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INDEPENDENT COMMISSION
AGAINST CORRUPTION
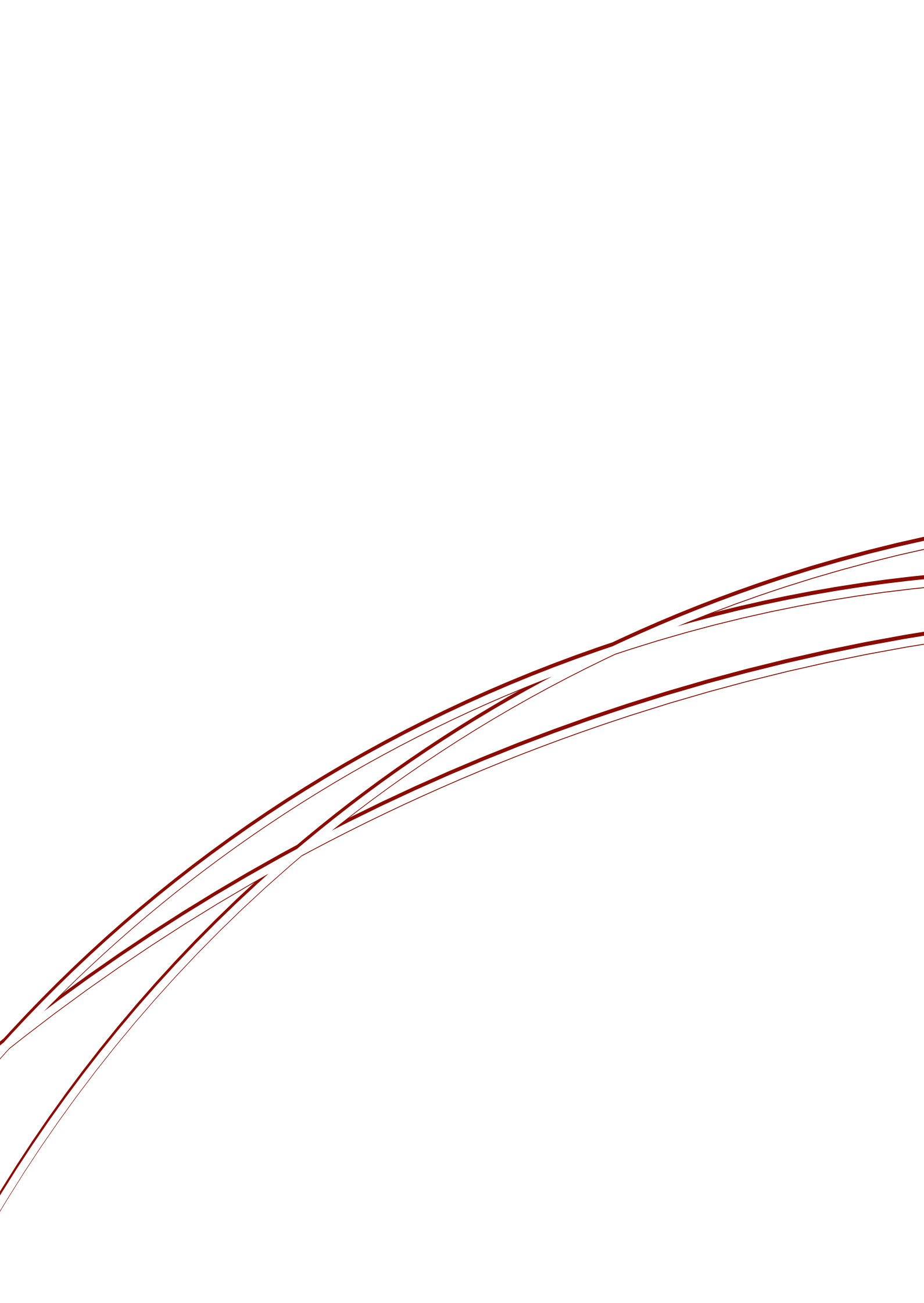
PROFILING THE NSW PUBLIC SECTOR II

**REPORT 1: RESULTS
FOR THE NSW
PUBLIC SECTOR
AS A WHOLE**

MAY 2009

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This publication and further information about the Independent Commission Against Corruption can be found on the Commission's website at **www.icac.nsw.gov.au**

Caveat on use of this publication

This publication provides readers with advice, guidance and/or recommendations regarding specific governance issues.

The advice contained herein relates to what the ICAC considers at the time of publication to be best practice in relation to these issues. It does not constitute legal advice, and failure to implement the advice, guidance and recommendations contained herein does not constitute corrupt conduct, which is defined in the *Independent Commission Against Corruption Act 1988*.

Public sector organisations are welcome to refer to this publication in their own publications. References to and all quotations from this publication must be fully referenced.

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Acknowledgements

Executive summary

This report presents staff and organisation responses about corruption-related issues. Organisations can view these overall findings in the context of their own workplace environment to assist them to identify where further corruption prevention work may be warranted. Results for specific groupings of organisations will be presented elsewhere, as will comparisons between these results and those obtained in 2001.

In 2007, the ICAC sent surveys examining corruption risks and corruption prevention strategies to NSW public sector organisations and staff. Responses were received from 317 organisations and 493 staff. This report provides the results from both samples across the whole of NSW, and thus provides an overview of organisation and staff perceptions of the current state of corruption prevention in NSW.

Organisation responses indicated that high corruption risk functions are generally performed in the context of a policy framework. The risks most commonly identified by organisations include procurement, recordkeeping and conflicts of interest.

Many organisations indicated that they have a variety of corruption prevention strategies in place but not all organisations use the same strategies. Amongst organisations, it was found that:

- 70% include corruption risks in their risk management processes
- 84% provide code of conduct induction training to their staff
- 89% have a gifts and benefits policy that provides guidance about when gifts cannot be accepted
- 84% protect all their computers with a firewall
- 81% lock areas where physical files are stored

- 77% include discussion of ethical work practices in job descriptions
- 77% have an audit plan
- 60% always check for conflicts of interest in procurement involving a signed contract or agreement
- 76% have an internal reporting process in which protected disclosures can be made.

Staff responses correspondingly indicated that staff perceived the execution of high corruption risk functions generally to be governed by policy. Staff most commonly reported perceiving favouritism and harassment as problems in their organisation.

Staff survey questions on corruption prevention strategies tended to focus on staff perceptions regarding their implementation. Their responses indicated that:

- 91% had read their organisation's code of conduct
- 42% did not know if their organisation had a gift register
- 82% were confident that they understood their organisation's IT security requirements
- 47% were not aware that they were required to retain emails of business value
- 83% of those who had served on a recruitment panel felt that they had been given sufficient information about the potential ethical issues
- 82% found their organisation's tendering procedures to be straightforward
- 36% had heard of the *Protected Disclosures Act 1994*
- 77% had received information from their organisation on ethical work practices.

Introduction

During 2007, the ICAC distributed surveys to more than 500 NSW state and local government chief executive officers (CEOs) to answer on behalf of their organisations. In addition, a separate survey was sent to almost 1,000 NSW public sector staff. These surveys asked about corruption risks and risk management strategies, and were designed to update and expand upon research that the ICAC had conducted in 2001.[1]

The results of this research will be presented in a series of publications. This report presents an overview of the organisation and staff responses for the whole of NSW.

