86
Reasons for gift decision	48	55
Evidence of approval	55	65
Other feature	12	12

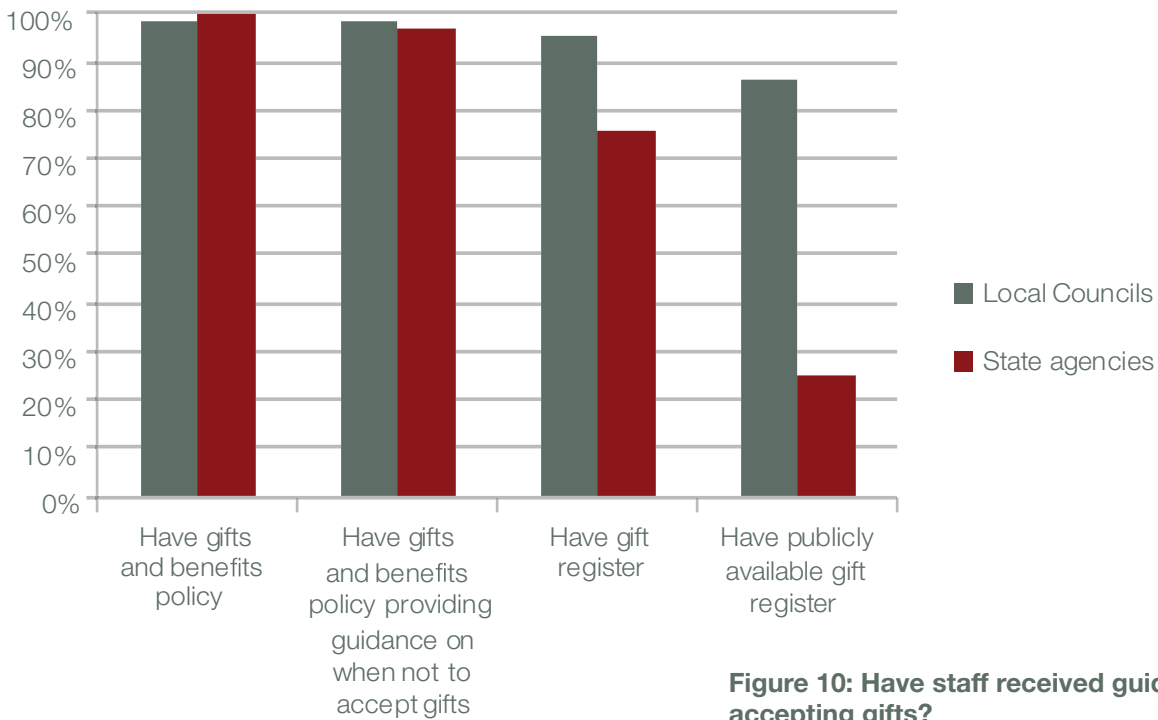
21  $X^2=2.2$ ,  $df=1$ ,  $n=251$ ,  $n.s.$  and  $X^2<0.1$ ,  $df=1$ ,  $n=251$ ,  $n.s.$  respectively.

22  $X^2=17.8$ ,  $df=1$ ,  $n=249$ ,  $p<0.001$ .

23  $X^2=76.9$ ,  $df=1$ ,  $n=210$ ,  $p<0.001$ .

24  $X^2s \leq 3.5$ ,  $dfs=1$ ,  $ns=211$ , all  $n.s.$

**Figure 9: Do organisations have gifts and benefits policies and gift registers?**



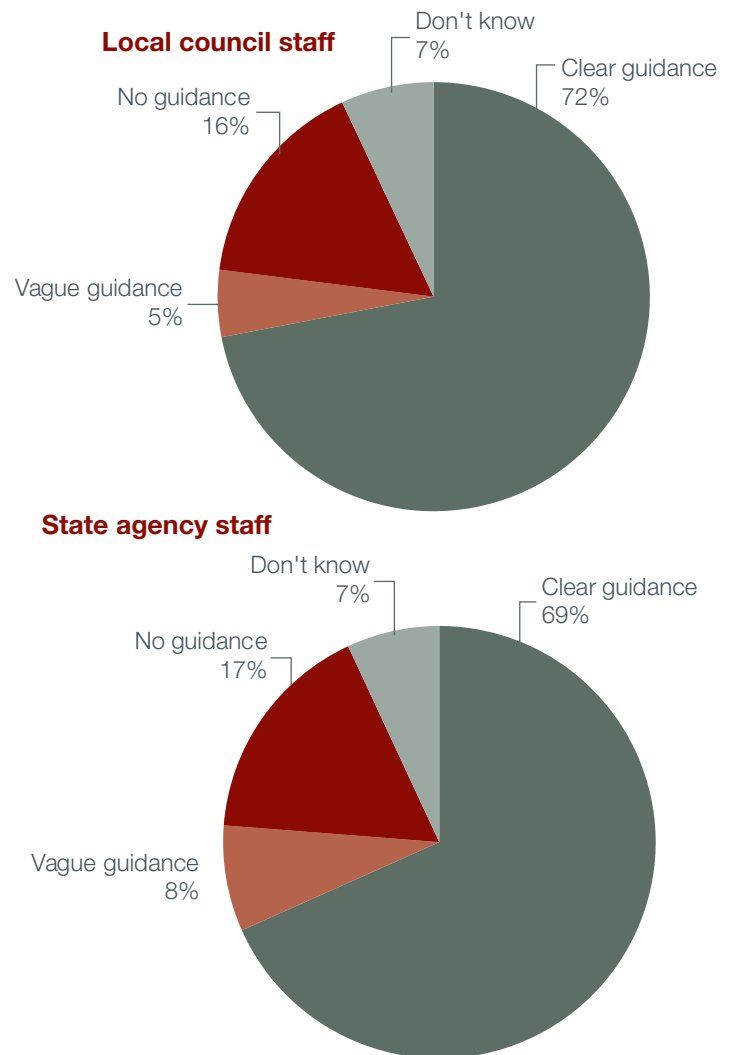
**Gifts – results from staff**

As presented in Figure 10, staff indicated whether they had received guidance from their organisation regarding the acceptance of gifts. The pattern of responses to this item did not significantly differ between local councils and state agencies.<sup>25</sup>

Additionally, 16% of council staff indicated that they had been offered a gift of influence compared with 12% of agency staff – this difference was not statistically significant.<sup>26</sup> Nevertheless, it appears that such gifts may constitute considerable corruption risks for local councils and state agencies alike.

As presented in Table 17, staff also indicated whether their organisation had a gift register. The pattern of responses did not significantly differ between local councils and state agencies<sup>27</sup>, although many staff did not know whether their organisation had a register.

