

PARLIAMENT OF NEW SOUTH WALES



Committee on the
Independent Commission Against Corruption

EXAMINATION OF THE REPORT OF THE INDEPENDENT
COMMISSION AGAINST CORRUPTION PROFILING THE NSW
PUBLIC SECTOR

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Terms of Reference

The Committee on the Independent Commission Against Corruption is required under section 64(1)(c) of the Independent Commission Against Corruption Act 1988 to examine each annual and any other report of the Commission and to report to both Houses of Parliament on any matter appearing in, or arising out of, any such report.

64 Functions

(1) The functions of the Joint Committee are as follows:

(a) to monitor and to review the exercise by the Commission of its functions,

(b) to report to both Houses of Parliament, with such comments as it thinks fit, on any matter appertaining to the Commission or connected with the exercise of its functions to which, in the opinion of the Joint Committee, the attention of Parliament should be directed,

(c) to examine each annual and other report of the Commission and report to both Houses of Parliament on any matter appearing in, or arising out of, any such report,

(d) to examine trends and changes in corrupt conduct, and practices and methods relating to corrupt conduct, and report to both Houses of Parliament any change which the Joint Committee thinks desirable to the functions, structures and procedures of the Commission,

(e) to inquire into any question in connection with its functions which is referred to it by both Houses of Parliament, and report to both Houses on that question.

(2) Nothing in this Part authorises the Joint Committee:

(a) to investigate a matter relating to particular conduct, or

(b) to reconsider a decision to investigate, not to investigate or to discontinue investigation of a particular complaint, or

(c) to reconsider the findings, recommendations, determinations or other decisions of the Commission in relation to a particular investigation or complaint.

Chairman's Foreword

The report by the Independent Commission Against Corruption entitled Profiling the NSW Public Sector received a positive response from public sector organisations and its recommendations have the potential to strengthen corruption prevention strategies throughout these organisations.

The report is intended to assist public sector managers and internal audit managers in the development of tailored approaches to building corruption resistant strategies for their organisations. This type of objective is directly in line with what was contemplated when the Commission was set up in 1988, that a primary role would increasingly be one of advising departments and authorities on strategies, practices and procedures to enhance administrative integrity. The report shares with these organisations the results of ICAC's research into prevention strategies and perceived corruption risks in the various public sector organisations.

For this research ICAC took the public sector organisation as its unit of analysis. The research examined the nature of the work undertaken by particular organisations and it identified the corruption prevention strategies those organisations had in place. It asked people in those organisations what they considered were the corruption risks.

It is important to stress that this report does not attempt to quantify the amount of corruption that occurs. The rationale of the report is to identify opportunities for corruption as the initial step in devising strategies to increase corruption resistance.

The broad aim of this original research was to identify opportunities where future intervention by individual organisations and ICAC is likely to be most effective. ICAC also hopes this research will help it gain a better understanding of how corruption risks differ among public sector organisations. ICAC will then endeavour to tailor its efforts to meet these differences.

In the course of the Committee's public examination of this report on 23 February 2004 Commissioner Moss commented that the mere process of having gone through producing the report was likely to produce positive results because the agencies will be in a better position to benchmark how they are performing against similar agencies.

The Commission's evidence indicated that it might be possible for the Queensland Crime and Corruption Commission, who have conducted a similar survey, to discuss benchmarking possibilities with the ICAC so as to produce a joint publication comparing the various agencies.

Suggestions for strengthening corruption resistance are made throughout the report and a set of recommendations for organisations, based on the findings of the research and ICAC's experience, is contained in the Executive summary.

One matter of some concern to the Committee was that ICAC had not attempted to approximate the costs that would arise from implementing its corruption risk strategies across public sector organisations. In his evidence Mr Pehm, Deputy Commissioner, said it would be anyone's guess what it would cost to implement anti-corruption measures throughout the public sector. The Committee recommends this matter may be taken in hand when the Commission, at a later time, conducts a follow up examination of the results of its report.

The Hon. Kim Yeadon MP
Chair
Committee on the Independent Commission Against Corruption

List of Recommendations

RECOMMENDATION NO 1:

The Committee recommends that ICAC conduct a follow-up examination in the course of the next 4 years to determine the extent to which its recommendations have been implemented and whether this has led to discernible improvements in the particular organisations to resist corruption. In the report on the results of that examination ICAC should provide an estimate of the costs that have arisen from implementing its corruption risk strategies across public sector organisations. The report should also canvass the desirability of providing training and induction programmes to assist staff awareness.

RECOMMENDATION NO 2:

The Committee recommends that the ICAC should use the findings and conclusions arising out of its profiling report to prepare, in conjunction with complaints and intelligence data, a paper for the joint committee's information on any ascertainable trends in corrupt conduct.

RECOMMENDATION NO 3:

The Committee recommends that an appraisal should be made by ICAC of what steps should be taken to ensure that it can continue to provide an adequate assessment of the growing number of complaints arising from Local Government.

CHAPTER 1 - INTRODUCTORY REMARKS

- 1.1 It is a function of the Joint Parliamentary Committee on the Independent Commission Against Corruption (the ICAC Committee) to carry out an examination of each report of the Independent Commission Against Corruption and report to Parliament upon it in accordance with section 64(1)(c) of the Independent Commission Against Corruption Act.
- 1.2 This report provides a record of the examination of the report Profiling the NSW Public Sector of the Independent Commission Against Corruption tabled in January 2003.
- 1.3 This report comprises an edited record of the examination of witnesses representing the Commission at a public hearing on Monday 23 February 2004.

CHAPTER 2 - GENERAL MEETING WITH THE COMMISSIONER TO EXAMINE THE REPORT PROFILING THE NSW PUBLIC SECTOR

(This chapter contains relevant edited transcripts of the general meeting with the Commissioner)

1. OPENING STATEMENT BY COMMISSIONER IRENE MOSS

CHAIR: The Committee has received a number of submissions on the report from public sector organisations, all of which have been favourable. For example, the Treasurer, the Hon. Michael Egan, says in his submission that the report is an excellent benchmark for assessing an agency's formal and informal risk, resistance and prevention strategies. He says that NSW Treasury has adopted, or is in the process of integrating, all of the recommendations into its overall resistance approach. We have received a helpful submission from Dr Angela Gorta, who had a principal role in the collaborative research work that was the foundation of the report. She sees the report as having benefits to both the New South Wales public sector and the Independent Commission Against Corruption. Would you like to make an opening statement before we begin with questions?

Ms MOSS: Not a lengthy one, only to say that we have found that the mere process of having gone through producing that report, we think, will produce positive results because the agencies themselves are in a better position to benchmark how they are performing against other agencies that are similar. We have been able to use the report for our own project work, not only in corruption prevention but also in the investigations area. We have been able to tailor some of our projects more specifically. But of particular use is the manner in which the survey was done. The response rate was extremely high for surveys. It is the only survey of that type that has been done, we believe, in Australia.

It is gratifying to see that the Queensland Crime and Misconduct Commission has decided to adopt a similar survey. But what we think is particularly useful is that for each type of agency we were able to have them focus on their particular functions. If it is an agency that collects blood, an agency that has lots of investigative officers approving developments or an agency that has ambulance officers doing whatever functions, it has allowed various agencies to look at their specific functions and try to self-assess the risks that go with it, as well as getting both management and staff opinions on how well they are faring. In that regard we think the process of having gone through it has made public sector agencies in New South Wales think a bit more in depth about their corruption risks.

2. AGENCIES THAT DID NOT RESPOND TO SURVEY

CHAIR: You said that the response rate was very good. For those who did not respond, was there any pattern in relation to the nature of the agencies or was it very much a random situation? Does the commission intend to follow up with any of those agencies that did not submit a report?

Ms WAUGH: The analysis showed that there was not anything that showed a trend in those agencies that did not respond. But, of course, it is difficult to know because you do not know what you are looking for. But there were no obvious trends in the types of agencies that did not respond. In terms of follow up, we have started a program of follow up on some of the issues of concern to us in the survey. In doing that we have gone back to those agencies that did not respond. We are also going back to agencies that were not included in the first sample, or agencies that have come into existence since that time.

CHAIR: Do you have the percentage of those that did not respond?

Ms WAUGH: I think it was probably 20 or 30 percent. Whatever is in the report.

3. TRENDS AND CHANGES IN CORRUPT CONDUCT

CHAIR: One of the functions of the joint parliamentary committee under section 64 (1) (d) of the ICAC Act is to examine trends and changes in corrupt conduct. Do you think the findings and conclusions arising out of this report assist in monitoring trends and changes in corrupt conduct over time?

Ms MOSS: I think it will help us in monitoring trends. It will not really help, and I think it is almost impossible to measure, corruption in the various agencies. That is very difficult. I do not know that any other organisation has been able to grapple with actual measurement. But, certainly, I think that this will assist us to perhaps look at how agencies are handling for example, whistleblowers. One follow up we are looking at is internal reporting and whistleblowers. I think that this may assist in developing a greater awareness about those issues, as well as issues that we are following up on, for example, how agencies deal with the code of conduct, gift registers and those sorts of things. I am hopeful that, over the years, there will be improvements in this area. There is still a way to go because results, although heartening, do show that they are problem areas. But it certainly will serve as a benchmark to help us help other agencies improve in those areas.

Ms WAUGH: With trends in corruption or corrupt conduct, I think this survey does not tell us about corruption, the prevalence of corruption. But what it does is give us another point that tells us about the picture of corruption. When we use this data in conjunction with complaints data, intelligence data and other information we have that sort of giving you a bigger picture of corruption and the issues around corruption.

4. QUEENSLAND SURVEY

CHAIR: You mentioned that Queensland was undertaking a similar survey. I assume there will be an ability to undertake comparative analysis of the results of that survey against New South Wales, which will then give you a better picture if not over time, at least in various jurisdictions and so forth. Is it anticipated that you will be able to examine the Queensland data and do a comparative analysis?

Ms WAUGH: I have had some conversations with Queensland. They are at the stage of preliminary analysis and formulating their recommendations. The intention is for the two agencies to meet to discuss benchmarking possibilities. We think it most definitely will be a possibility. They may treat their data a little bit differently, so we might meet to look towards something of a joint publication or some joint work to deal with those discrepancies. But most certainly it is a great opportunity to look at how various public sector organisations compare.