Although the inclusion of organisation and staff responses enables a general comparison between the two viewpoints, statistical comparisons between staff and organisation responses have not been made because the methods for gathering the two samples differed and are therefore not directly comparable. Also, questions in the staff survey often contained a 'don't know' or 'not sure' option, which was not available in the equivalent organisation survey questions. While informal comparisons can be made in some cases, caution is urged because of these differences. The survey responses have been taken at face value, and no attempt has been made to independently verify them.

Detailed information about the methodology used in this research and copies of the surveys used is available at www.icac.nsw.gov.au, including demographic information about participating organisations and staff.

Sampling procedures

Organisations were selected for participation if they were identified in the *Public Sector Employment and Management Act 2002*, *State Owned Corporation Act 1989*, *Health Services Act 1997*, *Higher Education Act 2001*, *Local Government Act 1993*, *Public Finance and Audit Act 1983*, or the *Aboriginal Land Rights Act 1983*. Unless they were part of a larger agency that answered on their behalves, each organisation was sent a survey. The response rate amongst organisations was 62%.

To obtain the staff sample, organisations were classified according to six types and organisations were randomly selected from each type. If an organisation agreed to have its staff participate, a sample of its staff was randomly selected. In total, between 20–40 staff were selected from each of the 30 participating organisations. The overall response rate amongst staff was 50%.

Both organisation and staff surveys were distributed in paper and pencil format. Both surveys asked about the organisation's and/or staff demographics, perceptions of corruption risks and implementation of corruption prevention strategies.

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1. *Profiling the NSW public sector: Functions, risks and corruption resistance strategies*, ICAC, Sydney, 2003

Corruption risks

High risk functions

In the previous *Profiling* report,[2] the ICAC identified 15 functions that carry high corruption risks. In the current study:

- organisations indicated which of these functions they performed and, if so, whether its execution was governed by policy
- staff respondents indicated whether they or their work colleagues[3] performed it and whether they used specific policies or procedures to do so.

Organisation results

Organisations performed an average of:

- 5.5 high risk functions (standard deviation (SD)=3.3, Range=0–14)
- 0.3 high risk functions without a policy framework (SD=0.7, Range=0–4).

The five high risk functions that organisations most commonly perform are presented in Tables 1 and 2. Table 2 indicates the five functions that organisations most commonly perform *without* the guidance of a policy framework.

Table 1: Most commonly executed high risk functions

Function	Per cent of organisations
Receives cash payments	73
Issues, or reviews the issue of, fines or other sanctions	61
Inspects, regulates or monitors standards of premises, businesses, equipment or products	57
Undertakes construction	54
Has discretion concerning land rezoning or development applications	51

Table 2: Most commonly executed high risk functions performed without a policy framework

Function	Per cent of organisations
Has regular dealings with the private sector other than routine procurements	9
Undertakes construction	4
Provides a service to the community where demand frequently exceeds supply	4
Issues (or reviews the issue of) fines and other sanctions	3
Receives cash payments	2

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2. *Profiling the NSW public sector: Functions, risks and corruption resistance strategies*, ICAC, Sydney, 2003
3. Defined as 'you or the people you work with on a daily basis'

Staff results

Table 3 presents the five high risk functions that staff most commonly reported as being performed by them or their organisationally close colleagues. Table 4 presents the five high risk functions that staff most commonly reported as being performed without specific policies or procedures.

Table 3: Most commonly executed high risk functions performed by staff or their work colleagues

Function	Per cent of staff
Inspects, regulates or monitors premises, businesses, equipment or products	67
Has regular dealings with the private sector other than routine procurements	43
Receives cash payments	37
Undertakes construction	32
Issues qualifications or licenses	29

Table 4: Most commonly executed high risk functions staff report being performed by themselves or their work colleagues without specific policies or procedures

Function	Per cent of staff
Inspects, regulates or monitors premises, businesses, equipment or products	6
Has regular dealings with the private sector other than routine procurements	4
Makes determinations/hands down judgments about individuals or disputes	4
Provides a service to the community where demand frequently exceeds supply	2
Allocates public grants	2

Discussion

Staff and organisation lists regarding the undertaking of these functions had some degree of similarity. Both organisation[4] and staff results indicate that many NSW public sector staff perform these functions with policy guidance the majority of the time. This is an important result as it suggests that organisations are generally taking steps to control the corruption risks associated with these functions.

Business activities

Organisations were presented with a list of 43 business activities. This was a separate (and broader) list of items than those included as high risk functions, although some overlap is present. For each activity, organisations indicated whether it posed a corruption risk and whether this risk was "being well handled" or "requires more attention". Staff were not given a similar question in their survey.[5]

Organisation results

Organisations rated an average of:

- 7.7 activities as major corruption risks (SD=7.3, Range=0–30)
- 3.2 activities as major corruption risks requiring attention (SD=3.2, Range=0–22).

Tables 5 and 6 look at the five business activities most commonly rated as major corruption risks overall and those requiring further attention.

Table 5: Business activities organisations most commonly rate as major corruption risks

Business activity	Per cent of organisations
Purchasing or tendering for goods for the organisation	44
Tendering or contracting for services for the organisation	44
Use of the organisation's funds or bank accounts (not specifically cash)	43
Using confidential information	38
Development applications/rezoning/ environmental planning	34

4. As noted earlier, CEOs were answering on behalf of their organisation.
5. It would be very unlikely that staff would have knowledge of how all of these business activities were performed in their organisations and thus they would have considerable difficulty making these judgments.

Table 6: Business activities organisations most commonly rate as major corruption risks requiring more attention

Business activity	Per cent of organisations
Recordkeeping	13
Political interference in the organisational processes	11
Tendering or contracting for services for the organisation	10
Purchasing or tendering for goods for the organisation	9
Using confidential information	8

Discussion

Recordkeeping and political interference were the two activities most commonly rated as major corruption risks requiring more attention. However, neither activity appeared on the list of commonly identified major corruption risks. This indicates that of the organisations that consider these activities to be major risks, a relatively small proportion has adequately addressed them. Purchasing goods and services, and using confidential information appeared on both lists.

Misconduct types

Organisations were asked to rate whether each of the 31 misconduct types posed a corruption risk to their organisation and staff were asked to indicate whether they believed the misconduct to be a problem in their organisation. If organisations thought that the misconduct posed a corruption risk then they also indicated whether this risk was major or minor. Similarly, if staff thought that the misconduct was a problem in their organisation then they indicated whether this was a major or minor problem.

Organisation results

Organisations rated an average of 3.1 misconduct types as major corruption risks (SD=5.4, Range=0–31). Table 7 presents the five misconduct types that organisations most commonly rate as major corruption risks.

Table 7: Misconduct types organisations most commonly rate as major corruption risks

Misconduct type	Per cent of organisations
Failure to disclose or abuse of conflict of interest	26
Improper use of information	19
Intentional failure to document significant information	17
Bribes/gifts/secret commissions	16
Fraud	15

Staff results

Table 8 presents the misconduct types that staff most commonly perceived to be a major problem within their organisation.