**Figure 10: Have staff received guidance regarding accepting gifts?**



25  $X^2=0.5, df=3, n=492, n.s.$

26  $X^2=0.7, df=1, n=493, n.s.$

27  $X^2=0.8, df=2, n=493, n.s.$

**Table 17: Staff accounts of whether their organisation has a gift register**

Response	Percentage of staff	
	Local councils	State agencies
Yes	38	44
No	16	15
Don't Know	47	41

### Gifts and benefits – conclusions

In regard to the provision of advice on the acceptance of gifts and benefits, the responses of state agencies and local councils were very similar. Local councils do, however, appear more likely to have a gift register and, if they have them, more likely to make gift registers publicly available. Staff responses about gift registers do, however, appear to be similar across local councils and state agencies.

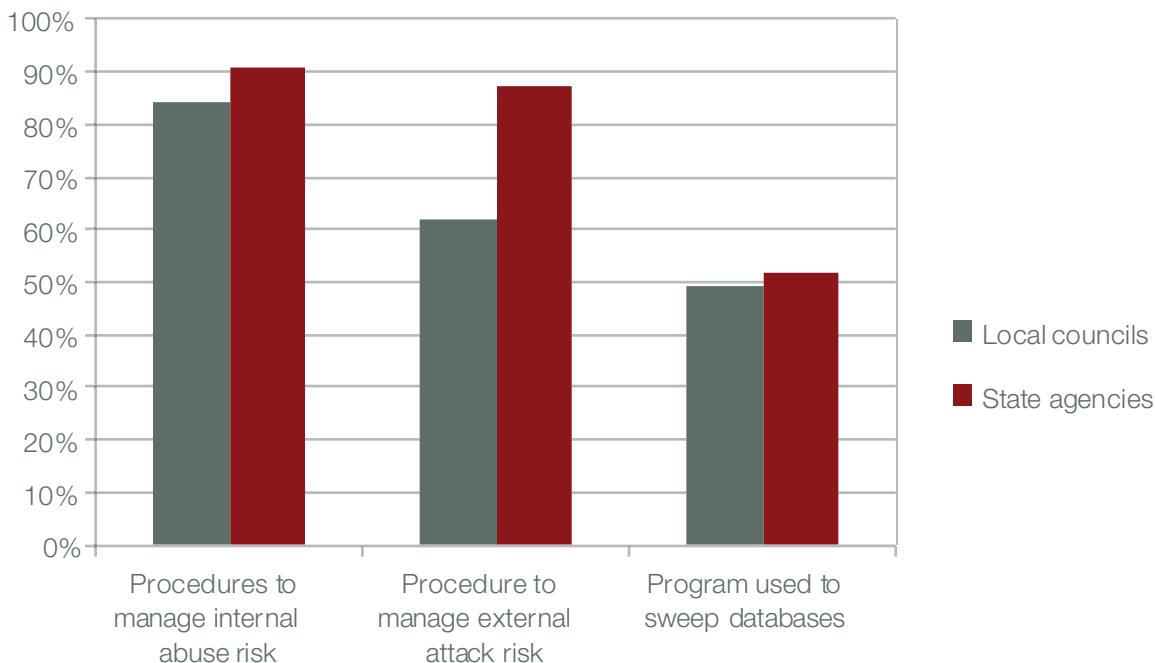
## Information technology

The increased reliance of the public sector on information technology (IT) in recent years has increased the scope of corruption risks associated with its misuse. Organisation survey items focused on whether specific IT security mechanisms were in place (e.g. firewalls, database sweeping). Staff items examined how certain IT security procedures were being employed (e.g. password management).

### Information technology – results from organisations

Figure 11 presents the proportion of organisations that used each of three specified IT security mechanisms relating to database misuse or attack. State agencies were significantly more likely to report having documented procedures to manage the risks associated with external attacks on IT systems.<sup>28</sup> Both the proportion of organisations that had documented procedures to manage the risks associated with internal abuse of IT systems, and the proportion that used a program to sweep their database for anomalous activity, did not significantly differ between councils and agencies.<sup>29</sup>

**Figure 11: What approaches do organisations take regarding IT security?**



<sup>28</sup>  $X^2=18.9, df=1, n=246, p<0.001$ .

<sup>29</sup>  $X^2=2.5, df=1, n=248, n.s.$  and  $X^2=0.3, df=1, n=247, n.s.$  respectively.

**Table 18: Organisations' use of IT security software**

Software	Used by local councils on (percentage):		Used by state agencies on (percentage):	
	<i>All computers</i>	<i>Most computers</i>	<i>All computers</i>	<i>Most computers</i>
Firewall	85	15	85	13
Fully updated antivirus	87	13	89	10
Malicious software scanner other than antivirus	72	21	78	12
Email encryption capability	50	13	52	5

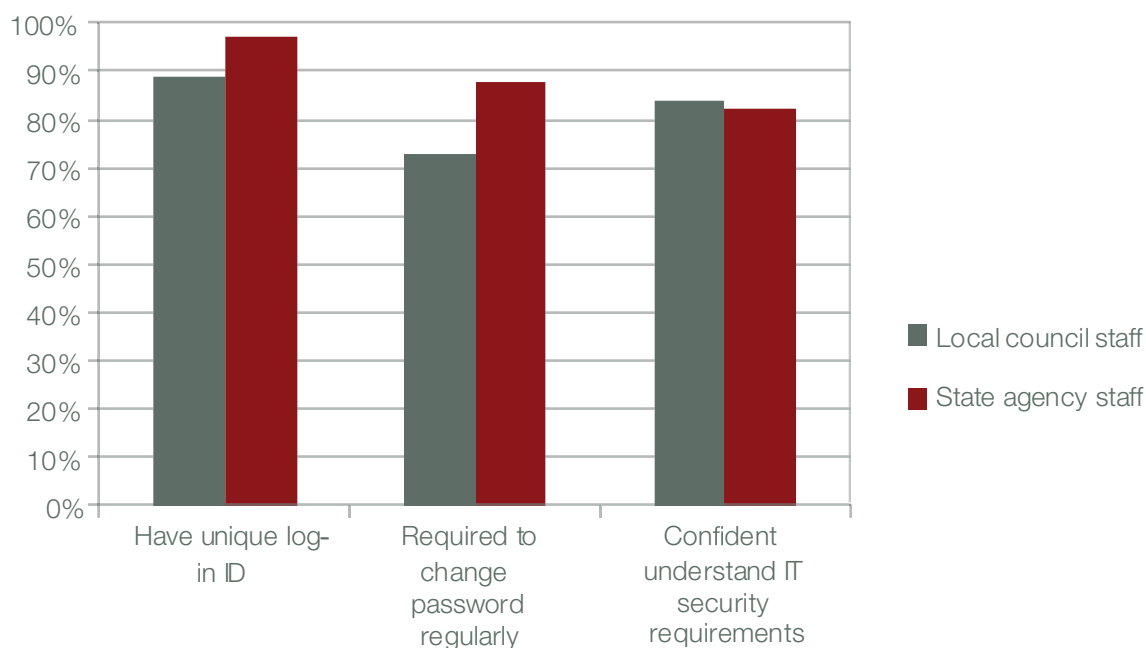
Table 18 presents the percentage of organisations that use certain software to help protect their IT systems. The proportion of organisations that had each of these types of software on at least most of their computers did not differ significantly between councils and agencies.<sup>30</sup>

