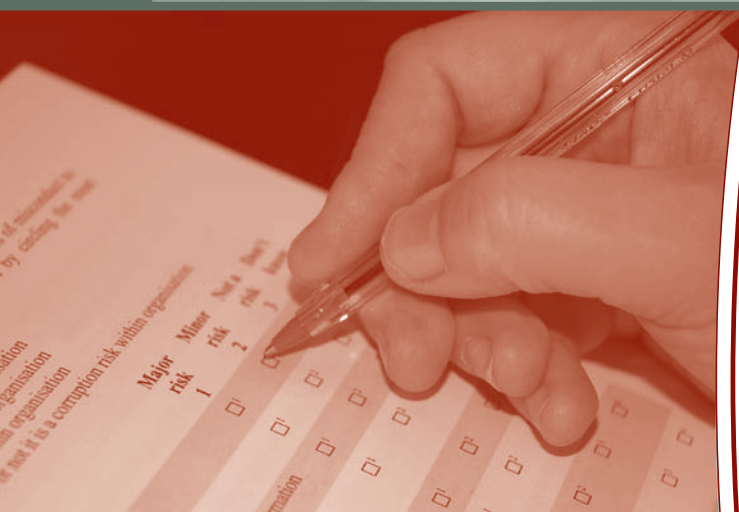


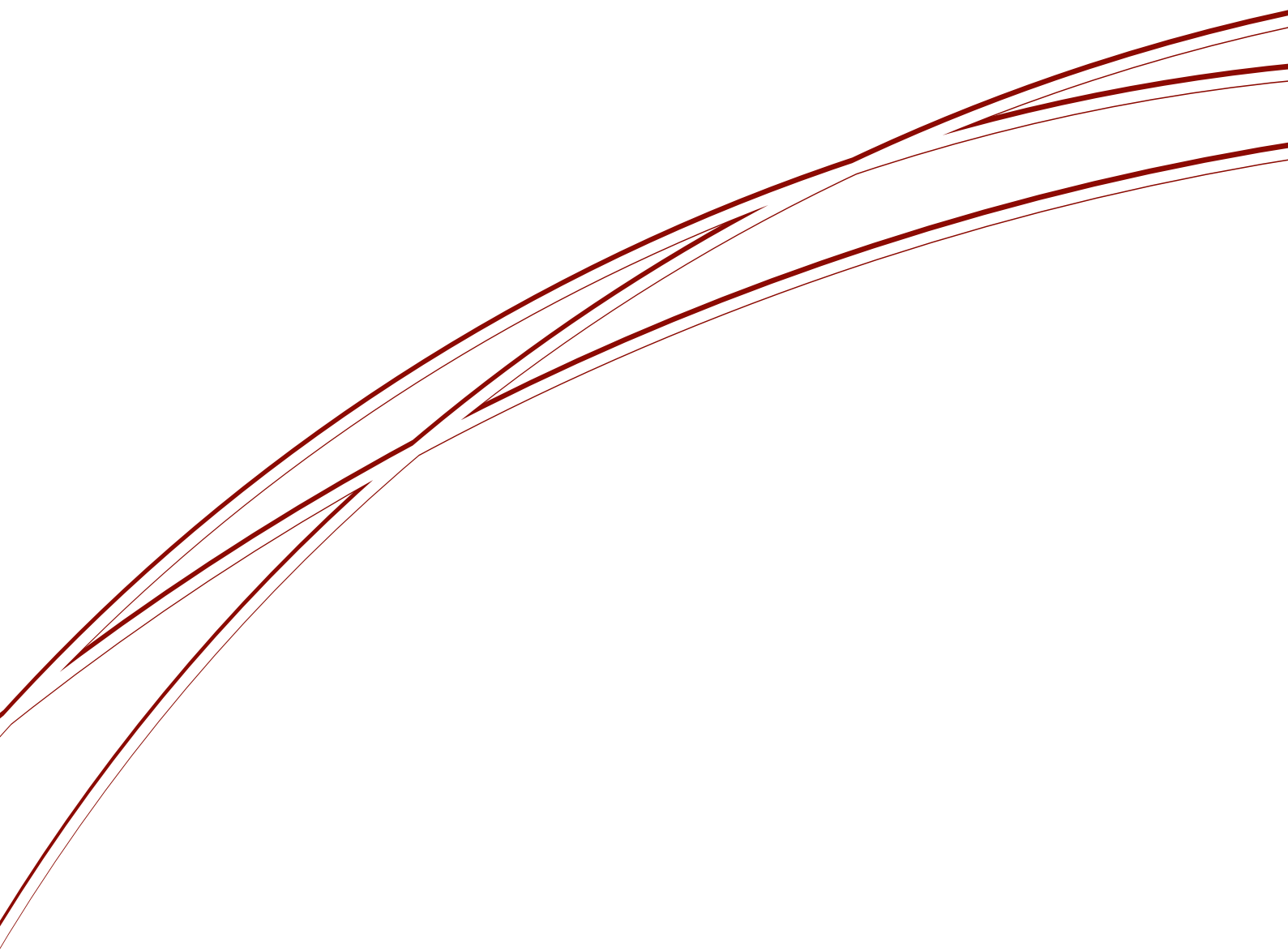
The logo for the Independent Commission Against Corruption (ICAC), consisting of the letters 'I·C·A·C' in a serif font with dots between them.