Table 8: Misconduct types staff most commonly rate as major problems

Misconduct type	Per cent of staff
Favouritism/nepotism	11
Harassment/victimisation/discrimination	6
Failure to advertise appropriately	4
Failure to disclose/abuse of a conflict of interest	3
Intentional failure to document significant information	3

Discussion

Overall these lists from the organisation and staff surveys are somewhat different. The staff list tends to be more focussed on staff management issues (e.g. favouritism, harassment) whereas the organisation list tends to be more focussed on well-known corruption types (e.g. bribery, fraud, misuse of information). This is not surprising given that the issues on the staff list are those that are more likely to affect staff personally.

Corruption prevention strategies

General strategies

Both organisations and staff provided responses regarding the provision of corruption prevention-related information to staff, and knowledge of or access to ICAC services. Organisations additionally provided information about their risk management processes.

Organisation results

Organisation responses about risk management indicated that:

- 55% had an employee with dedicated responsibility for corruption prevention
- 85% had a risk management process and 82% of these processes specifically included corruption risks
- 48% had a fraud control plan.

Table 9 presents the proportions of staff that have received given types of corruption prevention-related information.

Table 9: The provision of corruption prevention-related information to staff

| Type of information	Per cent of organisations providing it to staff
What a conflict of interest is and what to do when one arises	93
Ethical work practices	86
What constitutes their public duty	86
Corruption risks associated with their work	77
Corruption prevention strategies	67
Importance of ethical leadership	61

Organisation responses regarding the ICAC indicated that:

- 95% of respondents knew they could request advice from the ICAC
- 75% had accessed the ICAC's website for information or publications (63% had done so on more than one occasion)
- 63% of organisations had requested advice.

Staff results

Staff responses about the provision of corruption prevention-related information are presented in Figure 1.

Figure 1: Staff responses regarding the provision of corruption prevention-related information
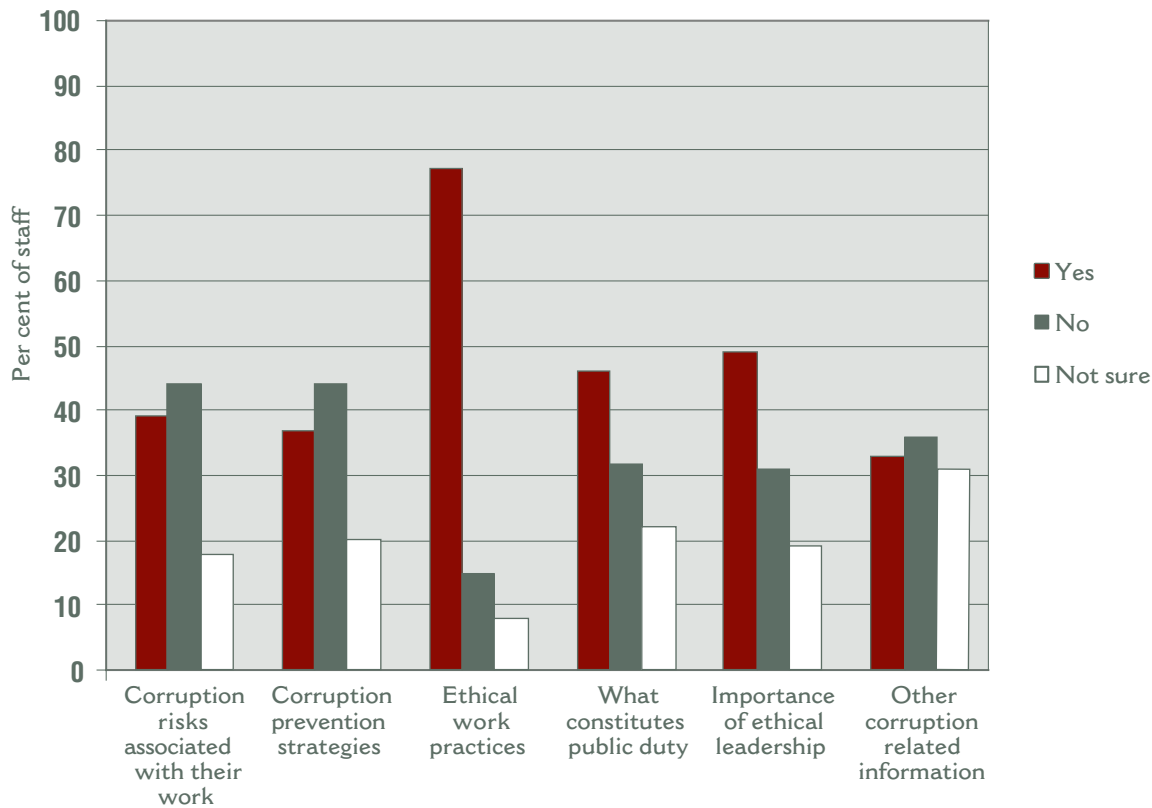
Regarding knowledge of the ICAC:

- 55% of staff indicated that their organisation had told them that the ICAC exists (with a further 14% not sure)
- 46% had been told that they could report corruption to the ICAC (16% were not sure)
- 33% had been told they could request corruption prevention advice (21% were not sure).

Discussion

Most organisations manage corruption risks in the context of a risk management process. There is some degree of agreement between staff and organisation responses regarding the provision of corruption prevention information to staff, although sizable minorities of staff indicated that they had not received information on topics such as corruption risks and corruption prevention strategies. There were also relatively high proportions

of "not sure" staff responses in the staff sample.[6] Two possible interpretations of this are that organisations are facing challenges in ensuring that information is consistently delivered to all staff or that staff may not remember having received such information.

Codes of conduct

Organisations indicated whether they had a code of conduct, when it was last reviewed and whether staff were trained in this area. Similarly, staff indicated whether their organisation had a code of conduct, what experiences (e.g. training, receipt of a copy) they had, and whether it was useful and/or could be improved.

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6. This may reflect material that is presented to staff but not explicitly linked to corruption. For example, material relating to the management of staff-client relationships, although corruption-prevention related, may not be interpreted as such by staff.

Organisation results

Organisation responses revealed that:

- 96% of organisations had a code of conduct
- 90% of codes of conduct had been reviewed in the last five years, with 34% having been reviewed in the last year.

Organisations were also asked a series of questions about staff training in the code of conduct:

- 84% said they provide code of conduct induction training to all employees with a further 11% providing it to some staff
- 65% said they always provide refresher training when the code changes with a further 27% saying that they sometimes provide it.

Staff results

Ninety-four per cent of staff reported that their organisation had a code of conduct with an additional five per cent not knowing whether their organisation had one. Of those who indicated they had a code of conduct, Table 10 indicates the proportions of staff who had related experiences with their codes of conduct. It is possible that more staff read their code of conduct than received it due to accessing a shared copy.

Table 10: Staff experiences with their codes of conduct

Experience	Per cent of staff
Read code	91
Received code	87
Code on intranet	79
Used/referred to code	57
Trained in code	54
Signed for receipt of code	47
Involved in revising code	8

Additionally, amongst staff who indicated that their organisation had a code of conduct, it was found that:

- 78% said it was useful (with a further 15% who didn't know)
- 20% said it could be improved (with a further 36% who didn't know).

Discussion

Staff and organisation responses regarding the existence of codes of conduct are relatively similar, indicating that a vast majority of organisations have them. Only a slight majority of staff report being trained in their code of conduct, although almost all indicated they had read the code. By contrast, a sizeable majority of organisations reported providing induction training to staff. Overall it appears that the information contained within codes of conduct is reaching staff.