### Information technology – results from staff

Seventy-eight per cent of local council staff reported having access to their organisation's IT systems, which was significantly smaller than the 95% of state agency staff.<sup>31</sup> Staff who reported having access were asked questions about basic security procedures.

Figure 12 presents staff responses regarding requirements around password changing and IT security in general. Staff in local councils were significantly less likely to indicate that they had a unique log-in and significantly less likely to indicate that they were required to regularly change their password.<sup>32</sup> The proportion of staff that indicated they were confident that they understood their organisation's IT security requirements did not significantly differ between councils and agencies.<sup>33</sup>

Even if every user has a unique user name and password, user authentication cannot be guaranteed if users are using each others' log-ins. Table 19 indicates how

**Figure 12: Do staff implement IT security requirements appropriately?**

30  $\chi^2 \leq 2.8$ ,  $df=1$ ,  $ns=246-251$ , all *n.s.*

31  $\chi^2=24.5$ ,  $df=1$ ,  $n=491$ ,  $p<0.001$ .

32  $\chi^2=8.7$ ,  $df=1$ ,  $n=450$ ,  $p<0.005$  and  $\chi^2=8.2$ ,  $df=1$ ,  $n=451$ ,  $p<0.005$ .

33  $\chi^2<0.1$ ,  $df=1$ ,  $n=447$ , *n.s.*



frequently staff reported they, or the people they work with on a daily basis, log in as another person. The patterns of responses from local councils and state agencies were not significantly different.<sup>34</sup>

**Table 19: Staff reports of logging in as someone else**

Frequency of logging in as another	Percentage of staff	
	Local council staff	State agency staff
Very frequently	2	2
Frequently	7	3
Neither frequently nor infrequently	2	1
Infrequently	9	9
Very infrequently	14	24
Never	41	41
Don't know	25	20

## Information technology – conclusions

Information technology security has both technical and behavioural elements. In terms of the technical elements, the proportions of local councils and state agencies using given mechanisms are similar. However, a greater proportion of councils appear to have problematic management of passwords, and effective password control is essential in reducing opportunities for corrupt conduct.

It should be also noted that it appears that a smaller proportion of local council staff have access to organisational IT systems.

## Records management<sup>35</sup>

Poor record-keeping has been identified as a corruption risk factor in several recent ICAC investigations.<sup>36</sup> Identified failures have included failures in both physical and electronic record-keeping. Organisation survey items thus included both items about electronic and physical record-keeping. Staff survey items included both items about electronic record-keeping and a general evaluation of organisational record-keeping.

## Records management – results from organisations

Table 20 presents the proportions of organisation record-keeping systems that allow identification of individuals who have handled records in given ways. Note that organisations responded separately for physical and electronic records.

**Table 20: Tracking capabilities of organisation record-keeping systems**

Record-keeping system can identify who:	Percentage of record-keeping systems			
	Local council physical	State agency physical	Local council electronic	State agency electronic
Created record	82	84	97	95
Possesses record	92	81	90	78
Possessed record previously	80	72	86	72
Altered record	48	48	85	82
Accessed record	53	47	73	73
Authorised destruction of record	88	78	86	66
Printed record	N/A	N/A	57	48

<sup>35</sup> Some survey items were adapted from survey items developed by the State Records Authority of NSW.

<sup>36</sup> For instance, *Report on an investigation into corrupt conduct of an officer at the Department of Housing's Miller office and other persons*, ICAC, Sydney, 2008 and *Report on an investigation into corrupt conduct associated with RailCorp air-conditioning contracts*, ICAC, Sydney, 2008.

<sup>34</sup>  $X^2=4.1$ ,  $df=6$ ,  $n=451$ , *n.s.*

Most of these proportions did not differ significantly;<sup>37</sup> however, significantly more local council record-keeping systems could identify who:

- possesses a physical record<sup>38</sup>
- had previously possessed an electronic record<sup>39</sup>
- had authorised the destruction of an electronic record.<sup>40</sup>

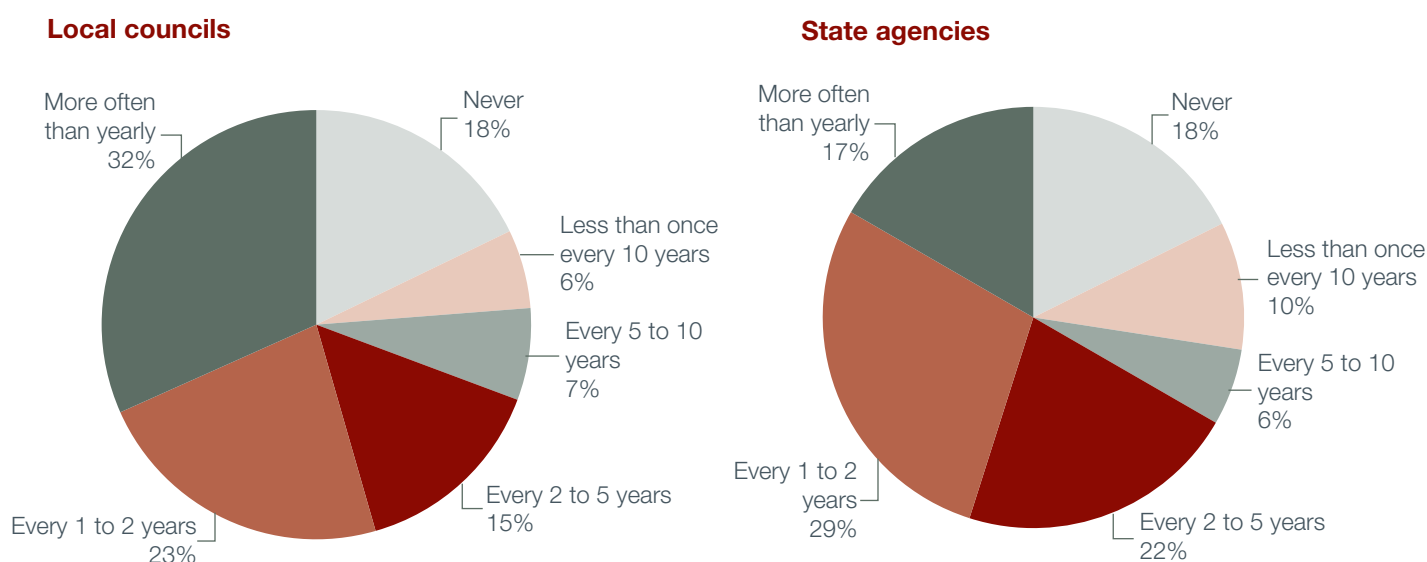
Table 21 presents the proportions of organisations whose electronic record-keeping systems have specific features. The proportions of organisations that had each of these features did not significantly differ between local councils and state agencies.<sup>41</sup>