CHAIR: I assume that work in Queensland came about because they saw New South Wales undertaking that type of work and they tapped into your already previous experience?

Ms WAUGH: Yes, there was some discussion. The two agencies bounce ideas off each other and they keep a track of what they are doing. I think that Queensland saw what ICAC was doing and thought that it was quite groundbreaking research. They sought to replicate it. They did not do something similar. They have actually replicated large bits of it. They have also sought permission to use the format of this report to present their data. They will be quite companion volumes.

5. INTERNATIONAL SURVEYS

CHAIR: To go from the interstate situation to the international one, are you aware of other international studies you might be able to compare with what you have done in New South Wales to give you a better, broader view of corruption trends and risks within public sector agencies? Are you doing any work or any collaboration at the international level?

Commissioner Moss: I am not aware of any similar studies like this done internationally. Quite obviously we try to keep across international conferences on corruption and whatever publications come out of that, for example, the work of the Organisation for Economic Co-operation and Development on conflict of interest. I am not aware of any similar studies done internationally.

Ms WAUGH: No, not anything that you could directly compare like with like.

CHAIR: It is groundbreaking work in that sense.

Ms WAUGH: As far as we know, yes.

6. PARTICIPATION OF NSW PARLIAMENT IN SURVEY

Mr BARRY O'FARRELL: Was the Parliament surveyed as part of this process?

Ms WAUGH: No.

Mr BARRY O'FARRELL: Notwithstanding the fact that it has codes of conduct and gift registers to administer, was the Parliament not deemed an appropriate, suitable or important enough public agency?

Ms WAUGH: I am not quite sure. I would have to get confirmation on that but I am fairly sure the Parliament was not included. If not, I do not have a reason why.

CHAIR: The Parliament is not the Executive. When you talk about administering the Minister's gift register and so forth, that is the Executive, not the Parliament.

Mr BARRY O'FARRELL: I did not mention a Ministers gift register. The Parliament has a code of conduct for members of Parliament and a gift register which is in the news every year, at least, from our friends in the media. I am surprised that the Parliament was not surveyed, particularly given, over the year in which we are about to review, there have been significant concerns expressed.

Ms MOSS: This was an internal project and I would not have had any objection to Parliament being included. I did not personally devise the project. As I said, it was not a subject whereby anyone in management would have vetoed it.

Mr BARRY O'FARRELL: No, that is not my suggestion.

Ms MOSS: For what it is worth, we are planning, and we have already done this by way of internal committee deliberations, actually having consultation with Parliament, through its various representatives, whoever will be chosen for that, for the development of a possible future project. I assume what you are saying. There are issues such as codes of conduct and various things like that we have perhaps better indication of the issue that could be raised with the various people. There are also, of course, as we all know quite large differences. Members of Parliament are not the Executive, not the bureaucracy as we all know it.

Mr BARRY O'FARRELL: Does that mean that you will treat us differently when we, having breached that code, appear before you?

Ms MOSS: We wouldn't like to treat you differently but you do have, for example, Parliamentary privilege. At the end of the day you are Parliament, which is the body which enacts laws. We can only abide by our statutory charter and that statutory charter also includes Section 122, which places constraints on our approach. We would undertake to do what we can but we also understand that there would be areas in which there would be great resistance to our involvement.

Mr BARRY O'FARRELL: Obviously, as you have demonstrated in the past year, we have a code of conduct against which you can find members of Parliament corrupt and ultimately that will lead to their expulsion or resignation from Parliament, as a matter of fact. I am surprised, notwithstanding what you are saying, given that the Parliament is the creature that created ICAC, the creature that sits at the head of our government, that it would not be regarded as appropriate for inclusion in this review. That follows on from my broken record last year where in the hearings, I would suggest that I thought ICAC had been a bit standoffish and kept waiting to be invited to the Parliament rather than coming in and reviewing us in the way it reviews other agencies.

Ms MOSS: I would take some issue with that comment because we would treat matters that have been raised with us about members of Parliament in the same way that we would receive information about anyone else. They would be treated appropriately and given the serious consideration as is due. I think that that is probably correct as well. We would give complaints that come in about members of Parliament the due weight that we would give any other matters that would come in. I think that is probably what the public would expect and I think that is what the legislation says.

For whatever reason the decision not to include the Parliament as such in the report, as I said before, was not exactly a conscious decision by management. We should also bear in mind that when you look at the numbers for members of Parliament compared to other public sector agencies, for example, the number of people who work in local government, health industry, education, et cetera, the proportion is, comparatively speaking, a lot smaller. As you can see from the public hearings that we have had in past years we do deal with each matter as it should be dealt with.

Mr BARRY O'FARRELL: As they are raised with you?

Ms MOSS: As they are raised with us, but we would also keep other issues under review. Because of our operations, quite obviously, it is not something that we would telegraph to the public because to do so would be totally counterproductive.

Mr BARRY O'FARRELL: Was the Premier's Department or Cabinet Office surveyed in relation to the ministerial code of conduct and the ministerial gift register? If so, did they respond?

Mr PEHM: I did not think there was any inclusion in the survey of either Parliament or Ministers. I think we would sticking with the Executive.

Mr BARRY O'FARRELL: Presumably the Minister for Health is obviously caught by a survey of the Department of Health. As the Commissioner indicated, part of the survey was how agencies deal with codes of conduct and gift registers. Obviously the most important of those, presumably after those people who head, in a public sense, departments are, in effect, the Ministers. What agency was reviewed or surveyed in relation to ministerial gifts and ministerial codes of conduct?

Ms WAUGH: I am sorry, you caught me off guard before. This project by definition did not seek to exclude; it sought to include. It was targeted to public sector organisations. That is the answer to your question why politicians are not included in the sample.

Mr BARRY O'FARRELL: But the two departments of Parliament or the Parliament as a whole is a public sector agency, so Russell Grove, the Clerk of the upper House, presumably the Speaker and the President under the definition of public agency.

Ms WAUGH: The Premier's Department and the Cabinet Office and a party, I do not know what that is, were surveyed and responded on their own behalf. I am sorry, I do not have a list of respondents. I have been in this position for four weeks. Parliamentary Counsel was also surveyed.

Mr BARRY O'FARRELL: Commissioner, in relation to your comments about how agencies deal with codes of conduct and gift registers, and given Ms Waugh has only been in her position for four weeks, I can assume that there were responses from either the Premier's Department or Cabinet Office, whoever was responsible for the ministerial code of conduct and the ministerial gift register, that presumably were satisfactory?

Mr PEHM: We can say they were surveyed but whether we got responses—

Mr BARRY O'FARRELL: I am happy to put that on notice.

Ms MOSS: I will answer that.

7. PROTECTED DISCLOSURES

Mr JOHN PRICE (ICAC COMMITTEE): Recently I have been involved with concerns in relation to local government. Whilst that was not a specific target of the survey, how is your dilemma with protected disclosures over the years improving, particularly in the area of local government. It is a bit hard to determine what is a protected disclosure and what is an attempt to be a whistle blower. What steps have you taken to streamline that procedure and offer the protections that I believe are intended under the legislation and in practice but do not seem to have always operated carefully particularly when people who are not employees of local government make claims against council officers or councillors? I appreciate your problems with resources but would you elaborate on how are they treated?

Commissioner MOSS: My deputy has been quite involved in the protected disclosures area. I hear what you are saying about that whole issue. We have been focusing on the specific concerns of proper whistle blowing without repercussion. I will let my deputy refer to what work we have been trying to do in this area.

Mr PEHM: The commission had a poor reputation with whistleblowers for quite some time. Whistleblowers Australia was almost threatened with a lawsuit by the former commissioner, their relationship was so antagonistic. Since then, internally, we have put a lot of work principally into consulting with people who make protected disclosures. That has gone along way towards satisfying their concerns. There is an issue that you run up against there. Leaving aside matters that are considered to be in the public interest to investigate regardless of disclosure of identity, which are relatively serious, the person making the protected disclosure has to weigh up whether provision of the information would disclose him or her and assess the potential for repercussion. We take their views into consideration a

great deal now. Under the Protected Disclosures Act complaints were at about 58 per cent last year and they are running at about the same increase this year. With respect to councils, there is an issue with members of council making protected disclosures. Was that the point of your question?

Mr JOHN PRICE (ICAC COMMITTEE): Members of council and people who take a close interest in council but who are not employees or councillors.

Mr PEHM: If they are not employees or councillors by legal definition they cannot be protected disclosures. So they do not receive the protections under the Act. If they have concerns about anonymity ICAC can accept anonymous complaints and treat them accordingly. With both employees and members the difficulty you always face in small, tight-knit communities is that everyone on the ground knows a lot better than we do what the repercussions might be, which is why we consult so heavily. It has probably resulted in quite a few people deciding not to continue with their protected disclosure. But you have to balance that up against the information they receive and their confidence in the system to come forward. We also treat members of council as being covered by the protected disclosures legislation, so we follow the same process with members of council. We consult with them as to whether they want the information or their identity disclosed. Often there are other ways around it. They can give you leads into other areas, and give you the names of other potential witnesses, so it is not always necessary to disclose.

Mr JOHN PRICE (ICAC COMMITTEE): So you can aggregate information that may ultimately lead to something or that may lead to nothing?

Mr PEHM: Yes.

Mr JOHN PRICE (ICAC COMMITTEE): Do you find that the volume of work in that area, specifically in the area of local government, has increased to any great degree? Do you believe that you can adequately resource investigations in that area?

Mr PEHM: Complaints about local government comprise about 30 per cent of total complaints consistently over the years. Complaints broadly went up about 25 per cent last year, so that was 30 per cent of the total increase. So the numbers are increasing. This year, substantive complaints again are running at about a 25 per cent increase on last year's figure, that is, on the seven months to the end of January. So that will be a 55 per cent increase over two years. It is starting to become a bit of a stretch. If it continues to increase at that rate I can foresee that there will be difficulties providing adequate assessment and investigation.

Mr ANTHONY ROBERTS (ICAC COMMITTEE): It is an election year, is it not?

HON. KIM YEADON (CHAIRMAN): What are the reasons for that significant increase? As has been said, it is an election year, which might be the reason for it. Are there any underlying trends that have led to that increase? Are people in the local government area becoming more comfortable with reporting to ICAC?