Gifts and benefits

Organisations indicated whether their procedures or policies provided guidance on what gifts[7] staff may not accept. Staff were asked to indicate whether their organisation had provided guidance about accepting (or not accepting) gifts, whether their organisation had a gift register, and whether they believed they had been offered a gift of influence.

Organisation results

Within the organisation sample, 94% had policies or procedures covering gifts, and of these 95% provided guidance on the circumstances in which staff could not accept gifts.

Of the organisations with gifts policies/procedures, 75% had a gift register, of which 64% were publicly available. Organisations were also asked a series of questions about the features of the gift offer required to be noted in their gift register, as shown in Table 11.

Table 11: Gift register features

Information about the gift offer	Per cent of gift registers recording the information
Name of recipient	95
Description of gift	94
Name and organisation of person offering gift	92
Estimated value of gift	87
Was gift accepted	78
Evidence of approval for decision	60
Why was gift accepted or not	48
Other (e.g. date of offer)	12

7. Throughout this section, the term 'gifts' reflects gifts and/or benefits.

Staff results

Staff were asked a number of questions about gifts and benefits policies and procedures at their organisation, and their experience with being offered gifts. These results are presented in Figure 2.

Figure 2: Staff responses regarding gifts and benefits
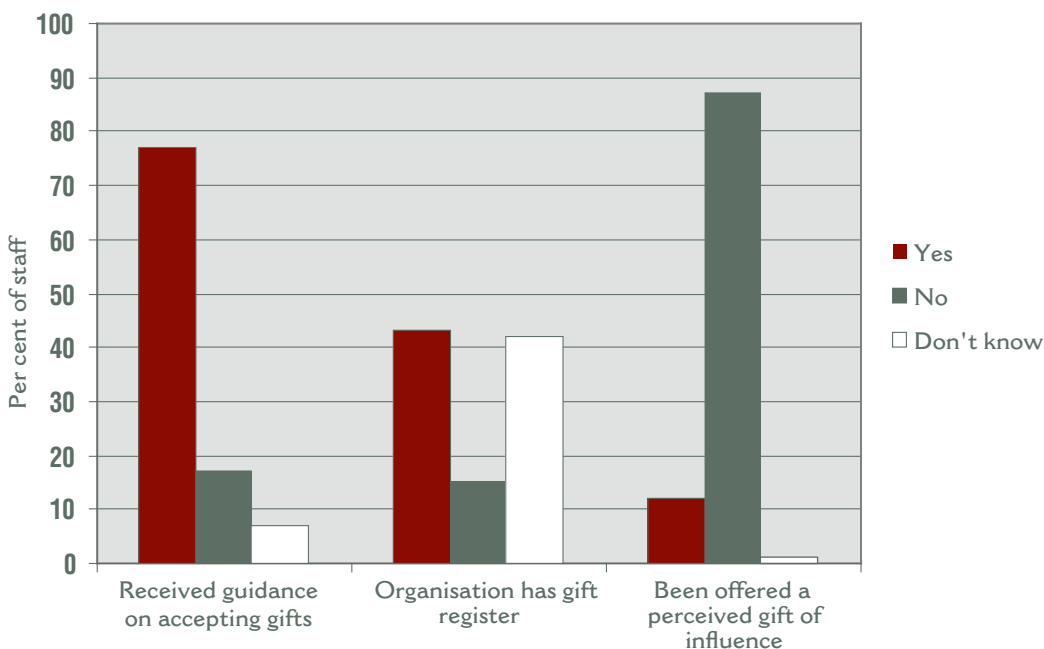
Of the staff who indicated that they had received guidance about accepting gifts, 91% stated that the guidance was 'clear'.

Discussion

Most staff and organisations reported that guidance was provided to staff on accepting gifts. While many organisations reported having a gift register, almost half of the staff did not know whether their organisation had one. A potential explanation for the large number of 'don't know' responses is that many staff may not consider the issues around gifts until one is offered to them. Consequently, such information should be easily accessible, as staff may need to access it at short notice.

Information technology

Both organisations and staff provided responses about remote access and electronic sharing arrangements. Organisations additionally provided responses about their use of security software and their information technology (IT) policies and procedures whereas staff provided responses about the use of passwords and their organisation's IT security requirements.

Organisation results

Table 12 presents the proportions of organisations' computers that had specified types of security mechanisms.

Table 12: Use of IT security measures by organisations

Measure	Per cent of organisations implementing measure		
	All	Some *	None
Protected by firewall	84	13	3
Protected by updated anti-virus software	89	11	1
Protected by other anti-malware software	77	20	3
Has encryption capability	52	28	20

* Organisations that answered "Most", "About half" or "Few".

The details of organisations' IT security policies and procedures responses are presented in Table 13.

Table 13: Features of the organisations' IT policy frameworks

Policy feature	Per cent of organisations with feature
Use passwords	99
Implemented relevant security policies if they provide online services to clients	90
Documented provisions for managing internal abuse of IT systems	81
Where used, passwords are required to be changed regularly	78
Documented provisions for managing external attacks on IT systems	72
Sweep databases for anomalous activity	48

Organisation responses also indicated that:

- 80% of organisations had staff that remotely accessed their IT systems (97% of these organisations required at least a user name/password authentication for this access)
- 49% of organisations shared electronic services with other organisations or accessed the confidential electronic services of other organisations.

Staff results

Only staff who indicated that they had access to some of their organisation's IT systems (93% of respondents) answered the following IT questions.

Staff responses regarding passwords indicated that:

- 87% were required to regularly change their passwords
- 3% had user names and passwords that were the same as other users
- 2% did not need passwords to access to their organisation's IT systems.[8]

Amongst the staff who indicated they were required to change their password, 36% were required to change it at least monthly. A total of 83% were required to change their password at least quarterly.

In terms of logging-on to their organisation's IT systems as another user:

- 41% indicated they or their colleagues never logged-on as another user
- 32% did so infrequently or very infrequently
- 21% did not know how often they or their colleagues logged-in as another user.

Staff responses regarding IT security topics are presented in Figure 3.