INDEPENDENT COMMISSION
AGAINST CORRUPTION



PROFILING THE NSW PUBLIC SECTOR II

**REPORT 2:
COMPARISON OF
2001 AND 2007
ORGANISATION
RESPONSES**
MAY 2009



I·C·A·C

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PUBLIC SECTOR II**

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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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Executive summary

The extent of the corruption risks that NSW public sector organisations perceive they face appears relatively stable since 2001, and these organisations report using a greater number of corruption prevention strategies. Together, these findings may indicate that the corruption risk management of the NSW public sector as a whole has improved.

These data were obtained from survey responses and are part of a larger project examining corruption risks and corruption prevention strategies in the NSW public sector. These surveys were sent to NSW public sector chief executive officers (CEOs) and their responses were compared with responses to similar surveys that had been sent to NSW public sector CEOs in 2001.

The number of high risk functions organisations reported performing, and the number of business activities and misconduct types they rated as major corruption risks, did not significantly change from 2001 to 2007. Organisations rated significantly fewer business activities as major corruption risks requiring more attention.

In terms of specific corruption risks, more organisations appeared concerned about risks associated with recordkeeping and political interference and fewer appeared concerned with risks associated with cash handling, and the use of organisational resources and time.

Organisations also appear to be using more corruption prevention strategies, as a greater proportion of organisations reported:

- formally managing corruption risks
- having a code of conduct

- providing policy guidance on accepting gifts and benefits, and having a gift register
- having provisions to manage external attacks on, and internal abuse of, IT systems
- discussing ethical work practices during various phases of recruitment
- using audit plans, audit charters and audit committees
- employing specified controls when conducting procurement
- knowing about the *Protected Disclosures Act 1994*, and having an internal investigation capacity.

There were no significant changes in the following areas:

- The provision of corruption prevention-related information to staff
- Recent reviews of their codes of conduct
- Sweeping databases for anomalous activities
- Conducting direct negotiations for large purchases
- Having an internal auditor
- Allowing protected disclosures to be made in a variety of ways.

Organisations can view these findings to assist them in identifying where further corruption prevention work may be warranted. Results for specific groupings of organisations will be presented elsewhere, including staff results.



Introduction

During 2007, the ICAC distributed surveys to chief executive officers (CEOs) and staff from NSW state and local government organisations. 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

Organisations were selected for participation in the research 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 for both of them, each organisation was sent a survey.

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

This publication reports results from a subsample of organisations (the 2007 comparison subsample), which was formed to enable comparison of results obtained in 2007 with those obtained in 2001. Local councils, county councils and local Aboriginal land councils are not included in this comparison subsample because they were not surveyed in 2001. In total, the 2007 comparison subsample consists of 165 organisations. Results from the full 2007 organisation and staff samples can be found in *Report 1: Results for the NSW public sector as a whole*.

Items where question wording or response categories differed in 2007 from 2001 have been identified in the text of this report and caution is urged in interpreting results involving them.

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

Corruption risks

Failure to identify, examine and manage corruption risks can have a range of negative consequences for an organisation. This section looks at whether the risks reported by organisations have changed in the six-year period between the two surveys.

High risk functions

It has been the ICAC's experience that certain functions exercised by organisations have substantial corruption risks inherent to them. Table 1 presents the five high-risk functions that were most commonly exercised by organisations in both samples.

Table 1: Most commonly executed high risk functions

Function	Rank (per cent)	
	2007	2001
Receives cash payments	1st (62%)	1st (63%)
Has regular dealings with the private sector other than for routine procurements	2nd (45%)	2nd (52%)
Issues, or reviews the issue of, fines or other sanctions	3rd (40%)	5th (35%)
Allocates grants of public funds	4th (36%)	4th (35%)
Undertakes construction	5th (35%)	7th (29%)
Inspects, regulates or monitors the standards of premises, businesses, equipment or products	7th (29%)	3rd (39%)

The mean number of high-risk functions performed by individual organisations is presented in Table 2 and did not significantly differ between the 2001 and 2007 samples.²

Table 2: The mean number of high risk functions

Sample	Mean (Standard Deviation - SD)
2007	4.1 (3.0)
2001	4.0 (3.0)

2. $t_{427}=0.11, n.s.$

Overall, there does not appear to have been a major change in the type or number of high-risk functions that organisations have been performing from 2001 to 2007, suggesting that the functions that the NSW public sector performs have been relatively stable over this period.

Business activities

A wide range of business activities is performed within any organisation and each of these activities may have associated corruption risks. For each of the 43 business activities listed,³ organisations rated the severity of corruption risks posed, and whether these risks were being well handled or required more attention.

Table 3 presents the five business activities that were most commonly indicated to be a major corruption risk in 2001 and 2007.

Table 3: Business activities most commonly rated as major corruption risks

Business activity	Rank (per cent)	
	2007	2001
Using confidential information*	1st (35%)	1st (32%)
Use of organisation's funds or bank accounts (not specifically cash)*	2nd (35%)	3rd (30%)
Tendering or contracting for services for organisation	3rd (31%)	2nd (31%)
Purchasing or tendering for goods for organisation	4th (28%)	4th (29%)
Recordkeeping	5th (28%)	13th (21%)
Cash handling	11th (17%)	5th (26%)

* Minor difference in wording between 2001 and 2007.

The mean number of business activities (which were common to both surveys) that were rated as major corruption risks is presented in Table 4 and did not significantly differ between the 2001 and 2007 samples.⁴

Table 4: Number of business activities rated as major corruption risks

Sample	Mean (SD)
2007	5.4 (6.2)
2001	6.2 (7.8)

3. Only 40 activities were present in the 2001 survey.

4. $t_{428}=1.05, n.s.$

Table 5 presents the five business activities that were most commonly rated as major corruption risks that 'currently require more attention' in both samples.