Figure 13 presents organisation responses regarding the frequency with which they audit their physical files. The pattern of local council responses was significantly different from the pattern of state agency responses.<sup>42</sup> Caution needs to be taken in interpreting the results, but it appears that the biggest difference was in terms of file audits that occur more often than yearly.

**Table 21: Features of organisations’ electronic record-keeping systems**

Electronic record-keeping feature	Percentage of organisations	
	Local councils	State agencies
System for capturing and managing email records	85	73
System for managing non-email records	76	66
System for conducting regular audits of documents	43	40
Records stored on obsolete hardware	24	31
Records stored in obsolete file format	22	18
Records that are inaccessible or very difficult to access	16	27

**Figure 13: How frequently do organisations audit their physical files?**



37  $X^2 \leq 6.5$ ,  $df=1$ ,  $ns=229-248$ , all *n.s.*

38  $X^2=7.2$ ,  $df=1$ ,  $n=247$ ,  $p<0.01$ .

39  $X^2=6.8$ ,  $df=1$ ,  $n=232$ ,  $p<0.01$ .

40  $X^2=11.7$ ,  $df=1$ ,  $n=221$ ,  $p<0.005$ .

41  $X^2 \leq 6.1$ ,  $df=1$ ,  $ns=251$ , all *n.s.*

42  $X^2=9.3$ ,  $df=1$ ,  $n=245$ ,  $p<0.01$ .

## Records management – results from staff

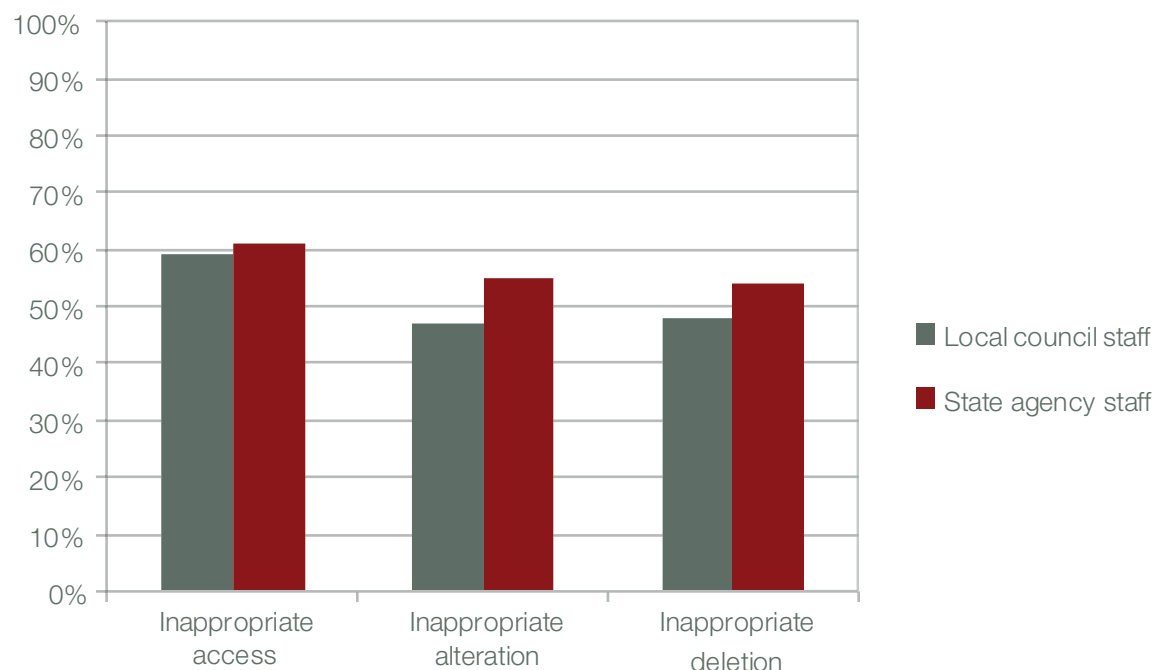
As presented in Table 22, staff were asked to indicate how their organisation required them to retain emails of business value. Note that staff could indicate multiple methods and the data presented is only for staff who had indicated that they had access to their organisation’s electronic systems. Local council staff were significantly more likely to indicate that such emails should be saved to an electronic records management system.<sup>43</sup> For each other response, the proportions of staff did not differ significantly between local councils and state agencies.<sup>44</sup>

Figure 14 presents the percentage of staff who indicated that their organisation’s records were secure or very secure from inappropriate access, alteration or deletion. The proportions did not differ significantly between local council and state agency staff.<sup>45</sup>

**Table 22: How staff believe they should retain emails of business value**

Email retention method	Percentage of staff	
	Local council	State agency
Save to records management system	41	16
Not aware of retention requirement	30	47
Don't know how to retain	9	7
Print and put on physical file	9	22
Other method	7	7
Note in records management system	5	7
Move to different email folder	5	11
Keep in inbox	3	2

**Figure 14: Do staff believe that their organisation’s records are secure?**



43  $X^2=15.6, df=1, n=452, p<0.001$ .

44  $X^2s \leq 4.9, dfs=1, ns=452, all n.s.$

45  $X^2s \leq 1.5, dfs=1, ns=482-488, all n.s.$

## Records management – conclusions

Overall, local councils appear to have superior record-keeping systems to state agencies. A greater proportion of local council record-keeping systems is able to identify features such as who has authorised the destruction of an electronic record and who possesses a physical file. Councils also appear to be auditing physical files more frequently. Additionally, a greater proportion of local council staff indicated the need to save emails of business value to an electronic record-keeping system.