Figure 3: Additional staff information technology responses

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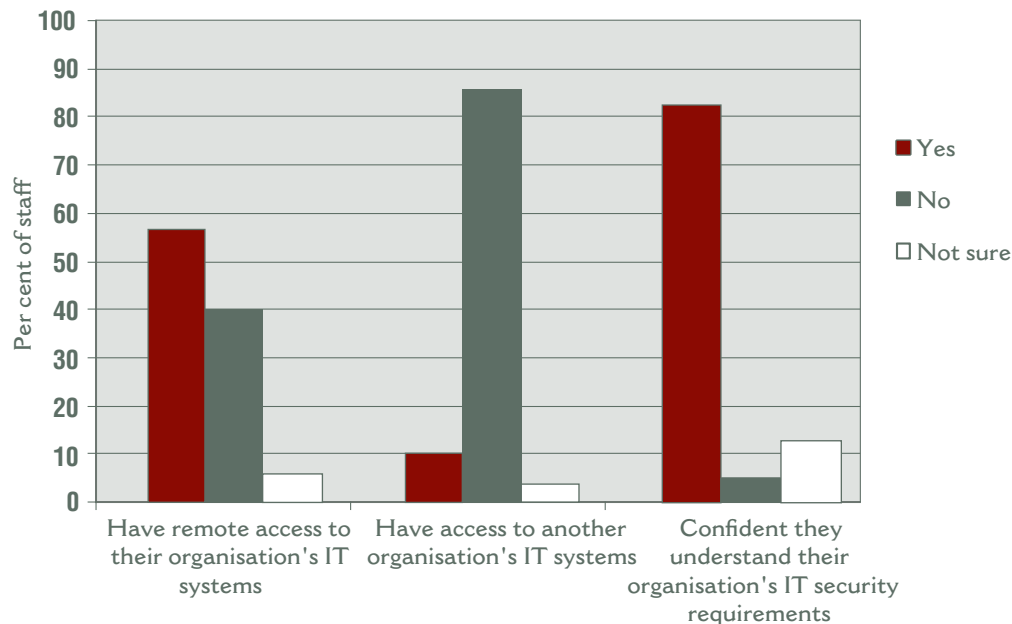
8. It is not clear what level of access these employees had to their organisation's IT systems.

Discussion

Many organisations use a variety of policy and technical IT security mechanisms. While staff generally indicated that they were confident they understood their IT security requirements, there was a sizeable minority of staff that reported occasionally logging-in as another user. Many organisations and staff reported remote access or electronic service sharing arrangements, which often carry additional corruption risks. Organisations should confirm that their staff understand their IT security requirements.

Records management[9]

Organisations provided responses about records management training, the security capabilities of their records management systems, and mechanisms and limitations in both their physical and electronic recordkeeping systems. Staff rated the security of their organisation's files, indicated whether their physical files had been recently audited, indicated their understanding of how to retain emails of business values and how often identity documents were created.

Organisation results

Organisation responses regarding records management training are presented in Figure 4.

Figure 4: Proportion of staff provided with various types of records management training

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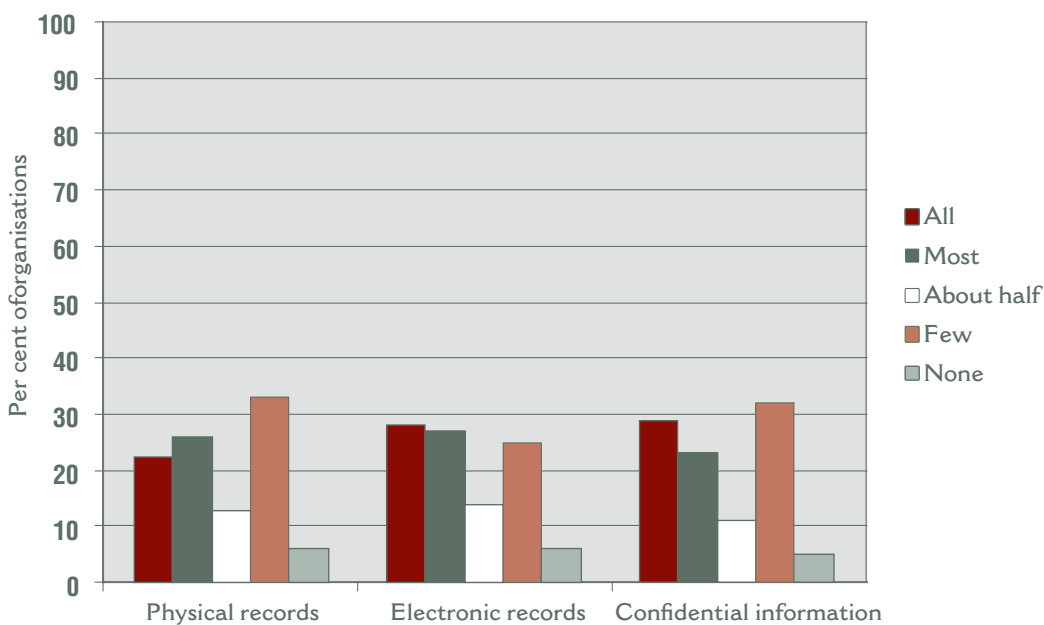
9. Some of the items used in the surveys were adapted from questions developed by the State Records Authority of NSW.

Organisation responses about the security capabilities of their physical and electronic recordkeeping systems are presented in Figure 5.

Figure 5: Security capabilities of records management systems*
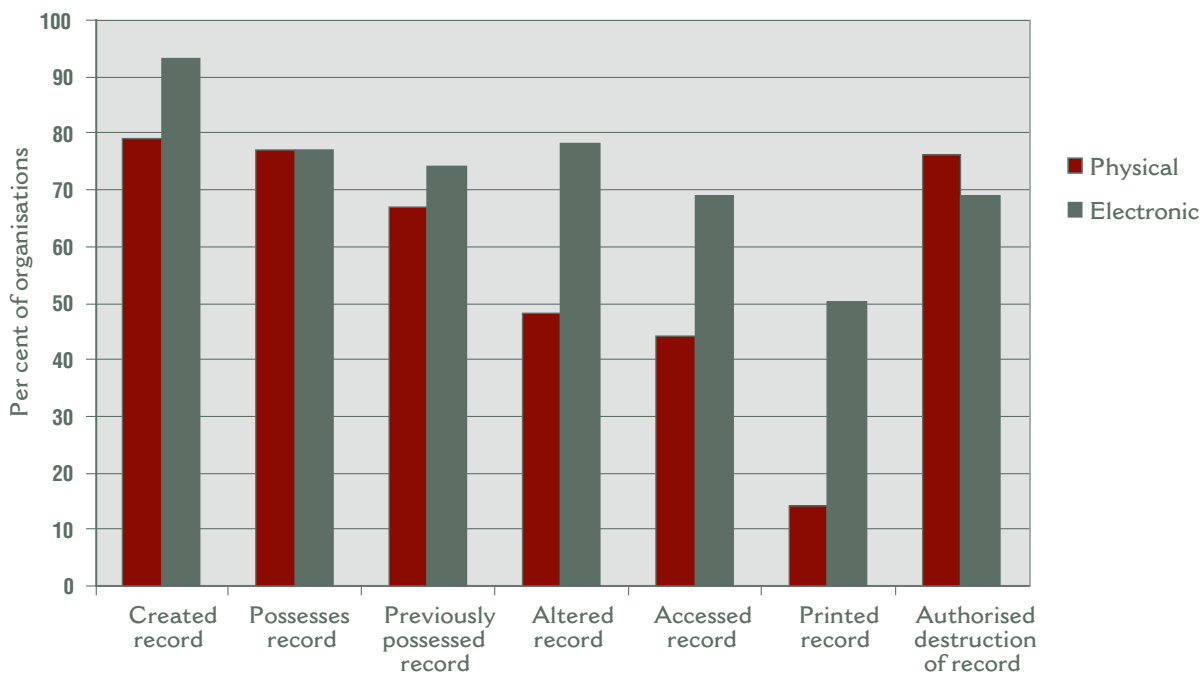
*The records management system can identify a person who has performed this action

Organisation responses about protective mechanisms for physical records are presented in Table 14.