Table 5: Business activities most commonly rated as major corruption risks requiring attention

Business activity	Rank (per cent) †	
	2007	2001
Recordkeeping	1st (11%)	6th (10%)
Political interference in the organisational processes	2nd (8%)	Tied 15th (4%)
Ensuring compliance with/enforcement of requirements	3rd (7%)	Not included
Using the internet/email/e-commerce at work*	4th (6%)	Tied 1st (12%)
Tendering or contracting for services for the organisation	5th (6%)	4th (10%)
How staff are accountable for time worked	9th (4%)	3rd (10%)
Use of the organisation's resources, materials and equipment*	13th (3%)	Tied 1st (12%)
Use of the organisation's vehicles	Tied 20th (2%)	5th (10%)

* Minor difference in wording between 2001 and 2007.

† Given the small percentages involved, caution must be taken in interpreting changes in ranks.

Fewer organisations appear concerned about some of the business activities involving use of organisation time or resources. For instance use of the internet/email/e-commerce decreased from being most commonly rated as a major corruption risk to fourth most commonly rated and use of the organisation's vehicles decreased from fourth to 18th most commonly rated. More organisations are, however, apparently concerned about recordkeeping and political interference.

The mean number of business activities common to both surveys that were rated as major corruption risks requiring more attention is presented in Table 6. There

were significantly fewer business activities rated as major corruption risks requiring more attention in 2007 compared with 2001.⁵

Table 6: The number of business activities organisations rate as major corruption risks requiring more attention

Sample	Mean (SD)
2007	0.9 (1.7)
2001	1.7 (3.5)

5. $t_{428}=2.88, p<0.005$

While the total number of business activities perceived as major corruption risks did not change significantly, the number of major corruption risks requiring attention significantly decreased since 2001. This suggests that organisations in the 2007 sample believe they are managing major corruption risks better than those that responded in 2001. One activity that organisations appear noticeably more concerned about is recordkeeping, as its rank increased both as a major corruption risk and a major corruption risk requiring attention.

Misconduct types

Organisations were presented with a series of 31 types⁶ of misconduct and asked to rate the severity of corruption risks associated with each at their organisation.⁷

Table 7: Misconduct types most commonly rated as major corruption risks

Misconduct type	Rank (per cent)	
	2007	2001
Failure to disclose or abuse of conflict of interest*	1st (18%)	Tied 2nd (16%)
Intentional failure to document significant information	2nd (15%)	7th (14%)
Improper use of information*	3rd (15%)	1st (18%)
Falsification of records	4th (13%)	Not included
Bribes/gifts/secret commissions	5th (11%)	6th (14%)
Collusion	10th (8%)	5th (14%)
Misuse of public resources by a public official	21st (6%)	Tied 2nd (16%)
Forgery or fraud	7th (10%)	4th (15%)

* Minor difference in wording between 2001 and 2007.

6. There were 22 misconduct types in the 2001 survey.

7. For all analyses in this section, responses to the 2007 survey items 'forgery' and 'fraud' have been combined into one category 'forgery and/or fraud' to allow comparison with the 2001 item 'forgery or fraud'.

Table 7 presents the five misconduct types that were most commonly rated as major corruption risks in each sample.

The number of misconduct types common to both surveys that organisations rated as major corruption risks is presented in Table 8 and did not significantly differ between 2001 and 2007.⁸

Table 8: The number of misconduct types rated as major corruption risks

Sample	Mean (SD)
2007	1.6 (2.8)
2001	2.3 (4.7)

Discussion

Overall, there does not appear to be any great difference in the number of misconduct types reported as major corruption risks between 2001 and 2007. In terms of the types of misconduct risks, there appear to be two important changes since 2001. First, *misuse of public resources by a public official* is no longer a misconduct type that is commonly reported as a major corruption risk. This is consistent with the previously reported results involving business activities, which suggested that the use of resources appears to concern fewer organisations than previously reported. Secondly, *intentional failure to document significant information* has become more commonly reported as a major corruption risk. This is consistent with the apparent increase in organisations rating recordkeeping as a business activity carrying major corruption risks.

8. $t_{428}=1.77, n.s.$

Corruption prevention strategies

In any risk management process, after identification and assessment, strategies may be needed to effectively manage identified risks. This chapter examines some of the corruption prevention strategies that organisations may employ to help them manage corruption risks.

There is a wide range of strategies that can be implemented to address various corruption risks, although they can be classified into several broad topic areas. Only areas and strategies that were addressed in both the 2001 and 2007 surveys will be considered.

Risk management

The ICAC considers the formal management of corruption risks to be an important corruption prevention mechanism.

Table 9 presents the percentage of organisations that reported having a risk management process. This was significantly higher in 2007 than in 2001⁹.

Table 9: Organisations with a risk management (RM) process

Sample	Per cent of organisations
2007	89
2001	59

9. $X^2=41.97$, $df=1$, $n=417$, $p<0.001$

Table 10 presents the percentage of organisations that include corruption risks within their risk management process.

Table 10: Risk management processes that include corruption risks

Sample	Per cent of organisations that examine corruption risks
2007	89 (of the 89% with a RM process)
2001	80 (of the 59% with a RM process)

The percentage of *risk management processes* that examine corruption risks did not significantly differ between the 2001 and 2007 samples,¹⁰ perhaps because it was already quite high.

However, as presented in Table 11, the percentage of *all organisations* that had managed corruption risks in the context of a risk management process was significantly greater in 2007 than in 2001.¹¹

10. $X^2=4.65$, $df=1$, $n=283$, n.s.