Mr PEHM: I think with protected disclosures, certainly. We put time into consulting with them and taking their wishes into account. They communicate with each other, with Whistleblowers Australia and with other forums that they speak through. It is incredibly

difficult to say. It is guesswork, largely, why complaints are going up. There probably is more confidence in the organisation, partly through the profile of investigations and public reporting of investigations. I am guessing, but I think people are perhaps more confident in complaining than they have been in the past.

8. FINANCIAL COST OF IMPLEMENTING ICAC'S CORRUPTION RISK MANAGEMENT STRATEGIES

Mr JOHN MILLS (ICAC COMMITTEE): Can you tell the Committee the approximate financial cost that would arise from implementing the commission's corruption risk management strategies across public sector organisations?

Commissioner MOSS: Our corruption prevention work would probably constitute about one-quarter of our total specific budget. Would that be about right?

Mr FAVELLE: Yes. It is about \$2.5 million of a \$16 million budget.

Commissioner MOSS: It would be a quarter. There are other costs that are commission-wide, which would be counted right across. As you can see from the annual report, most of our resources would go into the complaint handling, investigation and assessments area, which is probably where it is appropriate to go. In relation to project work, it would be proactive development of various projects like, for example, the local government video. All in all, it would be about 25 per cent.

HON. KIM YEADON (CHAIRMAN): Do you know how much this specific project cost?

Commissioner MOSS: We cost each project as we do them.

Mr PEHM: No. In the last three months we started looking at actual time costing and project costing. We have done a pilot on a couple of projects. But we have not costed that particular project. It would be anyone's guess what it would cost to implement anti-corruption measures throughout the public sector.

HON. KIM YEADON (CHAIRMAN): I suppose it is a difficult question. It would be interesting if you wanted to look at a cost benefit analysis. In your view, is it easy to implement the recommendations, or is it a fairly expensive exercise at the end of the day? If agencies wanted to implement those recommendations would it be an extraordinarily expensive proposition?

Mr PEHM: It is the degree of implementation. One thing that concerned us in this survey related to the protected disclosures issue. About 60 per cent to 70 per cent of organisations state, "We have them in place. We have the policies and the procedures." However, about 30 per cent of staff state, "We are aware of them." So 70 per cent of staff do not have the information. We can implement the policy and ensure that people are aware of it, but the extent to which it filters down through the agency is probably more expensive because we would then be looking at training and including induction packages. It would

depend on the level to which you go in viewing it in the organisation. It would be expensive and difficult to quantify.

HON. KIM YEADON (CHAIRMAN): The training of staff has always been identified as one of the significant costs in the running of any organisation or business.

Mr JOHN MILLS (ICAC COMMITTEE): From the research that you have done did you get the feeling that there was any resistance by various agencies to the implementation of these corruption strategies because of the costs?

Commissioner MOSS: Our impression is that there has not been so much resistance. Some of the implementation might be difficult to achieve.

Ms WAUGH: I am not aware of any responses from agencies that were concerned about financial costs. I think smaller agencies have legitimate concerns about implementing stuff. The recommendations reflect those concerns. Whereas a big organisation might have the full suite of anticorruption strategies, a much smaller organisation might not have an internal auditor or an internal audit program; it might just target its high-risk area and outsource two audits a year. We tried to accommodate that in our recommendations.

Commissioner MOSS: You will also see from the reports that government advisory committees and boards felt that they had that lower scoring, in a sense, because they did not have an infrastructure that supports them. They felt that, with some of the committees, their main role is advising. So I guess that also reflects the role of one chunk of agencies that we looked at—the advisory board agencies.

9. FOLLOW UP ACTION ON PROFILING REPORT

Ms KRISTINA KENEALLY (ICAC COMMITTEE): What plans have you put in place to follow up this report? The report appears to put the onus on organisations. Do you have any plans in the future to publish a further report that will determine how these recommendations have been implemented?

Ms WAUGH: Yes, there are plans to do that in the future. However, that will depend on its relevancy and however many years it is before we decide to replicate it. It was always designed with the view of repeating it some time in the future. As I indicated before, we have commenced a program of follow-up on particular issues. We have written to agencies and we have administered sections of the surveys that related to protected disclosures, corruption risk management, gifts and benefits, codes of conduct, internal audit and internal investigations. It is preliminary, but the data that we have received in respect of protected disclosures show that several agencies who, in this report, said, "No, we do not have those things in place" now have them in place. So early indications suggest that there is progression.

HON. KIM YEADON (CHAIRMAN): Is there a possibility that some of the commission's work in the future could be tailored to specific agencies? We have received correspondence from Dr Refshauge who has responsibility for Education— a huge organisation with a range of

components, for example, school education, TAFE, administrative propositions and the like. He indicated that it is difficult to get a "one size fits all" across those organisations. Is the commission looking at working on tailoring solutions to suit organisations? That would be a good thing for those large and diverse organisations.

Ms WAUGH: That was certainly a challenge in developing these recommendations. We required recommendations that were broad enough to deal with everybody. From our perspective, if an organisation says, "It is too difficult to implement that in the way that you have suggested, but we have these alternatives that will achieve the spirit of the recommendation", we would be happy with that. This project really assisted us in working towards our health project. We used this baseline data when looking at some of the recommendations. The whole purpose of that project is to work in collaboration with health and to come up with specific strategies to deal with those issues.

10. INCLUSION OF CORRUPTION RISK MANAGEMENT PLANS AND CODES OF CONDUCT IN ANNUAL REPORTS

Mr JOHN MILLS (ICAC COMMITTEE): The Premier's Department currently requires departments to document codes of conduct in their annual reports. Does this requirement cover corruption risk management plans?

Commissioner MOSS: I am not too sure.

Mr PEHM: I am not sure. Does the code of conduct include that?

Commissioner MOSS: I do not think the code of conduct would include it.

Mr JOHN MILLS (ICAC COMMITTEE): I am talking about departments. I am not sure how far that direction goes. Departments are currently required to document their codes of conduct in their annual reports. Does the annual report of the Department of Health mention corruption risk management plans?

Mr PEHM: I doubt it. I do not think too many public sector agents have specific corruption risk management plans. We have been introducing that fairly recently.

Ms WAUGH: I am fairly sure from the work that I did on our annual report that that is not a requirement for departments under the Act. In this report we talked about the fact that they need to deal with corruption risk management, but it can be done in the context of broader risk management strategies. It would be a bit of a burden for smaller agencies to have two separate strategies or plans.

Mr BARRY O'FARRELL (ICAC COMMITTEE): Ms Waugh, in relation to your work on the annual report, you said that you were not sure that risk management was one of the issues?

Ms WAUGH: No.

Mr BARRY O'FARRELL (ICAC COMMITTEE): Or that codes of conduct should be included.

Ms WAUGH: Corruption risk management plans.

Mr BARRY O'FARRELL (ICAC COMMITTEE): But should codes of conduct be included in annual reports?

Mr PEHM: I understand that they are included when they are introduced and when there is any update. I do not think there is any requirement to reproduce them year after year.

Mr BARRY O'FARRELL (ICAC COMMITTEE): The Premier's Department seems to publish its each year. The Cabinet Office does what you say, Deputy Commissioner, which indicates no changes but, unhelpfully, does not indicate what the code of conduct is. Where would I find the ministerial code of conduct?

Mr PEHM: I have a copy in my office. I could send it to you. Where you would find it in terms of government, I would presume the Cabinet Office would be the holder of that.

Ms WAUGH: My understanding is that it is printed in *Hansard*, if you do a search under *Hansard*.

Mr BARRY O'FARRELL (ICAC COMMITTEE): Members' code of conduct is printed in *Hansard*.

Ms WAUGH: The ministerial code of conduct.

Mr PEHM: I would assume that the Cabinet Office would be the repository of that.

11. CORRUPTION RISK MANAGEMENT ASSISTANCE FOR PUBLIC SECTOR ORGANISATIONS

Reverend the Hon. FRED NILE (ICAC COMMITTEE): Will the Independent Commission Against Corruption be providing any corruption risk assessment training or workshops to assist public sector organisations in developing their programs?

Ms WAUGH: Yes. Training and education are something that the division does quite a lot of. They deliver stand-alone modules in corruption risk management. We might go out to an organisation that requests it and deliver that training program. We deliver other programs such as the regional and rural outreach strategy.

Reverend the Hon. FRED NILE (ICAC COMMITTEE): You offer them to the public sector bodies that request it of you?

Ms WAUGH: They contact us and say, "We have these issues. We would like some training on this", and we will send two officers out to their organisation for a day and they will do a one or two day workshop on how to do that and what the methodology is and how to assess risk.

Reverend the Hon. FRED NILE (ICAC COMMITTEE): You make a list of all the training options you can provide and send that to the public sector bodies so that they can respond?

Mr PEHM: We do that as well. Apart from requests, we have a corruption resistance review program where we pick an agency and go out and check things like the code of conduct. There is also a do-it-yourself version where they receive a folder full of material and check for themselves what they have in place and what they do not. They then come back to us for advice. It runs on a number of different levels, depending on the sophistication of the organisation and their capacity to do it themselves.

Reverend the Hon. FRED NILE (ICAC COMMITTEE): Is there any charge to the public sector bodies? Do they reimburse you?

Mr PEHM: There has not been up to date but we have recently introduced a policy. The gist is that we provide the first one free but we start to charge with the follow-ups.

Mr FAVELLE: Yes, it would depend on how often we have been there and the extent of the work we have done already, but as a general principle we are not interested in charging if someone comes to us with a request. If it is for broader training across the whole of their government agency, then we might seek different levels of recovery. We have established a policy that sets out the full costs down to marginal costs, such as travel, down to no cost. It covers different aspects to encourage people to have their own risk assessment processes in place.

Reverend the Hon. FRED NILE (ICAC COMMITTEE): The departments could be using you rather than using their own staff?

Ms WAUGH: With the departments, we really encourage train-the-trainer. If we deal with a department, we would specifically say, "We would like to train your trainers". Obviously, we do not have the resources to—particularly with decentralised departments—to go out and deliver training all over the place so we target it and indicate our preference.

12. AGENCIES WITHOUT CORRUPTION MANAGEMENT PLANS

Mr JOHN MILLS (ICAC COMMITTEE): You have stated that some agencies, such as advisory and regulatory boards, do not identify corruption risks or have in place any management plans to address those risks. Should those agencies be compelled to do that?