Table 14: Mechanisms for protecting physical records

Protection mechanism	Per cent of organisations using mechanism
Locking storage areas	81
Controlling access to storage areas	72
Tracking staff possession of records	62
Monitoring access to storage areas	38
Clean/clear desk policy	13
Other mechanisms (e.g. electronic tracking of files, having physical and electronic versions of the same file)	8
None	5

Organisation responses regarding their electronic recordkeeping systems indicated that:

- 73% had a system for capturing and managing email records
- 65% had a system for managing electronic records other than emails
- 35% had a system for regularly auditing access to electronic documents
- 24% had a clean/clear screen policy.

Organisation responses also indicated if access to electronic records was affected by limitations in their electronic recordkeeping system:

- 30% had at least some records stored on obsolete hardware
- 22% had electronic records that were impossible or very difficult to access
- 21% had records stored in obsolete electronic file formats.

Staff results

As displayed in Figure 6, staff indicated how secure they believed their organisation's records were from inappropriate access, alteration or deletion.

Figure 6: Staff perceptions of the security of organisation files from types of inappropriate usage*
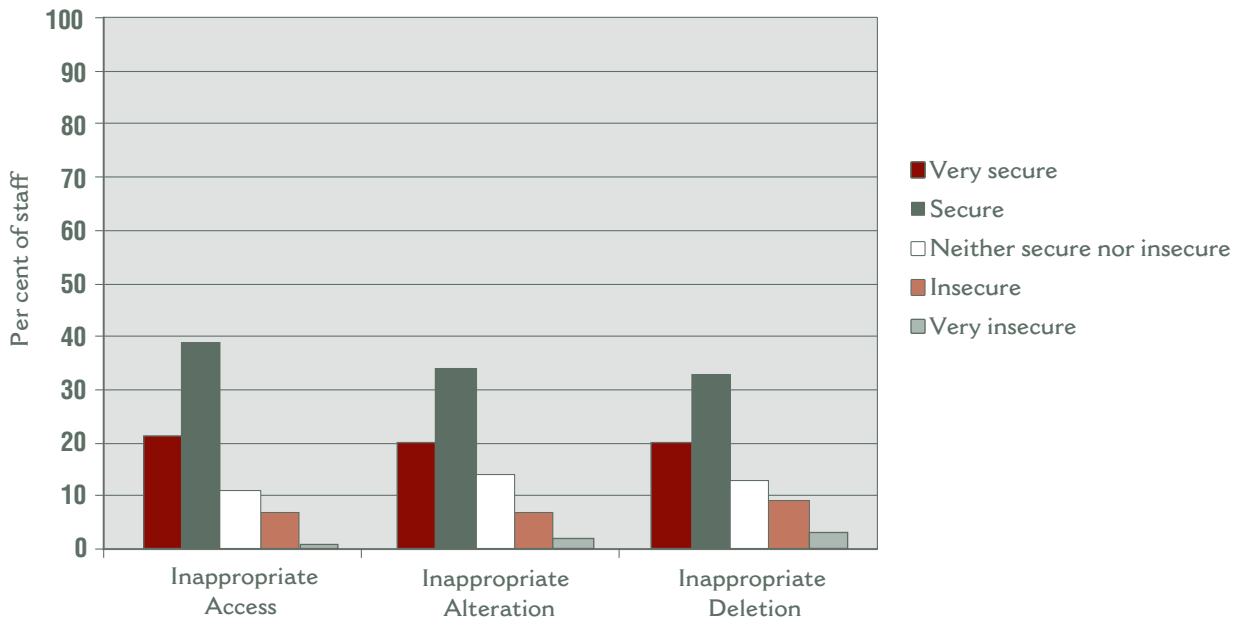
* The 20–23% of staff who indicated 'not sure' have not been included in this figure.

Other records management questions specifically related to physical records, electronic records or proof of identity documents.

Staff indicated when the physical files used by them or their colleagues (whom they work with on a daily basis) were last audited:

- 57% indicated they did not know
- 16% indicated in the last three months
- 16% indicated between three and 12 months ago.

In relation to electronic records, staff also reported how they believe they were required to retain emails of business value, as presented in Table 15.

Table 15: How staff are required to retain business value emails

Method	Per cent of staff who indicated that they were required to use it
Not aware of any email retention requirements	47
Print and store on physical file	19
Save to an electronic records system	17
Transfer to another email folder	10
Note them in an electronic records system	5
Retain in inbox	2
Other method	8
Don't know how	7

Staff also indicated how often they or their colleagues create proof of identity documents:

- 63% indicated never
- 17% indicated often or very often
- 15% indicated rarely or very rarely.

Discussion

Organisations generally have recordkeeping systems that can track important actions and about half of the organisations surveyed provide recordkeeping training to most staff. A small majority of staff feel that their organisation's files are safe from inappropriate actions and almost half do not appear to be aware of their requirement to retain emails of business values. To some extent, these findings correspond to the organisations' ratings of recordkeeping as a corruption risk that requires more attention.

Recruitment[10]

Both organisations and staff were asked about the provision of training or information about ethical issues to staff members serving on recruitment panels. Both survey groups were also asked about the consideration given to ethical work practices during the recruitment process.

Organisation results

Table 16 presents organisation results regarding the inclusion of questions on ethical work practices as standard practice during the recruitment process.

Table 16: Consideration of ethical work practices during recruitment

Element of recruitment process	Per cent of organisations considering ethical work practices during that phase
Job descriptions	77
Job interview questions	76
Job selection criteria	73
Performance assessments	70
Other (eg, during employee induction)	63
Job advertisements	60

10. During the interval between survey distribution and report production, some public service regulations around recruitment were altered. These included removing the requirement for certain agencies to include ethical practice as a common selection criterion. Consequently, current figures may be lower.

Organisation responses regarding training recruitment staff on the ethical issues they might face indicated that:

- 37% of organisations gave such training to 'all' staff involved in recruitment
- 29% gave it to 'most' of the relevant staff
- 6% gave it to 'about half' of the relevant staff
- 18% gave it to 'few' of the relevant staff
- 10% gave it to 'none' of the relevant staff.

Staff results

The responses of staff who had been involved in recruitment panels for their or another public sector organisation indicated that:

- 83% believed they were sufficiently informed about ethical issues faced by recruiters with a further 4% saying that, while they had been informed, the information provided was insufficient
- 62% believed that 'commitment to ethical work practices' was always included as a job selection criterion with a further 18% saying that it was typically included.

Discussion

The organisation and staff responses regarding recruitment were very similar. Most staff and organisations reported that "commitment to ethical work practices" is commonly used as a position criterion. Most organisations report informing staff about, and most staff report being informed about, the ethical issues facing recruiters. As noted earlier, however, there have recently been important changes to recruitment in the NSW public sector, which are not reflected in these results.

Audit[11]

Only the organisation survey had a separate section examining audit because most staff would not be expected to have a detailed understanding of their organisation's broad audit framework.

Organisation results

Organisations were asked to indicate how their finances are audited:[12]

- 59% of organisations indicated both internal and external audit

- 41% indicated external audit only.

As presented in Table 17, organisations indicated whether they had different audit-related mechanisms in place.