11. $X^2=39.74$, $df=1$, $n=417$, $p<0.001$

Table 11: Organisations that manage corruption risks in the context of a risk management process

Sample	Per cent of organisations
2007	79
2001	47

While the overall number of organisations formally managing corruption risks increased, this is due to an increase in organisations performing risk management and a constant proportion of them addressing corruption risks.

Providing corruption prevention-related information to staff

The ICAC recommends that managers provide corruption prevention-related information to their staff to help them contribute to the management of these risks.

Table 12 presents the percentage of organisations that provide corruption prevention-related information to staff. The percentage of organisations providing different types of information did not significantly change from 2001 to 2007.¹² However, caution must be taken when interpreting these results because the response options from 2007 include the percentage of organisations that responded *yes* whereas the data from 2001 represents the percentage who responded *sometimes* or *always*.

Table 12: Provision of corruption prevention-related information to staff

Type of information	Per cent of organisations	
	2007	2001
What a conflict of interest is and what to do when one arises	91	88
Ethical work practices	89	84
What constitutes their public duty	87	83
Corruption risks associated with their work	77	76
Corruption prevention strategies	71	74
Importance of ethical leadership	67	72

12. $X^2_{s=1.50}$, $dfs=1$, $ns \geq 397$, all *n.s.*

The mean number of corruption prevention-related information types (from those listed above) provided to staff is presented in Table 13. It did not significantly differ between 2001 and 2007.¹³

Table 13: Number of corruption prevention-related information types provided to staff

Sample	Mean (SD)
2007	4.5 (1.9)
2001	4.5 (2.2)

Overall, there does not appear to have been any changes regarding the proportion of organisations that provide these types of corruption prevention-related information to staff from 2001.

13. $t_{428} < 0.14$; *n.s.*

Codes of conduct

Codes of conduct offer summaries of an organisation’s approach to corruption prevention (and ethical practice more generally). Table 14 presents the percentage of organisations that reported having a code of conduct in 2001 and 2007. Even though the vast majority of organisations surveyed in 2001 indicated they had a code of conduct, this percentage was significantly higher in 2007.¹⁴

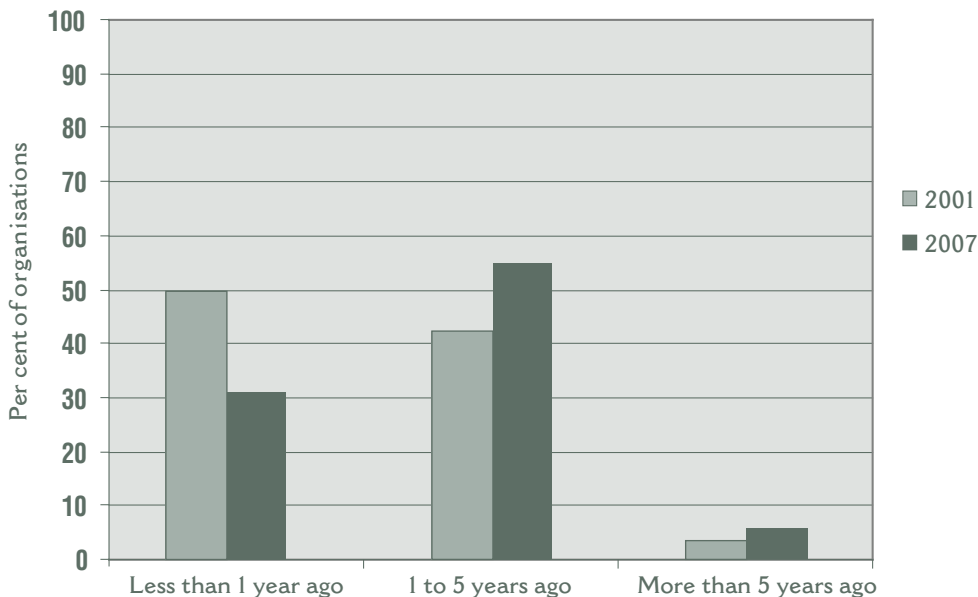
Table 14: Organisations with a code of conduct

Sample	Per cent of organisations
2007	96
2001	85

Figure 1 represents the time since organisations last reviewed their code of conduct. Caution should be taken in interpreting this question because of minor differences in the response options of the 2001 and 2007 surveys.

The response pattern of the 2007 sample differed significantly from that of the 2001 sample.¹⁵ Examining the graph, the main difference is that it appears that the 2001 sample was more likely to have reviewed their codes of conduct in the last year while the 2007 sample last reviewed their codes of conduct between one and five years previously. This may be due to either less frequent review processes or to the point in the code of conduct review cycle at which organisations were surveyed. The results suggest that although these patterns differed in 2001 and 2007, most organisations reviewed their code of conduct within the previous five years.

Figure 1: Length of time since the code of conduct was last reviewed



14. $X^2=13.33, df=1, n=420, p<0.001$

15. $X^2=13.36, df=2, n=349, p<0.005$; the 'don't know' and 'never been reviewed' response options were removed for the purposes of this comparison.