Commissioner MOSS: Depending upon the type of agency—they are so varied. The various types are quite different. Some are mere advisory, some are recommendatory, some others do have some decision-making roles and I think a lot depends on what they were set up to do. I think that certainly all of them should be encouraged to look through the report and see what is relevant for them so that they do take note and perhaps have a code for their respective agencies. One very relevant factor might be conflict of interest. I think conflict of interest, as a concept, surely would be something that would be applicable to any board or committee or advisory committee and that is something that each particular individual member should think about. Certainly, we would encourage these bodies to consider what is

relevant, but I do not think there is anything that forces these committees to have what you are talking about.

Mr JOHN MILLS (ICAC COMMITTEE): I wonder whether that should be the responsibility of the Minister to whom ultimately they report.

Commissioner MOSS: Probably.

Ms WAUGH: I think this Committee might be also interested to know that the Public Bodies Review Committee has been, for some period of time, looking at a report of the Audit Office for 1997 regarding governance in boards and committees.¹ I understand that committee is about to finalise its report, so there might be something of interest in that report with respect to governance in boards and committees.

Commissioner MOSS: Also, several years ago I recall that the Audit Office produced an excellent publication called *On Board*² and I think many of the principles that were described in that report are probably still very applicable today.

HON. KIM YEADON (CHAIRMAN): Obviously, with a survey you accumulate a fair bit of raw data and often you can find things that you were not looking for initially. Is there any prospect that further studies could come out of the raw data that you have accumulated?

Ms WAUGH: We have continued to look at the data, different combinations and data mining, as they call it, but I would not say at this stage that there is anything I can see or that I have been told by the staff working on that database. Certainly, if we found something of interest that we thought would be of use to the public sector, we would seek to publish it.

HON. KIM YEADON (CHAIRMAN): That concludes the examination of this report.

¹ [The Audit Office of New South Wales 1997, Performance Audit Report Corporate Governance vol. 1: In Principle & vol 2: In Practice.](#)

² [The Audit Office of New South Wales 1998, On Board: Guide to better practice for public sector governing and advisory boards.](#)

CHAPTER 3 - RESPONSES OF COMMISSIONER TO QUESTIONS TAKEN ON NOTICE

1. **Were MPs and the Parliamentary administration surveyed as part of the research conducted for *Profiling the NSW Public Sector* report?**

The purpose of the research published as *Profiling the NSW public sector* was to examine functions, risks and corruption resistance strategies in those organisations that constitute the NSW public sector. As there is no single definitive list of NSW government organisations, the ICAC developed a list of appropriate agencies to approach to participate in the project. This was done using a set of existing lists, including Schedules 1 and 3 of the *Public Sector Management Act 1988*, Schedule 3 of the *Public Finance and Audit Act 1983* and the other sources listed on pages 71-72 of the *Profiling the NSW Public Sector* report. The parliamentary administrative bodies listed in these sources, namely the Cabinet Office and the Parliamentary Counsel's Office, were included in the survey.

The Departments of Parliament are not established under statute and are not listed in the sources used to compile the survey list and were therefore not included in the survey.

A randomly selected group of 594 public sector employees (drawn from 20 organisations randomly selected from the organisations included in the survey) was also surveyed in order to obtain information on staff perceptions of corruption risks and awareness of corruption strategies. Apart from this survey group of employees, individuals (including Members of Parliament and Clerks of the Parliament, as well as for example local government councillors) were not surveyed as part of this research.

2. **What agency or agencies were reviewed or surveyed in relation to ministerial gifts and ministerial codes of conduct and were their responses satisfactory?**

The purpose of the research published as *Profiling the NSW Public Sector* was to obtain a comprehensive profile of the functions, corruption risks and prevention strategies in place across the NSW public sector. As such, the survey questions were necessarily broad, and sought information on types of functions, risks and prevention strategies, including codes of conduct and gifts and benefits policies, applicable to organisations.

Organisations were asked five generic questions on gifts and benefits policies and procedures and four generic questions on codes of conduct as they applied to the organisation. Organisations were not asked questions about how their codes and policies apply to individual positions or office-holders (e.g. senior executive staff or Ministers), but rather how they apply to all positions and office-holders.

To ensure full and frank responses, the ICAC gave a firm undertaking that the responses of individual organisations and staff would not be made public. This confidentiality undertaking precludes the ICAC from providing specific details or a qualitative assessment of any

responses received from the Parliamentary Counsel's Office, the Cabinet Office or any other individual respondent organisation.

3. Does the ICAC consider the publication of codes of conduct important in terms of people's behaviour so that people can observe whether their colleagues are behaving ethically? Does it assist with the regular audits that you have talked about?

The ICAC advocates the introduction and implementation of codes of conduct to help build and strengthen organisational integrity and corruption resistance.

In March 2002, the ICAC published *Codes of conduct: the next stage* which emphasises the need for organisations to ensure that existing codes are effective and relevant. The publication recommends that organisations review existing codes for currency, relevance and accessibility and that they ensure that codes are implemented effectively, particularly through incorporation into induction and ongoing training programs.

While *Codes of conduct: the next stage* does not focus on publication as a discrete issue, the ICAC regards it as important that both those whose conduct such a code seeks to regulate and the wider community are made aware of the code and are able to access it easily. Online and/or print publication of codes would assist in promoting awareness of such codes, provided steps are taken to ensure that the published code is promoted and is easily accessible.

In response to the second part of this question, the ICAC undertakes Corruption Resistance Reviews to assess the strength of agencies' key corruption resistance measures and to suggest ways to fill gaps or improve performance. Corruption Resistance Reviews can be conducted at the instigation of the ICAC or at the request of an agency, and include a series of 11 specific questions on codes of conduct. Agencies which do not have their own code of conduct are asked to specify what alternative means they use to provide staff with advice on how to conduct themselves in carrying out their duties.

4. Who has responsibility for administering the ministerial code of conduct?

The responsibility for administering a public sector code of conduct rests with the organisation concerned. In the case of the ministerial code, this responsibility therefore rests with executive government.

The role of the ICAC in relation to such codes of conduct is to ensure that they are adequate in terms of corruption prevention – that is, that they address ethical issues and behaviours that relate to actual or potential corrupt conduct. To this end, the ICAC has published guidelines to assist public sector organisations to develop, implement, review and maintain an effective code of conduct.³ The ICAC also provides advice, both proactively and upon request, to agencies regarding the efficacy and adequacy of their codes of conduct in terms of corruption prevention.

³ ICAC 2002, *Codes of conduct: The next stage*.

In relation to the ministerial code of conduct, in December 1998 the ICAC published the second in a series of three reports on its investigation into parliamentary and electorate travel. This report analysed relevant administrative systems and made a number of specific recommendations for reform, including a specific recommendation that, as a priority, a new Ministerial Code of Conduct should be implemented:⁴

Ministerial Code of Conduct

*Rec 58. As a priority, a new Ministerial Code of Conduct should be implemented. This code should reflect the greater responsibilities and duties of Ministers compared to other Members.*⁵

The Legislative Assembly responded on behalf of the Parliament to each of the ICAC's recommendations. The Parliament's "Current update on implementation of recommendations made on 2nd ICAC report on parliamentary travel as at 23 September 1999" stated that, in relation to Recommendation 58:

In the ICAC's third report on its investigation into parliamentary and electorate travel, published in November 1999, the Commission commented on the Parliament's response as follows:

Commission comment

There has been some confusion in government about the status of the Ministerial Code of Conduct. Initial advice provided by the Premier's Department at the time of the release of the second report was that the Ministerial Code of Conduct ceased to have effect from the time the Member's Code of Conduct was promulgated. This prompted the Commission to make the above recommendation. Recent advice from the Premier and The Cabinet Office is that the Ministerial Code of Conduct is still applicable.

Despite this misunderstanding, it is still important that the revised Ministerial Code, which has been reviewed having regard to the Member's Code, be promulgated expeditiously so there can be no uncertainty or ambiguity about the guidelines that apply to Ministers and the standards of behaviour expected of them by the Premier.

It is understood that the Ministerial Code of Conduct has been reviewed by officers in the Premier's Department and the Cabinet Office and is ready for

⁴ Prior to the development and adoption of the Members' Code of Conduct by both Houses in May 1998, a separate code of conduct applied to Ministers. Subsequently the ICAC was advised that, in accordance with a previous determination of the Premier, the Ministerial Code of Conduct had been subsumed by the Members' Code of Conduct "for the time being" and that a new Ministerial Code of Conduct was being developed by the Premier's Department.

⁵ ICAC 1998, *Investigation into Parliamentary and Electorate Travel: Second Report: Analysis of administrative systems and recommendations for reform*, pp. 49-50.

consideration by Cabinet. The recommendation suggested that some priority be given to issuing a new Ministerial Code.

It would now appear to be a matter for Cabinet to give the issue of the Ministerial Code some priority in Cabinet deliberations.⁶

In February 2002 the Commissioner wrote to the Director General of the Premier's Department seeking advice on the implementation of the three recommendations which the Parliament had indicated were the responsibility of the Executive. These related to the composition of the Parliamentary Remuneration Tribunal, the form of the Oath of Allegiance taken by Members of Parliament and the Ministerial Code of Conduct.

In her letter, Commissioner Moss emphasised that "While the priority given to the implementation of recommendations is ultimately a matter for the agency concerned, I would point out in this instance that the recommendation concerning the Ministerial Code of Conduct does bear upon the Commission's capacity to make findings of corrupt conduct, having reference to s.9 of the *Independent Commission Against Corruption Act*."

The Director General of the Premier's Department replied on 18 June 2002, informing the Commissioner that the Ministerial Code of Conduct was discussed with the Cabinet Office and that "there has been no change in the relevant arrangements in the past year."

The ICAC initially expressed concern in 1998 that Ministers were not at that time covered by a Ministerial Code of Conduct and that "the adoption of a code of conduct by all Members should not result in a diminution in the standards of behaviour expected of Ministers, whose duties are more extensive than those of other Members, and whose access to and control of public funds is far greater than is the case for those Members".⁷ The ICAC has subsequently reiterated these concerns.