## Recruitment

Recruitment measures are important corruption prevention mechanisms for two reasons – they allow for potentially corrupt employees to be detected before they start working with an organisation and recruitment is an employee’s first contact with an organisation and its norms. Recruitment itself is also vulnerable to corruption (e.g. through personal relationships) and recruitment responses reported here examine the risks faced by panel members.<sup>46</sup>

### Recruitment – results from organisations

Figure 15 presents organisation responses regarding the proportion of staff members who sit on recruitment panels receiving training concerning ethical issues surrounding

recruitment. The pattern of responses from local councils and from state agencies did not differ significantly.<sup>47</sup>

### Recruitment – results from staff

Forty-five per cent of council staff indicated that they had been involved in recruitment for a public sector organisation compared with 59% of agency staff – this difference was not statistically significant.<sup>48</sup>

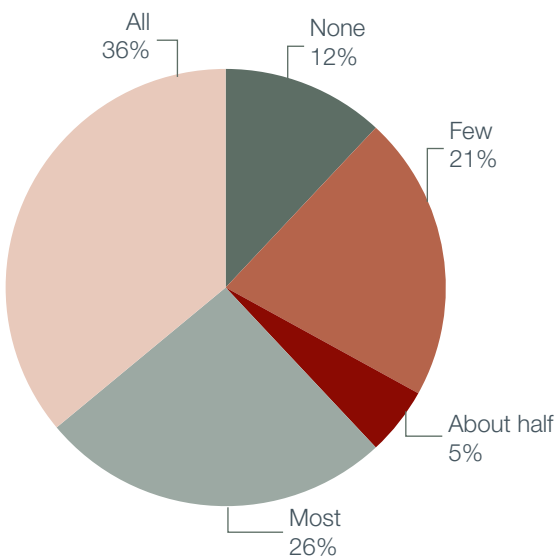
As presented in Figure 16, staff who had been involved in public sector recruitment indicated whether they were informed of recruitment-related ethical issues. The proportion of staff that indicated that they had received sufficient information about these ethical issues did not differ significantly between local councils and state agencies.<sup>49</sup>

### Recruitment – conclusions

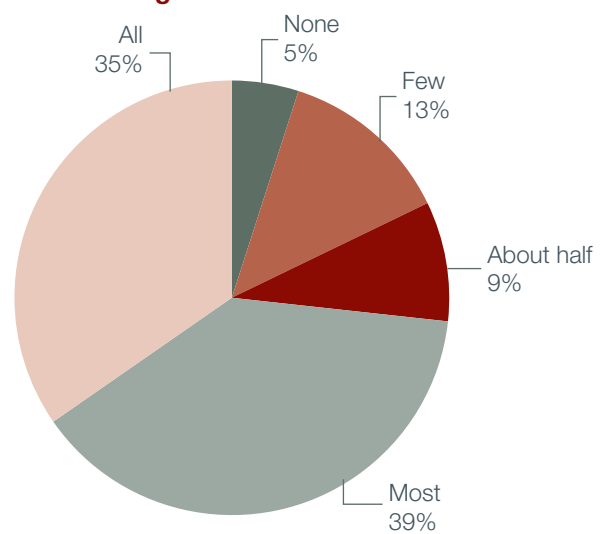
Local council and state agency responses are very similar in relation to recruitment. The provision of training/information about the ethical issues facing recruitment panels does not appear to differ in frequency across local council and state agencies.

**Figure 15: Do organisations provide training on recruitment-related ethical issues to recruitment panel members?**

#### Local councils



#### State agencies



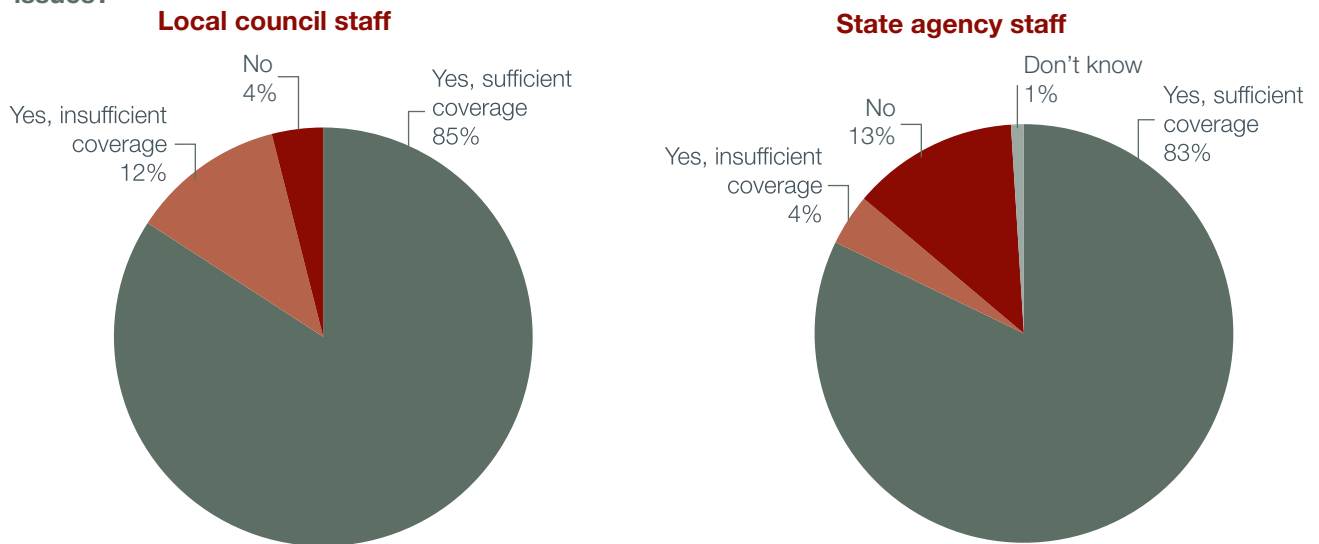
46 While the survey also asked items regarding the inclusion of comments, questions or criteria on “ethical work practices”, these results have not been reported here due to an overhaul of state government recruitment subsequent to survey distribution.