Gifts and benefits

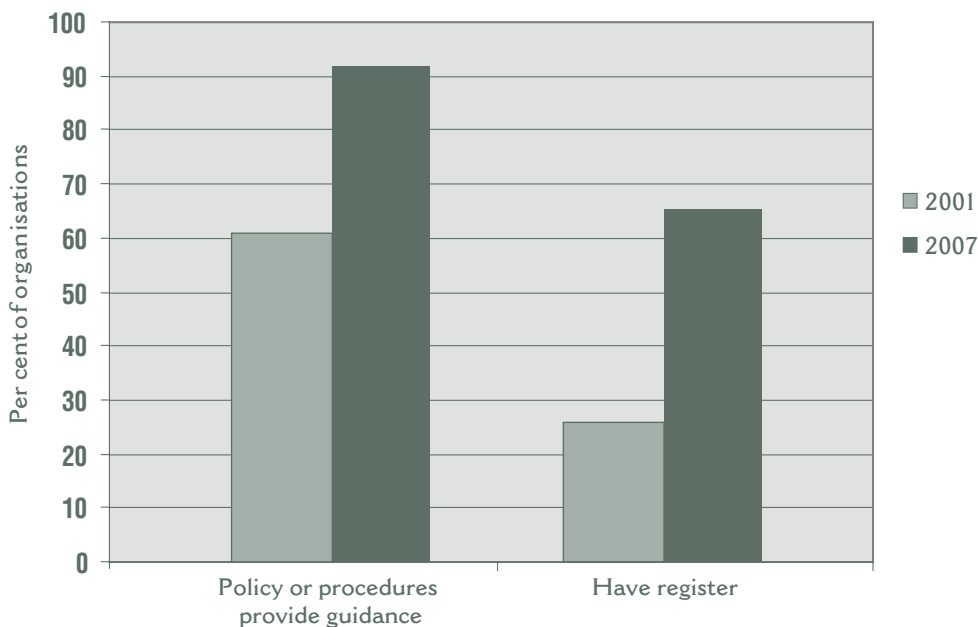
The management of gifts¹⁶ offered to public sector staff is important for organisations. As noted in a previous Commission publication¹⁷, the consequences for an organisation that does not manage gifts appropriately may include both investigatory and legal action, reputational damage and public loss of trust in the agency.

If an organisation had a policy or procedure covering gifts and benefits, it indicated whether they provided guidance about what gifts or benefits staff could not accept and whether it had a gift register. These results are presented in Figure 2.

The proportion of organisations that reported providing guidance to their staff about accepting gifts increased significantly since 2001.¹⁸ The proportion of organisations that reported having a gift register also increased¹⁹.

These two findings indicate that organisations have improved the management of the corruption risks associated with gifts since 2001.

Figure 2: Provision of gift acceptance guidance to staff, and gift registers



16. For the purposes of this report, 'gifts' refers to both gifts and benefits.

17. *Managing Gifts and Benefits in the Public Sector*, ICAC, Sydney, June 2006

18. $X^2=46.13$, $df=1$, $n=423$, $p<0.001$

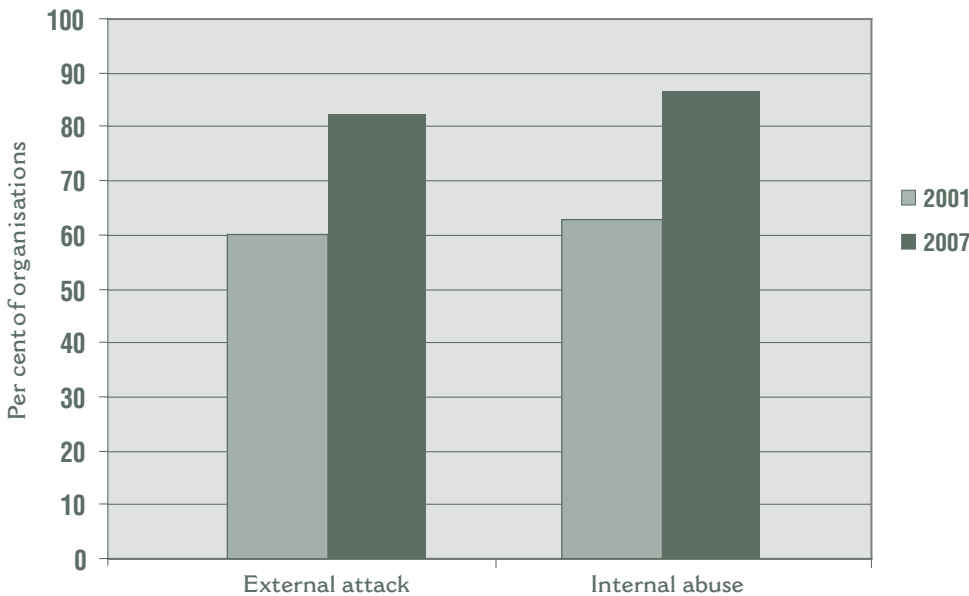
19. $X^2=60.32$, $df=1$, $n=410$, $p<0.001$

Information technology

Threats to an organisation’s information technology (IT) systems, whether they be of external or internal origin, have the potential to seriously undermine an organisation’s business capacity.

Figure 3 presents the percentage of organisations that have documented provisions for managing the risks associated with external attacks on,²⁰ and internal abuse of, IT systems.

Figure 3: Documented provisions for managing IT security risks



For both types of risks, the proportion of organisations that indicated they had documented provisions was significantly larger in 2007 compared with 2001.²¹ Consequently, it appears that more organisations are attempting to manage corruption risks associated with IT security.

Table 14 presents the percentage of organisations that use a program to sweep their databases for irregular activity. These results do not differ significantly between 2001 and 2007,²² although caution is urged in their interpretation because of a minor difference in the question wording.

Table 14: Use of a program to sweep databases for anomalous activity

Sample	Per cent of organisations
2007	52
2001	48

20. External attacks may still involve corrupt conduct; for instance, a public official may collude with a member of the public to externally attack IT systems.