While the adoption of a Ministerial Code of Conduct is ultimately a matter for executive government, the ICAC reiterates its view that a Ministerial code which provides greater assistance to Ministers in dealing with conflicts of interest, including requiring a higher level of disclosure of such conflicts and a higher threshold of responsibility, would constitute an important corruption prevention measure and would assist in the implementation of the ICAC Act.

⁶ ICAC 1999, *Investigation into Parliamentary and Electorate Travel: Third Report: Monitoring report on the implementation of recommendations relating to the administrative systems operating within the NSW Parliament*, pp. 37-38.

⁷ ICAC 1998, *Investigation into Parliamentary and Electorate Travel: Second Report: Analysis of administrative systems and recommendations for reform*, pp. 49-50.

5. Has the ministerial code of conduct been prescribed or adopted by the regulations and if so, when?

No such prescription or adoption has been effected.

Therefore, only the Members' Code is currently an applicable code for the purposes of the *Independent Commission Against Corruption Act 1988*. Section 9 of the ICAC Act stipulates that a ministerial code must be prescribed or adopted by regulation in order to be regarded as an applicable code for the purposes of the Act.

APPENDIX A – SUBMISSIONS MADE UPON THE REPORT

- PSPR 001** Mr Landon Burch.
- PSPR 002** Mr. Brian Gilligan, Director-General, NSW National Parks and Wildlife Service.
- PSPR 003** Mr. Jon Blackwell, Chief Executive Officer, Work Cover.
- PSPR 004** The Hon. John Hatzistergos MLC, Minister for Justice.
- PSPR 005** The Hon. Michael Egan MLC, Treasurer.
- PSPR 006** The Hon. Dianne Beamer MP, Minister for Juvenile Justice.
- PSPR 007** The Hon. Kerry Hickey MP, Minister for Mineral Resources.
- PSPR 008** Mr. John Evans, Clerk of The Parliaments, and Mr. Russell Grove, Clerk of the Legislative Assembly, New South Wales Parliament.
- PSPR 009** Ms Jennifer Westacott, Director General, Department of Infrastructure, Planning and Natural Resources.
- PSPR 010** Dr Angela Gorta.
- PSPR 011** The Hon. Carl Scully MP, Minister for Roads.
- PSPR 012** Mr Loftus Harris, Director General, Department of State and Regional Development.
- PSPR 013** The Hon. Carl Scully MP, Minister for Housing.
- PSPR 014** The Hon. Carmel Tebbutt MLC, Minister for Ageing, Minister for Disability Services.
- PSPR 015** The Hon. Carmel Tebbutt MLC, Minister for Community Services.
- PSPR 016** Hon. Dr Andrew Refshauge MP, Deputy Premier and Minister for Education and Training.
- PSPR 017** Mr Robert McGregor, Acting Director-General, NSW Health.
- PSPR 018** The Hon. Tony Kelly MLC, Minister for Local Government.
- PSPR 019** The Hon. Frank Sartor MP, Minister for Energy and Utilities.
- PSPR 020** Mr Steve Dunn, Director-General, NSW Fisheries.

- PSPR 021** The Hon. Reba Meagher MP, Minister for Fair Trading.
- PSPR 021.1** Ms Kate McKenzie, Director-General, Department of Commerce.
- PSPR 022** The Hon. John Watkins MP, Minister for Police.
- PSPR 023** Mr Warwick Watkins, Director General Department of Lands.
- PSPR 024** The Hon. Sandra Nori MP, Minister for Tourism and Sport and Recreation,
Minister for Women.
- PSPR 025** The Hon. Michael Costa MLC, Minister for Transport Services.
- PSPR 026** Mr Laurie Glanfield, Director General, Attorney General's Department.

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603/1269

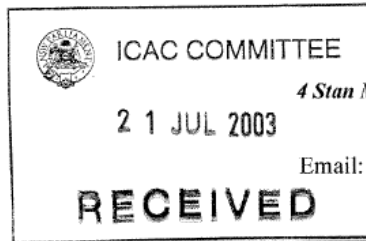
Page 1 of 1
PSPR 001

Internet Mailbox ICAC Committee - NSW PUBLIC SECTOR PROFILE - COMMENT

From: "Joan Mary BURCH" <lrjmb@hinet.net.au>
To: <icac@parliament.nsw.gov.au>
Date: 20/07/2003 2:07 PM
Subject: NSW PUBLIC SECTOR PROFILE - COMMENT

acknowledged
Jan 20/7/03

02 4861 4031



4 Stan McCabe Place
Bowral NSW 2576
Australia
Email: lrjmb@hinet.net.au

20 July, 2003

The Chairman
ICAC Committee
Parliament House
SYDNEY

Dear Sir:

NSW PUBLIC SECTOR PROFILE:
Functions, risks and corruption resistance strategies
COMMENT

The simple answer to the problem of crime and corruption in our society is the fact that Western societies are based on unrestrained permissive freedom which leads to moral degeneracy, particularly in the pursuit of wealth, pleasure and vulgar entertainment.

Unless people can be convinced that freedom, bereft of the highest possible social values is, in the long term, self-destructive, crime and corruption will escalate.

Yours sincerely,

Landon R Burch.

ICG191
C03/1496

HSPK 002

Our Ref: RML 03/02386



The Hon Kim Yeadon MP
Chairman
Committee on the
Independent Commission Against Corruption
Parliament House
Macquarie Street
SYDNEY NSW 2000

NSW
NATIONAL
PARKS AND
WILDLIFE
SERVICE

ABN 30 841 387 271

Inquiry into the Report of the Independent Commission Against Corruption on the NSW Public Sector Profile: Functions, risks and corruption resistance strategies

The Minister for the Environment, the Hon R J Debus, MP, has asked me to make a submission about the subject report to the Committee on behalf of the National Parks and Wildlife Service (NPWS).

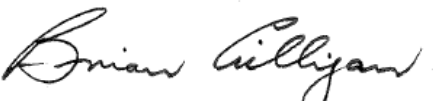
Officers of the Strategic and Executive Services Unit (SESU) have reviewed the report on my behalf. The SESU is responsible directly to the Director General for the NPWS corporate governance program.

In NPWS, we recognise managing corruption risks is a crucial element of corporate governance. I am pleased to say that a preliminary assessment indicates that NPWS has already implemented many of the report's recommendations. However, we also recognise that there is always room for improvement. To this end, the report contains insights and pointers to help identify and deal with corruption risks.

This report is a welcome addition to the extensive range of resources already available from the Independent Commission Against Corruption and will be useful in future corporate governance initiatives in NPWS.

Enquiries about this response can be directed to Mr Peter Stathis on 9585 6566.

Yours sincerely


Brian Gilligan
Director-General
18.8.2003.

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Fax: (02) 9585 6555
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Ref: 2001/010953
WC01062/03

ICC 141
003/1586

PSPR 003
Acknowledged
Jan 8/9/03

The Hon Kim Yeadon MP
Chairman
Committee on the Independent Commission Against Corruption
Parliament of New South Wales
Macquarie Street
SYDNEY NSW 2000

Dear Chairman

I refer to your correspondence of 28 July 2003 to the Hon J J Della Bosca MLC, Minister for Commerce, seeking submissions to the Inquiry into the Report of the Independent Commission Against Corruption on the New South Wales Public Sector Profile: Functions, Risks and Corruption Resistance Strategies. The Minister has asked me to respond.

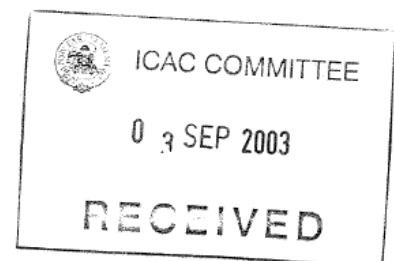
While WorkCover has no specific submission to make to the Inquiry, it found the Commission's report to be informative and valuable in assisting to continue to develop effective corruption resistance strategies.

During 2001, the Commission conducted a WorkCover Corruption Resistance Review. Following the review, the Commission made 32 recommendations for change to improve WorkCover's corruption resistance. A number of those recommendations are similar to the ones contained in the Public Sector Profile Report. WorkCover is currently in the process of implementing all of the recommendations.

WorkCover welcomes the opportunity for further input and consultation with the Commission and looks forward to the findings of the Committee.

Yours sincerely

Jon Blackwell
Chief Executive Officer



WorkCover. **Watching out for you.**

WorkCover NSW ABN 77 682 742 966 92-100 Donnison Street Gosford NSW 2250 Locked Bag 2906 Lisarow NSW 2252
Telephone 02 4321 5000 Facsimile 02 4325 4145 WorkCover Assistance Service 13 10 50
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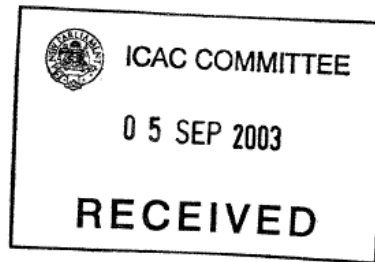


New South Wales
Minister for Justice

Advised
Jan
8/9/03

The Hon Kim Yeadon, MP
Chairman
Committee on the Independent Commission
Against Corruption
Parliament House
Macquarie Street
SYDNEY NSW 2000

- 1 SEP 2003



Dear Mr Yeadon

Re: Inquiry into the Report of the Independent Commission Against Corruption on the NSW Public Sector Profile: Functions, Risks and Corruption Prevention Strategies

I refer to your letter of 24 July, and am pleased to provide the following information.

The Department of Corrective Services is one which, given the nature of the services provided, is constantly alert to the potential for corruption. Essentially, the Department has a close working relationship with the Independent Commission Against Corruption (ICAC) and has established a Probity and Performance Management Division to promote an ethical culture within the Department.

This report, like most material emanating from the ICAC, has been constructive and helpful to, and has been widely distributed within the Department of Corrective Services. I have included a copy of a letter written by the Commissioner of the Department to the Commissioner of the ICAC, sent at the time of publication, in order to identify the Department's response. However, should your Committee require any additional information, please do not hesitate to contact Executive Director, Probity and Performance Management Division, Mr Michael Woodhouse, on 9289 3950.