Table 17: Audit mechanisms used by organisations

Audit mechanism	Per cent of organisations using audit mechanism
Audit plan	77
Audit charter	60
Audit committee	53
Internal auditor	47

Organisations with audit committees were asked further questions. Responses indicated that:

- 91% of audit committees always passed recommendations onto the executive

- in 82% of organisations, the executive was obliged to act upon at least some audit committee recommendations and in 42% of organisations it was obliged to act upon all audit committee recommendations

- 79% of audit committees met at least quarterly

- 66% of audit committees had at least one independent non-chair member

- 51% of audit committees had an independent chair.

Discussion

A majority of organisations use both internal and external auditing of their finances, although less than half of them reported having an internal auditor. One potential explanation for this apparent contradiction is that some organisations may have outsourced their internal audit functions. Otherwise, most organisations used audit plans, charters and/or committees.

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11. Some of these survey questions were suggested by the NSW Audit Office.

12. While they were included as options, no organisations selected "internally audited only" or "finances are not audited".

Procurement

Organisations provided responses regarding their use of procurement-related controls and direct negotiations. Staff were asked about checking for conflicts of interest during procurement and the extent to which their organisation's procurement procedures were straightforward.

Organisation results

Figures 7 and 8 present organisation responses regarding their use of specific procurement-related controls when a contract or agreement was in place. Figure 7 provides the frequency with which organisations use controls focussed around evaluating suppliers and Figure 8 provides organisation responses for controls focussed on contracting and contract management.

Figure 7: Procurement controls: evaluating suppliers
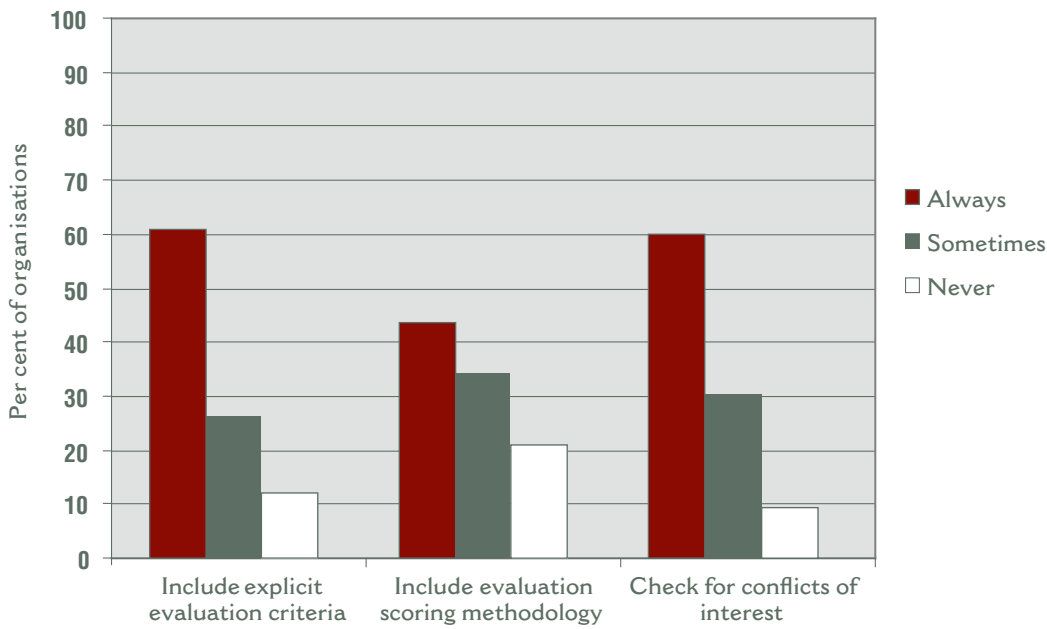
**Figure 8: Procurement controls: contracting and contract management**
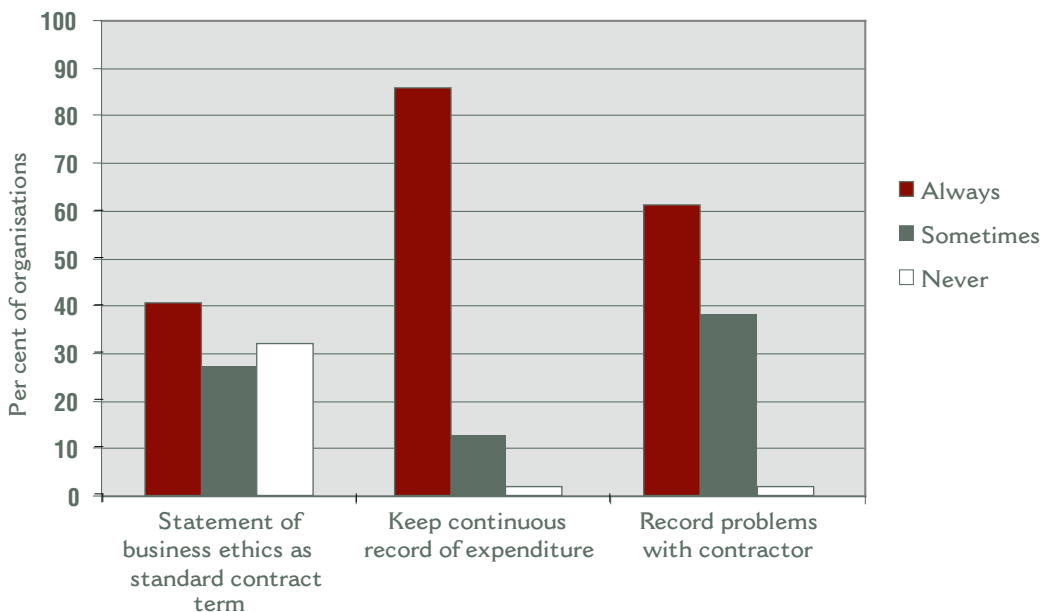
Organisations were also asked to indicate how many times they had undertaken direct negotiations[13] in contracting for goods valued in excess of $100,000:

- 67% of organisations had not performed such direct negotiations

- 8% had done so once

- 17% had such negotiations on two to five occasions

- 8% had such negotiations on more than five occasions.

Further detail was provided by those staff who used each type of procurement:

- 90% found their organisation's low value procurement procedures straightforward

- 84% found non-tendered, multi-quote procurement procedures straightforward

- 82% found tender procedures straightforward

- 68% found direct negotiations procedures straightforward.