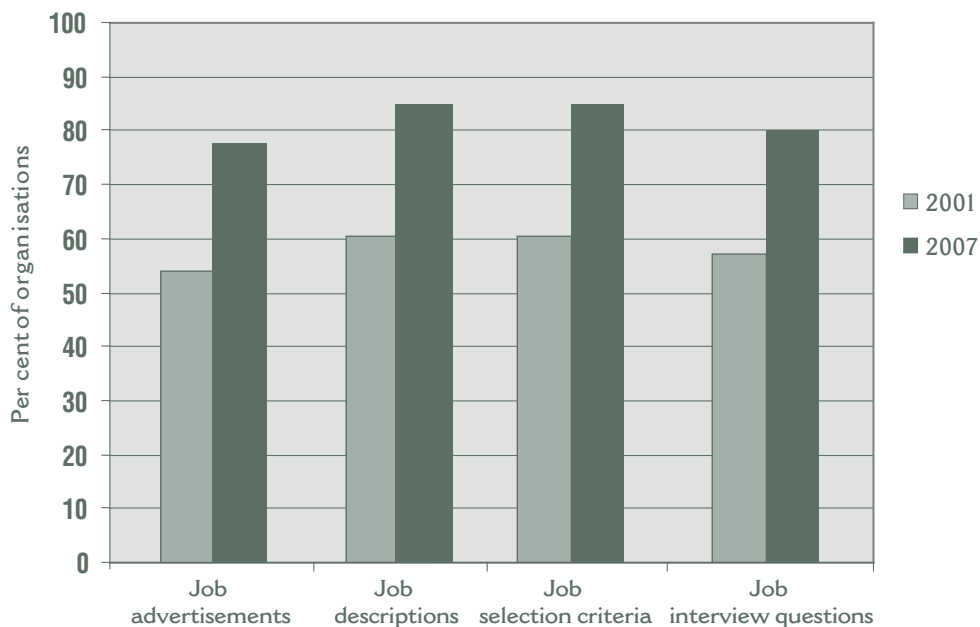
21. $\chi^2 \geq 21.79$, $df=1$, $ns \geq 408$, $ps < 0.001$

22. $\chi^2 = 0.62$, $df=1$, $n=392$, $n.s.$

Recruitment²³

A recruitment process that emphasises the importance of ethical work practices (both to staff being recruited and those who recruit them), and screens individuals based on ethical considerations, may help an organisation prevent corrupt conduct. Figure 4 presents the percentage of organisations that ‘include comments or questions on ethical work practices’ during specified phases of the recruitment process.

Figure 4: Discussions of ethical work practices with prospective staff



For each of these phases in the recruitment process, the percentage of organisations that included comments or questions on ethical work practices was significantly greater in 2007.²⁴

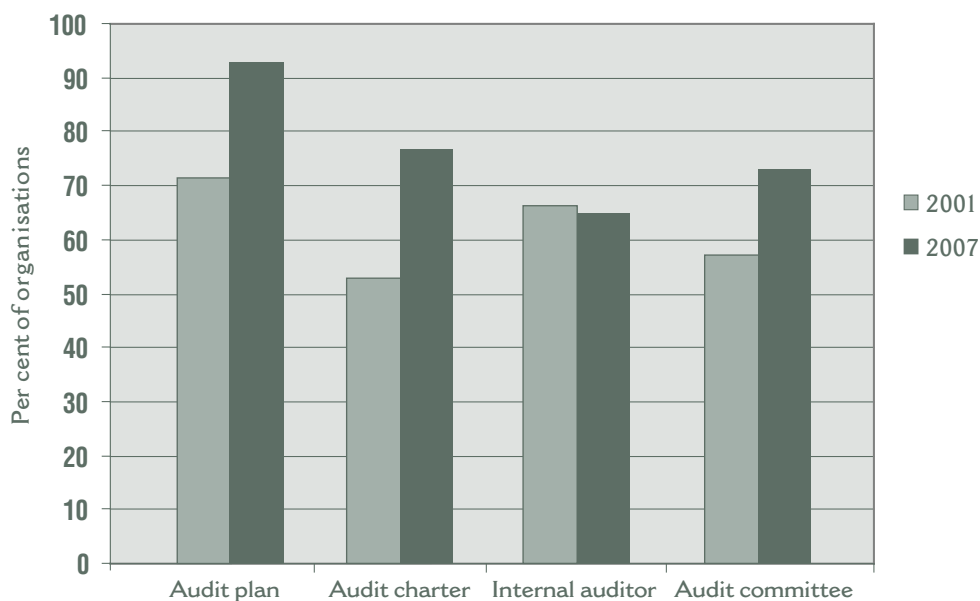
23. During the interval between survey distribution and report production, some public service regulations around recruitment were altered. Consequently, current figures may be lower.

24. $\chi^2 \geq 20.05$, $df=1$, $ns \geq 384$, $ps < 0.001$

Audit²⁵

Audit is an important organisation-wide function that helps organisations identify system anomalies and provide improvement recommendations. Organisations were questioned about four different audit mechanisms. Their responses are presented in Figure 5. Caution must be taken in interpreting these results because the 2001 survey included a 'Don't know' response option, which was not included in the 2007 survey.

Figure 5: Audit mechanisms



A significantly higher proportion of organisations had audit plans, audit charters and audit committees in 2007.²⁶ The proportion of organisations that had an internal auditor did not differ significantly between the 2001 and 2007 samples.²⁷

Overall, it appears that more organisations are utilising these audit mechanisms to manage their audits more effectively.