47  $X^2=10.9, df=4, n=250, n.s.$

48  $X^2=4.1, df=1, n=493, n.s.$

49  $X^2<0.1, df=1, n=282, n.s.$

**Figure 16: Are staff who serve on recruitment panels informed of recruitment-related ethical issues?**



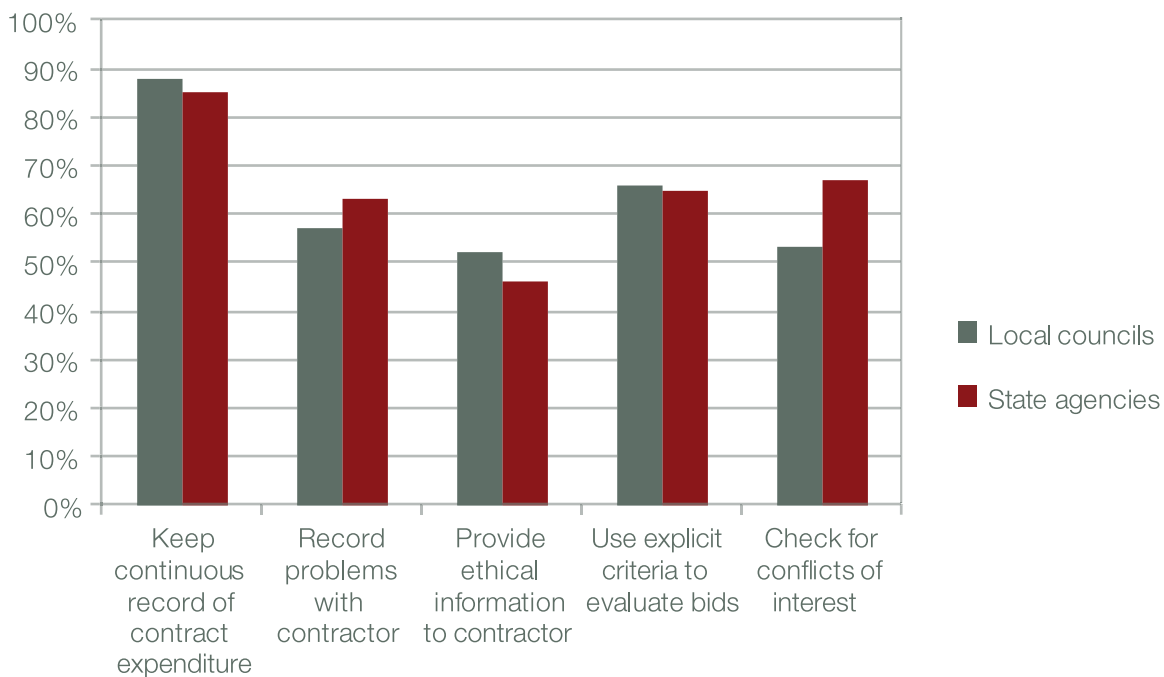
## Procurement

Procurement is a perennial corruption risk area and one about which the ICAC has made corrupt conduct findings in several recent major investigations.<sup>50</sup> Organisation items on procurement focused on procurement risk-control mechanisms. Staff items concerned whether they could understand the relevant procurement procedures and whether checks for conflicts of interest exist.

## Procurement – results from organisations

Figure 17 presents the percentage of organisations that always use each given mechanism to reduce the risk of corruption within procurement. The proportion of councils and agencies that always used each mechanism did not differ significantly.<sup>51</sup>

**Figure 17: What procurement mechanisms do organisations use?**



<sup>50</sup> For instance, *Investigation into bribery and fraud at RailCorp* [Reports 1–7], ICAC, Sydney, 2008 and *Investigation Into Corrupt Conduct Associated with Tendering for TransGrid Work*, ICAC, Sydney, 2009.

<sup>51</sup>  $\chi^2 \leq 5.0$ ,  $df=1$ ,  $ns=241-246$ , all  $n.s$

As presented in Table 23, organisations also indicated how frequently they performed background checks on contractors. The pattern of responses did not differ significantly between local councils and state agencies.<sup>52</sup>

**Table 23: Organisations’ use of background checks on contractors**

Proportion of contractors undergoing background checks	Percentage of organisations	
	Local councils	State agencies
None	5	5
Few	29	24
About half	13	8
Most	30	38
All	25	25

Table 24 presents the frequency with which organisations require contractors to sign confidentiality agreements. The pattern of results differed significantly between local councils and state agencies<sup>53</sup> and, while caution must be taken in interpreting these results, it appears that state agencies use confidentiality agreements more frequently than local councils.

**Table 24: Organisations’ use of contractor confidentiality agreements**

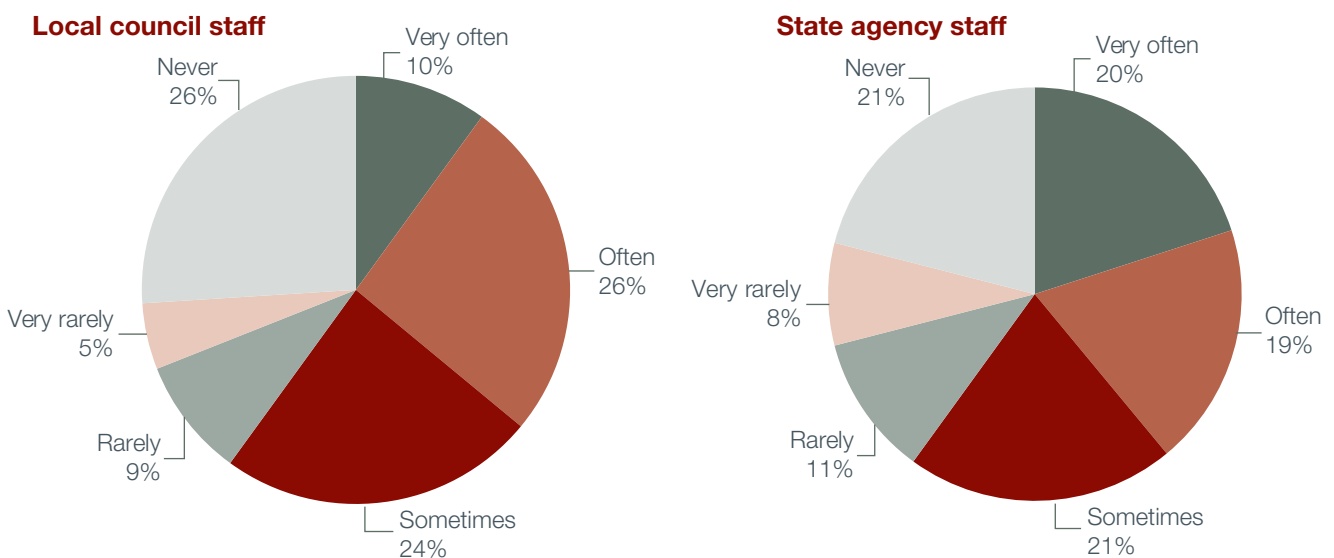
Proportion of contractors required to sign a confidentiality agreement	Percentage of organisations	
	Local councils	State agencies
None	32	7
Few	38	19
About half	7	13
Most	12	25
All	11	36