Yours faithfully

John Hatzistergos

GPO BOX 5341, SYDNEY. NSW 2001

COPY

CO 03/0242

New South Wales Government

Department of Corrective Services



Ms Irene Moss AO
Commissioner
Independent Commission Against Corruption
GPO Box 500
Sydney NSW 2001

Roden Cutler House
24 Campbell Street
Sydney N.S.W. 2000

Telephone: (02) 9289 1333
Facsimile: (02) 9289 1010
DX: 22

Dear Ms Moss

Our Reference:

Your Reference:

Re: *Profiling the NSW Public Sector* research report

I write to thank you for your organisation's publication *Profiling the NSW Public Sector*. The results of research on the NSW public sector were most interesting and the summary of corruption prevention strategies was particularly valuable.

All members of the Board of Management of the Department of Corrective Services, and all senior managers, have been notified by e-mail of the publication of the report and have been strongly encouraged to read it in detail. An electronic link to the report on the ICAC website was also provided for their convenience.

The Department's library has been asked to ensure that copies of the report are made available to all staff for borrowing or research.

The Corruption Prevention Branch will incorporate some of the findings of the report into a magazine format for electronic distribution to all staff of the Department. The magazine will concentrate on the differences identified by the research between attitudes to corruption prevention of management and of other staff in NSW public service organisations.

In light of the importance of the integrity of recruitment and promotion processes within the organisation, reference will also be made in the magazine to your advice in *Recruitment and Selection; Navigating the best course of action*. The use of ICAC material has also been discussed with Dr Angela Gorta who will be provided with the magazine when it is released.

Once again, thank you for this valuable publication which will be of considerable use to corruption prevention within the Department of Corrective Services.

Yours sincerely

RON WOODHAM

Commissioner

25 March 2003



INDEPENDENT COMMISSION AGAINST CORRUPTION

File No: 113103
No: 1614

Our Ref: Z01/0189

Mr R Woodham
Commissioner
Department of Corrective Services
Level 19 Roden Cutler House
24 Campbell Street
SYDNEY 2000

Dear Mr Woodham.

RE: Profiling the NSW Public Sector research report

In early February this year I wrote to advise you of the release by the Independent Commission Against Corruption of a major research report, *Profiling the NSW Public Sector - functions, risks and corruption resistance strategies*.

The report is based on extensive research conducted by the ICAC in 2001-02 to survey and analyse corruption risks and corruption prevention strategies across the NSW public sector. The project involved Chief Executive Officers, Chairpersons and staff from more than 260 organisations and I would like to thank those individuals for their involvement.

Profiling the Public Sector is now available in printed form and I take pleasure in providing you with a copy for your perusal. The report is also available on the ICAC website (www.icac.nsw.gov.au) and additional copies of the printed report are available from the ICAC on request.

The ICAC is providing copies of this report to all NSW public sector agencies and to those boards and committees approached to participate in the research to enable individual organisations to compare their position with the rest of the sector. The benefits of such comparison include being able to decide where corruption resistance needs further development as well as to identify those areas where an organisation's existing controls represent best practice.

The report is specifically intended to assist public sector managers and internal auditors who have responsibility for ensuring that risk is identified, monitored and effectively dealt with. It provides a number of specific recommendations (summarised in the report's Executive Summary) and resource lists to assist organisations to manage identified corruption risks.

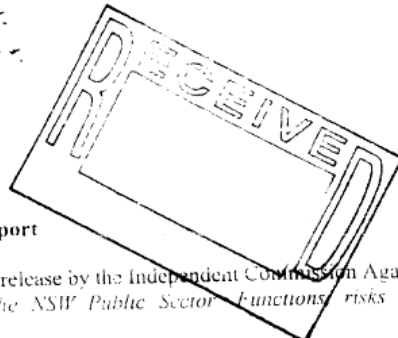
For its part, the ICAC is continuing to analyse the information that has been collected and will use the information provided by organisations and staff to identify areas of the public sector in need of assistance to build and sustain corruption resistance.

I hope you will find this report informative and useful. A feedback sheet is enclosed with the report and we would welcome any feedback you care to provide.

Yours sincerely

Irene Moss AO
Commissioner

28 February 2003



ALL CORRESPONDENCE TO C/O BOX 500 SYDNEY NSW 2001
TELEPHONE (02) 8281 5999 FACSIMILE (02) 9264 5364
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ELECTORATE OFFICE

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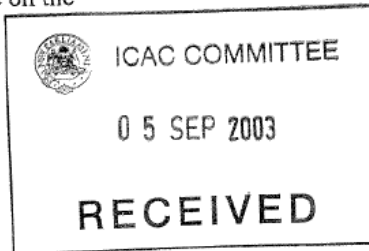


Advised
8/9/03

Treasurer of New South Wales
Australia

THE HON. K. M. YEADON, MP.
Chairman
Inquiry into the Report of the ICAC on the
NSW Public Sector Profile
Parliament of New South Wales
Macquarie Street
SYDNEY 2000

Daniel Quinn
9228 4075
M67917



28 AUG 2003

Dear Chairman

**Inquiry into the Report of the Independent Commission Against Corruption
On the NSW Public Sector Profile: Functions, risks and corruption resistance strategies**

I am writing in response to your letter dated 28 July seeking appropriate submissions from Departments under my administration in respect of the above inquiry. I have attached Treasury's assessment of its progress against each of the recommendations provided in the report.

As you are aware, Treasury is comprised of the Office of Financial Management and the Office of State Revenue. As the corruption prevention context is different for these organisations, separate comments are provided for each Office.

From an overall perspective, the document is seen as an excellent benchmark for assessing an agency's formal and informal risk resistance and prevention strategies. It recognises that no one strategy working in isolation is effective and provides linkages between risk management, audit and corporate governance. In terms of the recommendations, Treasury has adopted or is in the process of integrating all recommendations into its overall corruption resistance approach.

Thank you for the opportunity to comment on the Inquiry. Should the Committee require any further information, the relevant contact within Treasury is Daniel Quinn on telephone 9228 4075.

Yours sincerely

Michael Egan
Treasurer

Treasurer, Minister for State Development, Leader of the Government in the Legislative Council and Vice-President of the Executive Council.
Level 33, Governor Macquarie Tower, 1 Farrer Place, Sydney 2000. Telephone: (61 2) 9228 3535 Facsimile: (61 2) 9228 3476

Assessment of Progress in Recommended Areas

Overview

NSW Treasury is comprised of the Office of Financial Management (OFM) and the Office of State Revenue (OSR). OSR incorporates the State Debt Recovery Office (SDRO). Both Offices apply sound corporate governance and corruption resistance strategies at all levels of their business.

Fraud prevention and corruption resistance responsibilities are assigned to senior officers with direct reporting lines to the Executive of each Office. Management of the activities are closely linked to the respective audit programs. A brief assessment against each recommendation is provided below:

1. Regularly review corruption risks

OFM incorporates corruption risk management into the internal audit program and maintains an ongoing review of corruption risks. Particular attention is paid to potential conflicts of interest in information and relationship management.

OSR has adopted a risk management strategy, with a focus on risk exposure, which is currently applied to major projects. Internal audit activities incorporate a risk approach, and it is intended that fraud risks identified by the above strategies will drive the Fraud Prevention plan.

2. Compare risks with risks identified by similar organisation

This strategy has not been adopted within OFM. It will be incorporated into the OSR approach to fraud prevention and risk management.

3. Use the examples of high-risk functions as an aid to identify their own corruption risks

OFM already pays particular attention to the risk areas of 'allocating grants of public funds' and 'having regular dealings with the private sector.' Controls and obligations on staff are in place in respect of these activities. The recommendation will be incorporated into the OSR approach to risk management.

4. Identify and document risks and incorporate corruption risk management into broad risk management strategy

Formal documentation of risks is not undertaken by OFM. This approach is currently being employed by OSR.

5. Organisations which do not have an existing code of conduct should develop one as a matter of priority

Not applicable – Codes of Conduct are already in place in both OFM and OSR.

6. Review the adequacy of the Code of Conduct every two years

A review of OFM's Code of Conduct is conducted at least every two years as part of a rolling review of all OFM policy documents.

In terms of OSR, the document is seen as a "living document" and as such is subject to revision as the need arises. The last time it was revised was in June, 2001. It is currently in need of revision as OSR has taken on new business in the form of the State Debt Recovery Office and as from October, 2003 will be responsible for the Infringement Processing Bureau.

7. Reviews of the Code of Conduct to consider staff suggestions on improvement

OFM has recently completed across the board training in its Code of Conduct. Suggestions coming from the training will be incorporated at the next review. OSR will ensure that the staff consultative forum will play a role in the code's revision.

8. Review the adequacy of Code of Conduct training at least every 2 years

OFM required all staff to attend two half day sessions on corruption, ethics and the Code of Conduct in July / August of this year. Future training will be incorporated into the learning program. OSR will ensure that this matter will be built into their learning program.

9. Develop gifts and benefits policies and procedures where they are not in place

Not applicable – these are already in place in both Offices.

10. Establish a gifts register as a supplementary strategy to deal with gifts and benefits

Not applicable – these are already in place in both Offices.

11. Ensure that employees are aware of and understand applicable gifts and benefits policies and procedures through training and/or employee declarations that they have read and understand the policies and procedures.

The recent training in OFM included a discussion on the acceptance of gifts and benefits. Staff registering an intention to accept gifts and benefits are counselled on the requirements of the policy and the requirements have been incorporated into the induction program. OSR keeps records of who attends induction programs however, will consider the adoption of the recommendation when the revised code is launched sometime into the future.

12. Educate clients and potential contractors and suppliers about gifts and benefits policies and procedures

Adoption of this recommendation will be considered by OFM. Recent non acceptance of hospitality by Treasury officers has served as an opportunity to educate those clients as to what is acceptable. In terms of OSR, the recommendation is difficult to implement in the way it is

worded. OSR has copies of the Code in its regional offices and it is on its external website. Long term contractors are given an induction session in which the code is touched on.

13. Develop IT security plans as a component of their general security or risk management plans as part of general compliance monitoring programs.

Both Offices are currently developing a comprehensive information security plan. The first stage was the conduct of a risk analysis. The plan will involve a revision of policies already in place and awareness/educations programs.

14. Educate staff about their role and responsibilities in IT information security management. Staff awareness campaigns should cover:

- *an overview of applicable IT security policy and compliance monitoring*
- *the value of data held by the organisation*
- *active password control*
- *electronic delegations*
- *information classification*
- *record keeping*

Training will be conducted for all OFM staff in September / October 2003. OSR will take up the matters as part of its information security plan.