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

26. $X^2 \geq 9.74$, $df=1$, $ns \geq 393$, $ps < 0.005$

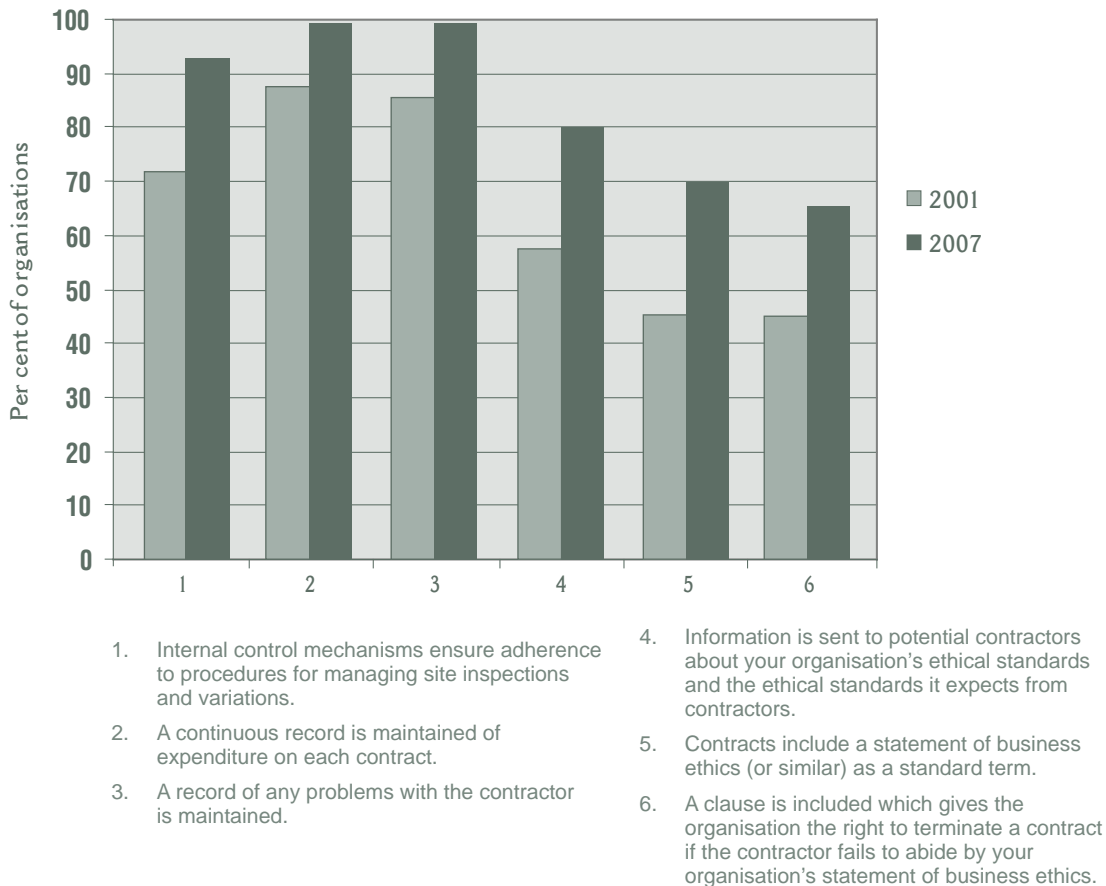
27. $X^2 = 0.08$, $df=1$, $n=403$, n.s.

Procurement

Procurement is an area that has featured in many ICAC investigations.²⁸ Consequently, the potential for corrupt conduct to occur in the context of procurement is well established, necessitating that mechanisms be put in place to help manage these risks.

Figure 6 presents the percentage of organisations that 'always' or 'sometimes' use each of six such mechanisms. Caution must be taken in interpreting these results because of minor differences in question wording and response categories.

Figure 6: Procurement integrity mechanisms



28. For instance, *Investigation into tendering and payments in relation to NSW Fire Brigades capital works projects*, ICAC, Sydney, December 2008 and *Investigation into bribery and fraud at RailCorp, Eighth Report*, ICAC, Sydney, December 2008.

Organisations in the 2007 sample were significantly more likely to always or sometimes use each of these procurement mechanisms.²⁹

One type of procurement that often carries additional risk is direct negotiations.³⁰ Organisations were asked to indicate if they conducted direct negotiations for contracts worth more than \$100,000 in value in the last five years. Their responses are presented in Table 15.

Table 15: Organisations conducting direct negotiations over \$100,000

Sample	Per cent of organisations
2007	33
2001	22

The proportion of organisations that engaged in these direct negotiations was not significantly different between 2001 and 2007.³¹

Reporting corruption

An effective internal reporting channel is important in identifying and addressing wrongdoing in the workplace. Internal reporting channels that allow protected disclosures to be made may increase the likelihood of internal reporting because of the protections they provide.

As presented in Table 16, the proportion of organisations that indicated they had heard of the *Protected Disclosures Act 1994* significantly increased from 2001 to 2007.³² However, organisation responses to this item depended upon the specific knowledge of the individual responding on behalf of the organisation.

Table 16: Organisation awareness of the Protected Disclosures Act 1994

Sample	Per cent of organisations
2007	90
2001	75

Organisations that indicated they had an internal reporting channel in which protected disclosures could be made ($n=132$), were asked whether these disclosures could be made 'in writing', 'verbally', 'via telephone' and/or 'anonymously'. Their responses are presented in Table 17. The proportions did not differ significantly for each method of reporting.³³

Table 17: Methods of making protected disclosures

Method	Per cent of organisations	
	2007	2001
In writing	92	86
Verbally	77	78
Via telephone	52	59
Anonymously	47	48

Once an organisation has received a report, it may need to be investigated. As presented in Table 18, organisations were also asked whether they had an internal investigation 'capability' (2007 wording) or 'system' (2001 wording).

Table 18: Internal investigation capability

Sample	Per cent of organisations
2007	69
2001	55

The percentage of organisations that indicated they had an internal investigation capacity was significantly higher in 2007 than in 2001.³⁴ This is an important result because it suggests that more organisations have mechanisms to progress reports alleging corrupt conduct (or other misconduct).