**Procurement – results from staff**

Figure 18 presents how frequently staff reported performing procurement.<sup>54</sup> The pattern of responses from local council staff was not significantly different from the state agency staff pattern.<sup>55</sup>

Staff who indicated that they performed procurement at least “sometimes” were asked further procurement items. Table 25 presents the proportion of staff<sup>56</sup> who found organisational procedures around different procurement methodologies to be straightforward. These proportions did not differ significantly between local council and state agency staff.<sup>57</sup>

**Figure 18: How frequently do staff perform procurement?**



52  $\chi^2=2.8, df=4, n=236, n.s.$

53  $\chi^2=48.1, df=4, n=232, p<0.001.$

54 Note that the one respondent who answered “Don’t know” has been excluded from this graph.

55  $\chi^2=5.6, df=6, n=492, n.s.$

56 Excluding those who answered “N/A”.

57  $\chi^2 \leq 1.5, df=1, ns=179-263, all n.s.$

**Table 25: Staff evaluations of the straightforwardness of procurement procedures**

Procurement method	Percentage of staff finding organisation's procedures straightforward	
	Local council staff	State agency staff
Formal tendering	71	83
Non-tendered quotations	88	83
Direct negotiations	65	69
Minor/ low value procurement	84	91

Table 26 presents the proportion of staff who report that their organisations “always” or “often” check for conflicts of interest during procurement. Note the “Not sure” responses have been excluded and, as a consequence, there were insufficient numbers of staff in the sample to perform statistical tests. While caution must consequently be used in interpreting these results, the responses of staff appear to suggest that local councils are using these checks at least as much as state agencies and perhaps a little more.

## Procurement – conclusions

Local council and state agency results regarding procurement are very similar. With the exception of confidentiality agreements, which are more frequently used by state agencies, specified controls are used by similar proportions of local councils and state agencies. Staff results *may* indicate that conflict of interest checks are used more by local councils but this is not definitive; otherwise, staff responses do not differ greatly between state agencies and local councils.

**Table 26: Staff reports of conflict of interest checks during procurement**

Procurement method	Percentage of organisations that always check		Percentage of organisations that often check	
	Local councils	State agencies	Local councils	State agencies
Formal tendering	69	63	23	15
Non-tendered quotations	40	43	53	26
Direct negotiations	50	42	40	23
Minor/ low value procurement	31	29	38	17

## Reporting corruption

Effective reporting channels are an important corruption detection and ultimately prevention mechanism. The effectiveness of reporting channels is, however, dependent on staff understanding them. Both organisation and staff surveys focused on informing staff about both protected disclosures (PDs) and internal reporting.

### Reporting corruption – results from organisations

The percentage of local councils that had heard of the *Protected Disclosures Act 1994* prior to receiving the survey was 100% and the corresponding percentage for state agencies was 99%. These percentages did not differ significantly.<sup>58</sup>

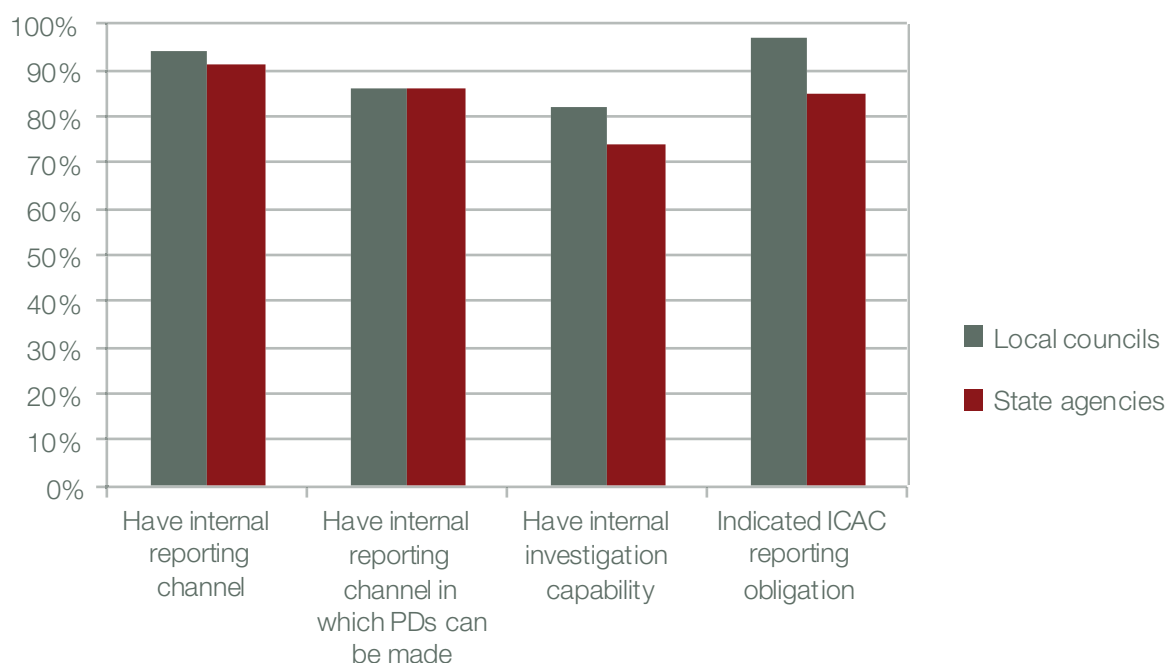
As displayed in Table 27, organisations also indicated how they informed staff about the details of making a protected disclosure. Local councils were significantly more likely than other organisations to indicate that they used induction training.<sup>59</sup> The reported use of other methods did not significantly differ between local councils and state agencies.<sup>60</sup>

Figure 19 displays the percentage of organisations that had specified reporting and investigation mechanisms. Local councils were significantly more likely to indicate that they had an obligation to report suspected corrupt conduct to the ICAC.<sup>61</sup> Otherwise, the use of each mechanism did not significantly differ between local councils and other organisations.<sup>62</sup>

**Table 27: How organisations inform staff about protected disclosures**

How staff are informed about protected disclosures	Percentage of organisations	
	Local councils	State agencies
Induction training	78	59
Other training	40	32
Publications (e.g. pamphlets)	36	33
Policies/procedures	68	77
Code of conduct	78	74
Mail/email	15	12
Other methods	3	8
Staff are not specifically informed about protected disclosures	7	8

**Figure 19: What reporting and investigation mechanisms do organisations have?**



58  $X^2=0.9, df=1, n=251, n.s.$

59  $X^2=10.5, df=1, n=250, p<0.005.$

60  $X^2s \leq 2.9, dfs=1, ns=250, all n.s.$

61  $X^2=10.4, df=1, n=248, p<0.005.$

62  $X^2s \leq 2.4, dfs=1, ns=247, all n.s.$



## Reporting corruption – results from staff

As presented in Table 28, staff indicated whether they knew certain things in relation to protected disclosures and internal reporting. The proportion of staff who indicated that they knew of each item did not differ significantly between local council and state agency staff.<sup>63</sup>