15. Ensure staff participating in recruitment selection panels have received training on how to identify and manage conflicts of interest and other ethical dilemmas

These requirements are outlined to OFM staff in the Recruitment Policy and other recruitment documentation. Training already in place in OSR. Staff are required to have a refresher every two years. Panel members are required to make a declaration where a conflict may be present.

16. Consider how to use the opportunities present by the recruitment process – such as including comment on ethical work practices in job advertisements, job descriptions, job selection criteria and asking job interview questions related to ethical work practices – to promote their ethical standards and commitment to minimising corruption

Although the recommendation is laudable, it is not considered feasible as strict guidelines apply to the size of public sector job advertisements. If there was reference to ethical behaviour in the body of each advertisement some other comment would suffer. A better approach would be to rely on the reference to Ethical Practice under Common Selection Criteria that is in the front of the Public Sector notices. Applicants called for interview could then be asked questions revolving around ethical behaviour and associated issues. The other suggestions have been referred to OSR's Human Resource Section for consideration.

17 – 22 Contract Administration

These recommendations are seen as appropriate and will be considered by the relevant contract managers in OFM and OSR for inclusion in contracts or other documentation as appropriate.

23. Provide and promote information to all those that undertake work within the organisation (including short-term staff, specialist staff, board members, consultants and private sector contractors) on;

- **organisational values**
- **public duties**
- **conflicts of interest and other corruption risks that they are likely to face in their role and how best to manage these risks**

This issue is largely addressed via promotion of each Office's values and through the Code of Conduct which is identified to new staff / contractors.

24. Ensure staff at different worksites (especially in organisations that are large and decentralised) are provided with the same access to information

This already occurs at OSR – head office and regional offices and SDRO are treated no differently. There are no regional offices at OFM.

25. Small organisation audit procedures

This does not relate to OFM or OSR. OSR is in the mid to large category and both Offices have audit programs.

26. Organisations ensure that their risk management strategies inform their audit plan and that the results of audits are acted upon to improve organisational processes and performance.

Already in place for both Offices.

27. Ensure all employees are aware of the Protected Disclosures Act, 1994 and specific internal reporting procedures

There are specific sections in the Codes of Conduct for both Offices which refer to protected disclosures and internal reporting. These documents are further supported by administrative policy documents. Induction, orientation and staff awareness sessions make special reference to Protected Disclosures.

28. Ensure that internal reporting mechanisms are effective and include protection for those that use them

Procedures are in place and are consistent with the above recommendation. Procedures are documented in the form of an administrative policy circular which is available to all staff on the Intranets of each office.



ICCA1
C03/1621

PSPR 006
Acknowledged
Jan
8/9/2003

Minister for Juvenile Justice
Minister for Western Sydney
Minister Assisting the Minister for
Infrastructure and Planning (Planning Administration)

RML: 03-0220

Hon Kim Yeadon MP
Chairman
Committee on the Independent Commission Against Corruption
Parliament of New South Wales
Macquarie Street
Sydney NSW 2000

28 AUG 2003

Dear Mr Yeadon

Kim

Thank you for your invitation to make a submission to the Inquiry into the ICAC Report on Public Sector Profile. I have enclosed the Department of Juvenile Justice's submission to the Committee.

Following the release of the ICAC Report, the Department's Fraud Control and Risk Management Committee examined the Report's findings and recommendations with a view to their implications on juvenile justice administration. Of particular relevance to the Department were the following identified high-risk functions:

1. Allocating grants of public funds
2. Providing assistance or care to the vulnerable or disabled
3. Making determinations/handing down judgments about individuals or disputes
4. Testing urine from people
5. Undertaking construction
6. Having regular dealings with private sector other than for the routine purchasing of good and services

The task ahead for the Department is to adopt the 7-step risk management process also identified in the ICAC Report and use it to methodically address the high-risk functions undertaken by the Department.

In summary, the Department of Juvenile Justice regards the ICAC Public Sector Profile Report as useful in affirming the actions so far taken and in guiding its future directions and priorities.

Yours sincerely

The Hon Diane Beamer MP

Level 33, Governor Macquarie Tower,
1 Farrer Place, Sydney NSW 2000
Tel: (02) 9228 4130 Fax: (02) 9228 4131
Email Address: office@beamer.minister.nsw.gov.au



Department of Juvenile Justice

Submission To Parliamentary Inquiry into the Report of the ICAC on the NSW Public Sector Profile: Functions, risks and corruption strategies

In response to an invitation to the Minister of Juvenile Justice, the Hon Diane Beamer MP from the Chairman of the Parliamentary Committee on the Independent Commission Against Corruption, the Hon Kim Yeadon MP, the Department of Juvenile Justice (DJJ) has prepared this submission. It contains the Department's view of the ICAC Report and how it has been used as a springboard for renewed assessment.

Relevance of research

Although the ICAC Report warns of the limitations of the research, the relevance to the DJJ was still high. It recognised that Public Sector agencies, by virtue of their existence, are accountable for the fair and effective administration of its funds, buying power and jurisdiction over the quality of life of vulnerable or at-risk persons. In terms of DJJ, the ICAC Report was timely, in that, it provided a comprehensive resource document on which to refer for guidance and confirmation of existing policies and procedures.

Utility to Department of Juvenile Justice administration

- The 7-step risk management process identified in the ICAC Report has been adopted in DJJ in the past to identify risks. Once again, the application of the risk management approach to new or revised processes adopted within DJJ will provide staff with the assurance of safety and security against risk.
- The ICAC Report also listed high-risk functions in the Public Sector and provided an easy-to-use checklist. Using these tools, the Department identified six (6) functions, which are listed in the section below (Implications for DJJ).
- Other useful information the Report imparted, which are noted for future attention, included the differences between staff and organisation perception of major risk areas.

Implications for DJJ

Of the high-risk functions listed by the ICAC profile, the following are conducted in DJJ:

- 1 Allocating grants of public funds
- 2 Providing assistance or care to the vulnerable or disabled
- 3 Making determinations/handing down judgements about individuals or disputes
- 4 Testing urine from people
- 5 Undertaking construction
- 6 Having regular dealings with private sector other than for the routine purchasing of goods and services

Armed with this list of potential high-risk functions, DJJ now has a map to follow in allocating resources to addressing associated risks and applying the 7-step risk management process to those functions that have not been adequately addressed.

Already, a risk management approach has been taken in the implementation of urinalysis and in the management and custody of young people in the Department's care.

Future directions for corruption resistance in DJJ

Management and staff in DJJ are fully aware that vigilance against fraud and corruption cannot be downplayed. The DJJ Fraud Control and Risk Management Committee is charged with developing a program of initiatives and review responsibilities which will chart this Department's fraud control and corruption resistance activities in the foreseeable future.

ICCA1
C03/1622

PSPR007
Acknowledged
Jan
8/9/03



New South Wales

The Hon. Kerry Hickey MP
Minister for Mineral Resources

MMIN030374
M03/0267

27 AUG 2003

The Hon Kim Yeadon MP
Chairman, ICAC Committee
Parliament House
Macquarie Street
Sydney NSW 2000

Dear Mr Yeadon

I refer to your recent invitation to provide a submission to the public inquiry into the findings of the ICAC Report "Profiling the NSW Public Sector: Functions, Risks and Corruption Resistance Strategies".

I have been advised by my department and agencies (Department of Mineral Resources, Coal Compensation Board and the Mine Subsidence Board) that a review of the research report has been done and that the report was useful in providing guidance on corruption resistance strategies. The range of issues covered was comprehensive and I have been advised that there is nothing further that could be suggested.

I would like to take this opportunity to congratulate the ICAC on their work in educating public sector staff and the public on corruption resistance strategies and support their efforts in maintaining the integrity of the public sector.

If your office requires any further information on this matter, your staff can contact Ms Siobhan Barry, Policy Adviser, in my office on (02) 9372 0123.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Kerry Hickey', written over a white background.

Kerry Hickey
MINISTER

Level 17, 157 Liverpool Street, Sydney NSW 2000
Phone: (61 2) 9372 0123 • Fax: (61 2) 9372 0199

RUSSELL D. GROVE
CLERK OF THE LEGISLATIVE ASSEMBLY



NEW SOUTH WALES
PARLIAMENT

ICCAI
C03/1623

PSPK 008

JOHN EVANS
CLERK OF THE PARLIAMENTS

Advised
Jan 8/9/03

2 September 2003

The Hon. Kim Yeadon MP
Chairman, Committee on the Independent Commission Against Corruption (ICAC)
Parliament House
Macquarie St
SYDNEY NSW 2000

RE: Inquiry into the Report of the Independent Commission Against Corruption on the NSW Public Sector Profile: Functions, risks and corruption resistance strategies.

Dear Mr Yeadon

I refer to your recent letter regarding the ICAC Committee public hearing into the findings of the ICAC Report on the NSW Public Sector, incorporating functions, risks and corruption.

You have invited us to make an assessment of performance against the findings of the Report, and identify areas where further improvements can be made to improve corruption resistance.

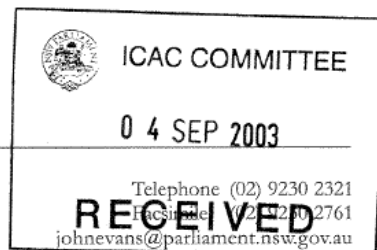
The opportunity to conduct this assessment has been taken by both the Legislative Council and the Legislative Assembly. A joint submission has been prepared and is attached for the information of the Committee.

It is hoped that this information is of assistance to the Committee.

Yours sincerely

John Evans
John Evans
Clerk of the Parliaments

Russell D Grove
Russell D Grove
Clerk of the Legislative Assembly



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Macquarie Street, Sydney
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john.evans@parliament.nsw.gov.au

SUBMISSION FROM NSW PARLIAMENT:

**INQUIRY BY COMMITTEE ON THE ICAC REPORT ENTITLED
*PROFILING THE PUBLIC SECTOR FUNCTIONS, RISKS AND CORRUPTION
RESISTANCE***

The Report provides a useful opportunity for the Parliament to learn from the experiences of other public sector organisations in relation to risk identification and prevention, to reflect on its own levels of exposure to particular risks, and to compare its own efforts in managing those risks against the standards of the rest of the public sector. Further, the Report is useful in highlighting particular high-risk areas where problems have arisen in practice elsewhere, including new and emerging areas. In addition, even in areas where recommended strategies are already in place in the Parliament (see below), the results of the survey, and the recommendations made, reinforce the importance of vigilance in monitoring and reviewing risk management practices, as the Report itself acknowledges.