29. $X^2s \geq 15.88$, $dfs=1$, $ns \geq 361$, $ps < 0.001$

30. *Direct Negotiations*, ICAC, Sydney, May 2006.

31. $X^2 = 5.54$, $df=1$, $n=388$, $n.s.$

32. $X^2 = 15.30$, $df=1$, $n=414$, $p < 0.001$

33. $X^2s \geq 2.05$, $dfs=1$, $ns=317$, $n.s.$

34. $X^2 = 7.43$, $df=1$, $n=408$, $p < 0.05/6$

Further considerations

Changes in the corruption risks faced by the NSW public sector

To manage corruption risks, it is important to know where corruption might occur and what form this corruption might take. Part of identifying the profile of the NSW public sector included identifying the organisation functions where corruption is a serious risk, and the business activities and misconduct types that organisations regard as major corruption risks.

The high risk functions exercised by public sector organisations seem to have been quite stable from 2001 to 2007, both in terms of which functions are most commonly performed and the number of high risk functions performed in total. This suggests that, on a broad scale, the sources of corruption risk that organisations face are similar to those they faced in 2001.

Organisations' perceptions of specific sources of corruption risks are provided by their responses regarding business activities. Interestingly, while the number of major corruption risks identified by organisations did not appear to change, the number of major corruption risks requiring attention significantly decreased. This indicates that organisations perceive that they are better at managing the risks associated with these business activities.

In terms of individual business activities, there were four main differences in the 2007 data compared with that from 2001:

- More organisations rated *recordkeeping* as both a major corruption risk and one requiring attention.

- Fewer organisations rated business activities related to the use of organisation resources and time as both major corruption risks and major corruption risks that require attention.
- Fewer organisations rated *cash handling* as a major corruption risks.
- More organisations rated *political interference in organisational processes* as a major corruption risk requiring attention.

The number of major corruption risks that organisations reported did not change. However, there were some changes regarding the degree of risk in individual misconduct types.

- *Intentional failure to document significant information* was more likely to have been perceived as a major corruption risk in 2007 than in 2001.
- *Misuse of public resources by a public official* was less likely to have been perceived as a major corruption risk in 2007 than in 2001.

Looking across these results, several conclusions can be reached:

- Organisations believed they were managing major corruption risks more effectively in 2007 than in 2001.
- More were concerned with issues related to recordkeeping. Given the prominence that poor recordkeeping has had in several recent ICAC investigations, this seems prudent.
- Fewer were concerned about issues relating to staff usage of organisation time and resources. It is not readily apparent as to why this change has occurred.
- More were concerned about political interference in their organisational processes. Again, it is unclear as to why this change has occurred.

Changes in the corruption prevention strategies used by the NSW public sector

Organisations appear to believe that they were better at managing major corruption risks in 2007 than in 2001. This perception is consistent with the finding that proportionally more organisations examined corruption risks in the context of a risk management framework (even though the proportion of risk management processes that included corruption risks did not change).

However, the number of organisations that informed their staff about topics such as corruption risks, corruption prevention strategies and ethical work practices did not increase. This may indicate that this increased focus on risk management was yet to 'filter down' to employees, although the figures in question were already high in 2001.

A greater number of organisations reported having a code of conduct in 2007 than in 2001, despite the latter figure already being very high. Now, almost all organisations have a code of conduct. While a smaller proportion of organisations reported reviewing their code in the last year in 2007 than in 2001, this may simply be a product of the review cycle.

The adoption of some specific corruption prevention strategies also appears to have improved since 2001.

The change was particularly marked in relation to corruption prevention strategies involving gifts and benefits. The proportion of organisations with a gift register more than doubled and those that reported providing guidance on gift acceptance/rejection increased by almost 50%. Many organisations appeared to be taking steps to manage issues associated with gifts and benefits.

Increases can also be seen regarding organisations' management of risks associated with IT systems, as significantly more organisations had procedures covering internal abuse of, and external attacks on, IT systems. However, the proportion of organisations that engaged in database sweeping was approximately the same in 2007 as in 2001. Consequently, it remains unclear what additional measures (if any) have been taken as a result of these new provisions.

While more organisations reported having audit plans, audit charters and audit committees, the proportion that reported having an internal auditor did not change. Overall, this suggests that organisations were seeking to improve the quality of their audits, although the findings regarding internal auditors suggest that greater efforts may be being taken in regard to external audit (as opposed to internal audit).

Organisations also seemed to be more concerned about procurement risk control mechanisms with a significant increase in the proportion of organisations that sometimes or always use these risk controls. There was no change in the use of direct negotiations for high value procurement from 2001, although such purchases are rare in any case.

In terms of reporting corruption, the percentage of organisations that were aware of the *Protected Disclosures Act* increased, as did the percentage that had an internal investigation capacity. Thus, senior staff within organisations appear to have both a better understanding of their reporting responsibilities and the capacity to investigate such reports. There did not seem to be any appreciable change in the way that protected disclosures could be made within organisations.

Overall, organisations reported adopting a greater number of corruption prevention strategies compared with the number of strategies they reported adopting in 2001. Furthermore, this increase in strategy usage was observed across all topic areas addressed in both surveys (although not all items in all topic areas showed improvement).

It is clear that organisations appeared to have adopted more strategies to control their corruption risks. Organisations should, however, examine their own usage of corruption prevention strategies to identify any areas where further strategies are warranted.

In conclusion, the corruption risk management of the NSW public sector as a whole appears to have improved since 2001.



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