As presented in Figure 20, staff indicated the extent to which they agreed or disagreed with a series of statements regarding protected disclosures and internal reporting. The percentage of staff who agreed or strongly agreed with each statement did not differ significantly between local councils and state agencies.<sup>64</sup>

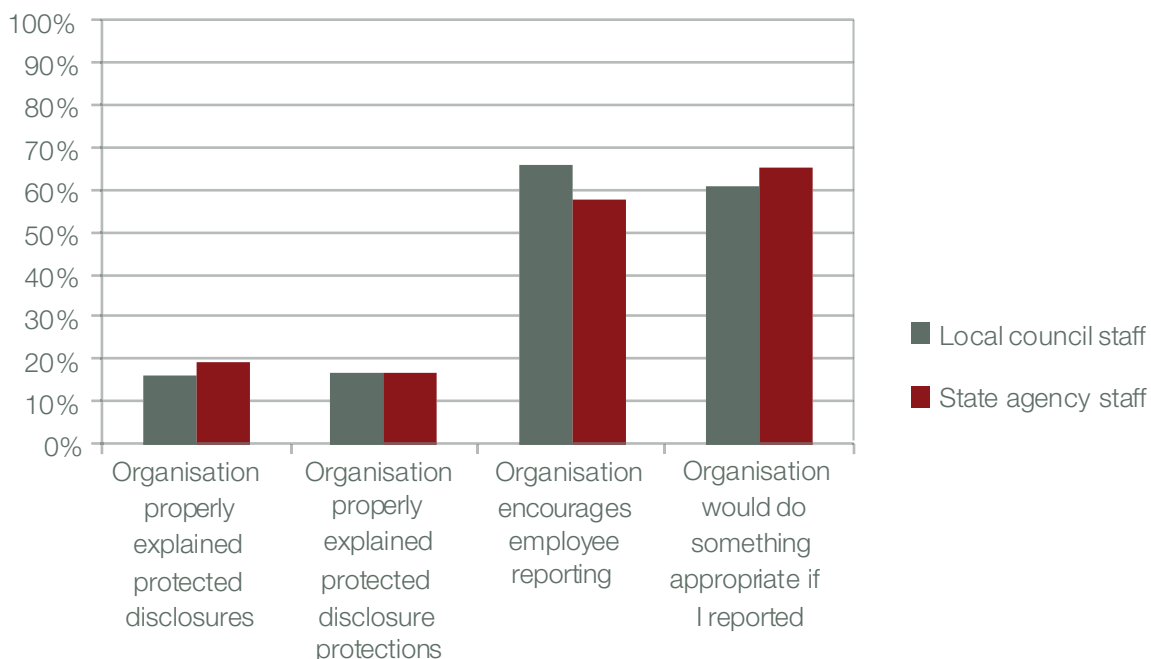
## Reporting corruption – conclusions

Overall, council responses to items concerning protected disclosures and reporting corruption are quite similar to other NSW public sector organisations. Councils appear more likely to understand their ICAC reporting obligations than other organisations and are more likely to discuss protected disclosures during induction. This does not appear, however, to have made an appreciable difference to the extent to which council staff understand this topic.

**Table 28 – Staff knowledge of internal reporting and protected disclosure procedures**

	Percentage of staff	
	Local councils	State agencies
Organisation has internal reporting channel	87	83
Organisation has internal reporting channel and respondent knows how to use it	43	39
Has heard of the <i>Protected Disclosures Act 1994</i> prior to the survey	35	37
Knows to whom in organisation a protected disclosure could be made	33	29
Knows where to find information about to whom a protected disclosure could be made in organisation	37	40

**Figure 20: What do staff think of their organisation’s internal reporting regime?**



63  $\chi^2 \leq 0.9$ ,  $df=1$ ,  $ns=488-292$ , all *n.s.*

64  $\chi^2 \leq 1.1$ ,  $df=1$ ,  $ns=489$ , all *n.s.*

## Corruption prevention controls – conclusions

While there is a fair degree of consistency amongst the responses of local councils and state agencies regarding controls relevant to corruption prevention, there are clear differences that appear to be important.

The clearest finding is that fewer local councils appear to adopt management controls than state agencies. This finding is very consistent across the management controls examined.

The findings regarding operational controls are not as consistent. Areas where local councils appear to use more operational controls include codes of conduct, gifts and benefits, record-keeping and, to a lesser degree, reporting corruption. Areas where state agencies appear to use more operational controls are information technology and, to a lesser degree, procurement.



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## Implications of results

Local councils appear to face a greater number of corruption risks because of the functions they perform and the business processes used to execute those functions. At the same time, local councils are less likely to use management controls to manage their corruption prevention efforts.

Taken together, these findings suggest that local councils have increased vulnerability to corruption. Management controls are arguably more important in an environment where many corruption risks abound because of a greater need to prioritise and organise the management of corruption risk.

Consequently, local councils should review their use of management controls with a view to better managing their use of operational controls.

In terms of specific operational controls, there are several areas (e.g. record-keeping, gifts and benefits) where local councils appear to have adopted more controls than state agencies. Overall, local councils' use of specific operational controls appears to be at least as good as that of state agencies.

Local councils should, however, review their password management, as this is an important control that local councils appear to be executing less successfully than state agencies. Local councils should also be aware that password management may be good overall but be poor for one specific business unit.

It must be remembered, of course, that not all local councils are the same. Some may have excellent use of management controls, whereas others may not use many operational controls. That being said, while this report is level-of-government-based as opposed to organisation-

based, differences between levels of government cannot arise without differences in at least some of the relevant organisations.

Additionally, a large local council may be able to deploy more resources than a small local council. This is, however, arguably more of a reason for small local councils to employ management controls – a smaller resource pool often needs to be more carefully deployed and management controls are designed to facilitate such deployment.

While local councils are encouraged to use these results to benchmark their corruption prevention capabilities against other public sector organisations, this process cannot give a complete picture of an organisation's corruption prevention strengths and vulnerabilities.

The ICAC advocates a risk management approach to corruption prevention. This approach requires each organisation to undertake a detailed and comprehensive analysis of the specific corruption risks it faces, and the adequacy of its existing controls. This publication, and the information on specific corruption risk areas on the ICAC website ([www.icac.nsw.gov.au/preventing-corruption](http://www.icac.nsw.gov.au/preventing-corruption)), is intended to assist organisations in this process.



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