Figure 9: How often staff report that the organisation checks for conflicts of interest during procurement*
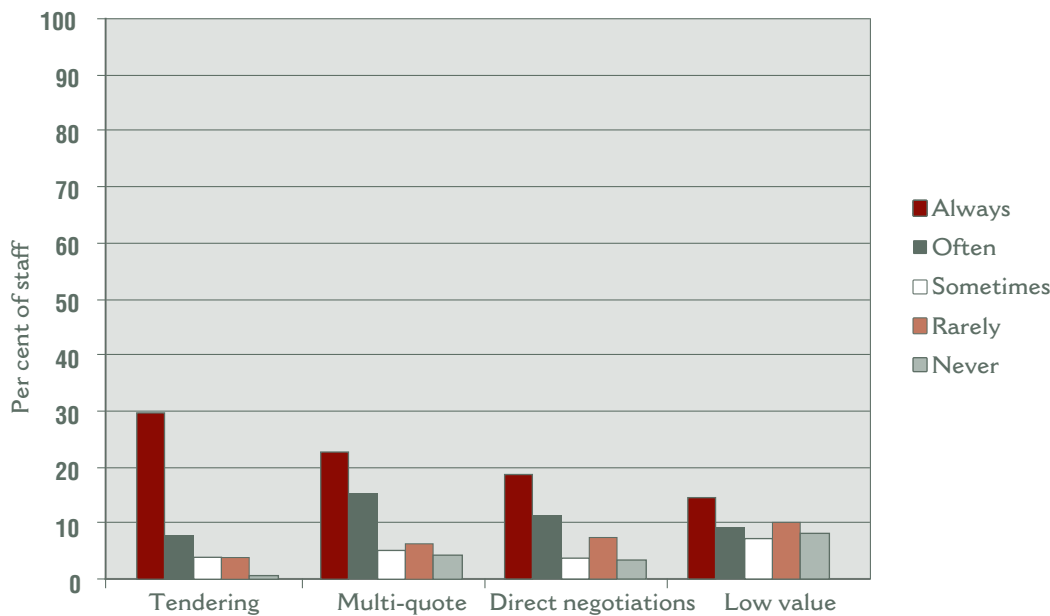
* The 47–55% of staff who indicated 'not sure' have not been included in this figure.[14]

Staff results

Only staff who indicated that they 'sometimes', 'often' or 'very often' made purchases on behalf of their organisation answered the following questions about procurement.

Figure 9 presents staff responses regarding checking for conflicts of interest.

Discussion

Of the list included, the procurement control that organisations were most likely to use was expenditure tracking and least likely was statements of business ethics. Staff generally found procurement procedures straightforward but about half was unsure about what proportion of the time organisations checked for conflicts of interest when performing procurement.

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13. Direct negotiations are defined as exclusive negotiations with a potential contractor without first having undergone a genuine competitive process. See *Direct Negotiations*, ICAC, Sydney, 2006

14. The question wording began with "In your experience..." and responses were only obtained from staff who performed procurement at least "sometimes". Consequently, this large percentage of "not sure" responses is unlikely to be due to respondents lacking relevant procurement experience.

Reporting corruption

Both staff and organisations were asked questions about internal reporting processes. The questions asked of organisations focussed on the features of internal reporting systems whereas staff questions focussed on their knowledge and evaluations of such systems.

Organisation results

Ninety per cent of organisations indicated that they had heard of the *Protected Disclosures Act 1994* prior to the survey. However, organisation responses to this item depended upon the specific knowledge of the individual who was responding on behalf of the organisation.

Additional responses about reporting and investigation systems indicated that:

- 84% of organisations have an internal reporting process (protected disclosures can be made in 91% of these processes)
- 71% have an internal investigation capability
- 84% believe they have a duty to report allegations of corruption to the ICAC (14% were unsure).

Table 18 presents how organisations receive protected disclosures (if they have an internal reporting process that allows the reporting of protected disclosures).

Table 18: How protected disclosures (PDs) can be reported

Method of reporting protected disclosure	Per cent of organisations where this method can be used
In writing	91
Verbally	74
Via telephone	48
Anonymously	39
Other (e.g. via email)	5

Staff results

When asked whether their organisation had an internal reporting channel:

- 40% of staff indicated that it existed and they knew how to use it
- 37% indicated that it existed and, although they did not know how to use it, they would know how to obtain information about its use
- 12% indicated they did not know if it existed
- 10% indicated that it existed but they did not know how to use it or how to obtain information about its use
- 1% indicated that it did not exist.

Only 37% of staff had heard of the *Protected Disclosures Act* before completing the survey (with an additional 6% who did not know if they had heard of it). When reporting a protected disclosure, 29% of staff indicated that they knew to whom in their organisation they should report.

Figure 10 presents staff perceptions of their organisation's approach to internal reporting.

Figure 10: Staff perceptions of internal reporting systems
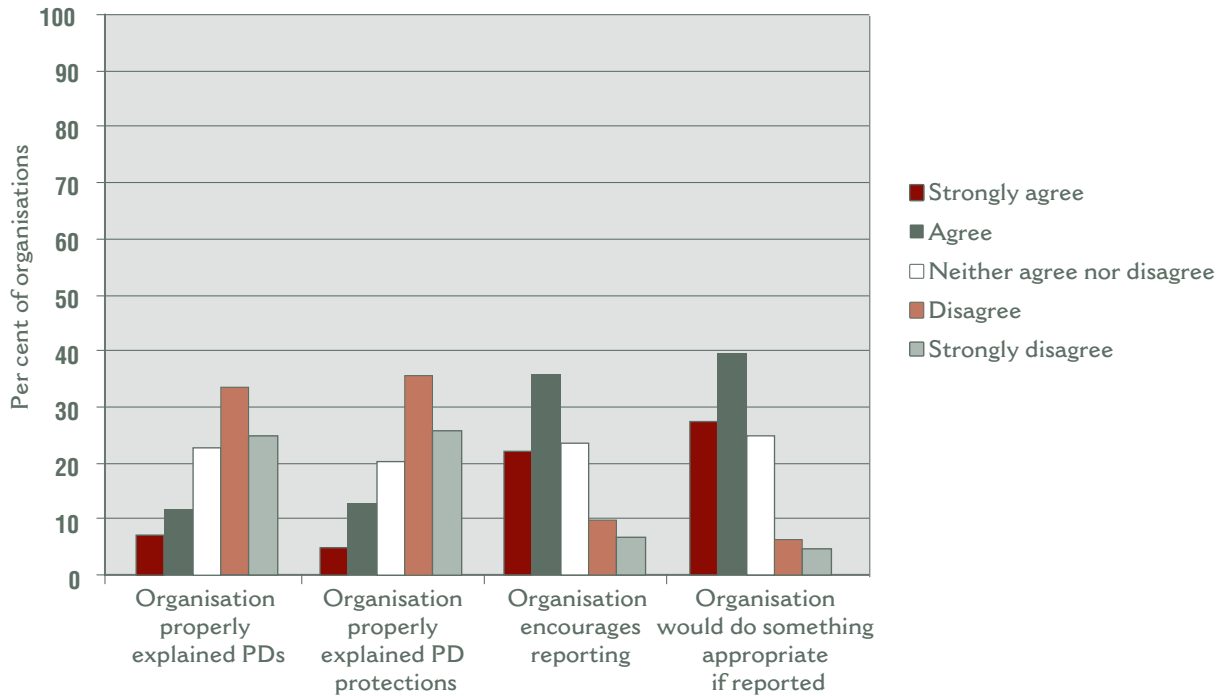
Discussion

A large majority of organisations indicated that they had heard of the *Protected Disclosures Act*. Their internal reporting systems provided multiple ways for staff to make protected disclosures. Many staff indicated insufficient knowledge of protected disclosures and their internal reporting systems. Most staff, however, indicated that their organisation encourages, and would act upon, internal reports. This may indicate that organisations need to improve their communication of internal reporting and protected disclosures to staff.

Further considerations

This report has provided an overview of the survey findings regarding the current state of corruption prevention in the NSW public sector.

As noted earlier, this research was designed to update and expand previous ICAC research conducted in 2001. Consequently, an issue that arises is how the state of corruption prevention has changed between 2001 and 2007. The next publication in this series aims to examine this issue by comparing organisation responses with those obtained in 2001.

I·C·A·C

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