Having said that, the Parliamentary departments do not engage in any of the “high-risk functions” identified in the Report with the exception of cash handling, and most the ICAC’s recommendations are already being addressed by current initiatives. In that regard, it should be noted that although the Parliament is not subject to most of the administrative policies and guidelines which apply across the public sector, it voluntarily complies with such measures in the majority of cases.

Actions recommended in the Report which are already addressed by the Parliament include:

- Risk Assessment Review completed for 2002-2003 that addressed areas of risk that are unique to the Parliament and are not experienced across the public sector.
- Implementation of a program of regular risk management audits.
- A review of codes of conduct for both houses, resulting in the development of a joint code of conduct for staff and code of conduct for Member’s staff. Both codes are in the process of being finalised.
- A review of the Legislative Council’s recruitment processes and delivery of recruitment and selection training for committee members.

However, there are a number of specific issues identified in the Report which may warrant further consideration by the Parliament, with a view to enhancing the effectiveness of current strategies. These issues relate to:

- Establishment of a gift register
- Engagement of ICAC to present forums/seminars that will educate and inform staff on ethical issues, protected disclosures and the code of conduct
- Periodic reminders for staff of relevant Parliament House Policies such as Internet and Email Usage policy and the Protected Disclosures Policy and delivery of refresher training where appropriate.

ICC 141
C03/1624

PSPR 009

Acknowledged
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8/9/03 D03/2484



NEW SOUTH WALES
DEPARTMENT OF
INFRASTRUCTURE, PLANNING AND
NATURAL RESOURCES

Office of the
Director-General

The Hon. Kim Yeadon MP
Chairman
The ICAC Committee
Parliament House
Macquarie Street
Sydney NSW 2000

Dear Minister

Inquiry into the Report of the Independent Commission Against Corruption on the NSW Public Sector Profile: Functions, Risks and Corruption Resistance Strategies

I refer to your letter to the Hon Craig Knowles MP, Minister for Infrastructure and Planning and Minister for Natural Resources concerning the ICAC Committee's public hearing into the findings and recommendations from the above report. The Minister has asked me to reply on his behalf.

We believe the report provides a useful snapshot of the range of functions, corruption risks and the corruption prevention strategies across the NSW public sector. The resources identified in the report and its 29 recommendations provide a practical tool to identify and benchmark our management of risk and to build corruption resistance.

The former Department of Land and Water Conservation had discussed the report at its audit committee meeting and had adopted or was moving to adopt all of the recommendations made in the report. With the creation of the new Department of Infrastructure, Planning and Natural Resources, the opportunity is being taken to revisit policies, practices and procedures to ensure that the issues raised are addressed. Internal Audit had commenced a fraud risk assessment in the Transport, Infrastructure and Planning side of the new department which will now be extended to the whole of the new department.

All policies and procedures will be documented and available for staff on the Department's Intranet. Policies will be brought to the attention of clients, contractors and service providers to ensure compliance with ICAC recommendations. Particular attention will be given to enhancing the Code of Ethics and Conduct and the Induction Program and Supervisor Training Programs will be strengthened to incorporate important aspects of the ICAC report.

Should you require further information please contact Mike Barry, General Manager Internal Audit on 02 9228 6358.

Yours sincerely

Jennifer Westacott
Director General

21/8/03

23-33 Bridge Street Sydney NSW 2000 G.P.O. Box 39 Sydney 2001
Telephone: (02) 9228 6111 International: (61 2) 9228 6111 Facsimile: (02) 9228 6191

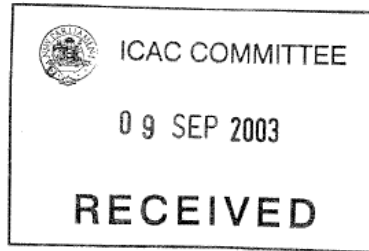
ICCA1
003/1634

PSPR 010

Advised
ETA

Dr Angela Gorta
17 Balfour St
Lindfield
NSW 2070
7th September 2003

9/9/03



Submission re 'NSW Public Sector Profile: Functions, and corruption risk strategies'

Dear Ian Faukes

I apologise for the lateness of this submission. I came across my copy of the notice calling for submissions when I was cleaning up this evening and thought that I would draft a brief submission for the Parliamentary Committee's inquiry into this report.

From the outset I need to advise that, as the person primarily responsible for the design of this research¹, analysis of the information collected and as one of those responsible for drafting the report, my views are likely to be biased in favour of the research.

Overview of the research

In summary the research takes the (public sector) organisation as its unit of analysis and involves identifying corruption risks by:

- examining the nature of the work the organisation undertakes
- asking those who know the organisation the best what they consider the corruption risks to be
- identifying the corruption prevention strategies in place, and
- examining staff awareness of relevant policies and practices.

Individual public sector organisations were used as the unit of analysis in this approach because they are in the best position both to describe the issues they are facing and to implement strategies to develop and sustain their capacity to resist corruption.

The approach, described in this report, does *not* seek to quantify the amount of corruption that occurs. Instead, it identifies opportunities for corruption (or corruption risks), which is the first step in devising effective strategies to increase corruption resistance. A greater number of risks does not necessarily result in more corruption occurring – it all depends upon how the risks are managed.

Internationally the issue of methodology for measuring corruption is being given increasing attention. There is no consensus on the best ways to do this (or even on the extent to which such measurement is possible). The development of a corruption risk

¹ The design of any large project such as this one is passed on a collaborative effort. I consulted widely in determining the design.

profile, as outlined in this ICAC report, provides a very different type of empirical approach to those taken so far. By focusing on corruption risks, rather than say analysing allegations of corruption, this research is providing a proactive methodology for prioritising where to most effectively place the limited available resources to reduce corruption. Corruption risk areas are of interest because they present opportunities for minimising corruption and building corruption resistance.

The approach described in this report relies on the collection of a structured set of information from each individual organisation that can be used to develop a corruption risk profile of the individual organisation or can be combined to form a profile of groups of related organisations (e.g., universities, area health services, etc) or of the entire sector. This, in turn, can be used to identify how and where to intervene to make the organisation more corruption resistant.

The broad aim of this research was to identify opportunities where future intervention, both by individual organisations and by the ICAC, is likely to be most effective.

The NSW public sector is very diverse in the functions it performs. Another of the aims of this work is to gain a better understanding of how corruption risks and issues differ among public sector organisations so that the ICAC can tailor its efforts to cater for these differences.

I consider that the research described in the ICAC report, *NSW Public Sector Profile: Functions, risks and corruption resistance strategies*, provides a useful tool to assist in minimising corruption in and affecting the NSW public sector. It provides separate but related benefits to both NSW public sector organisations and to the ICAC. As is noted in the report, like other surveys, this methodology has its limitations.

For brevity, I shall summarise these benefits in point format.

Benefits to NSW Public Sector

a) *Promoting discussion of corruption and corruption risk areas*

- I have found that conducting corruption-related surveys has an impact in its own right. The very asking of people about corruption risks and prevention strategies promotes discussion. Several of those with whom I piloted the organisational questionnaire commented on this.
- The very introduction of the concept of 'high-risk functions' tends to promote discussion of corruption risks because it gives organisations another way to think about the work they do and the corruption risks they may face.
- The responses concerning perceived corruption risk areas are useful, not to say whether perceived risks are right or wrong, but to promote further discussion about the major corruption risks facing organisations. Failure to recognise the potential risks faced by an organisation is a significant risk in itself.

b) *Providing tools and resources for use by public sector organisations*

- The findings can assist public sector managers and internal audit managers who have responsibility for ensuring that risk is identified, monitored and effectively dealt with to ensure that their own corruption risk assessment is comprehensive. Public sector managers can assess their own organisation against the findings, and identify areas where further improvements can be made to improve their organisation's 'corruption resistance'.
- Defining the high-risk functions assists in alerting organisations to the unique corruption opportunities that characterise these functions and the need to address them. It also provides the starting point for a way of structuring a step-by-step process of thinking about managing the risks associated with these functions. For each high-risk function we recommended that organisations should consider:
 - whether their organisation undertakes this function
 - if so, which staff undertake this function and for what reason
 - what are the associated risks
 - strategies and capacity to deal with identified risks
 - staff training and supervision to inform and advise staff on how to minimise and manage the identified risks.
- Each organisation completed its questionnaire in isolation. By providing a summary of both the sector-wide results and the results for different types of organisations, the information provided in this report enables organisations to compare their own risks with the risks identified by organisations of a similar size and function. This may assist individual organisations to highlight some potential risk areas that individual organisations have not previously considered.
- The questions about corruption resistance strategies (and the results) provide a checklist that organisations can use when considering potential strategies available to them to improve their corruption resistance. A number of the CEOs and audit managers with whom we piloted the questionnaire asked if they could keep a copy of the (at that time) draft questionnaire to use as a tool within their organisation. A small number of respondents added this comment to their 'other comments' at the end of their completed questionnaire.
- By providing a picture of prevention strategies in place across the sector, the reported results enable individual organisations to benchmark their own efforts and in this way help them identify areas where they may be able to improve their own corruption resistance.
- Staff responses suggest that sizeable groups of staff may not be aware of some of the corruption prevention strategies that organisations have in place. The information obtained from staff may broaden the organisation's understanding of its risks. It also provides some measure of the messages that reach staff and are retained by them.

- The report provides a list of the available resources (produced by the ICAC and other agencies) by topic area.

Benefits to the ICAC

- The responses concerning high-risk functions have provided the basis for a map of how many and which NSW public sector organisations perform each of these functions. Such a map helps the ICAC better tailor its messages. If, for example, the ICAC wants to send a particular message to organisations that allocate government grants, by having a picture of which organisations perform this function, the ICAC is better placed to do this.
- The findings concerning corruption resistance strategies in place provide a mechanism to identify both current strengths in building corruption resistance as well as areas for improvement. For example, while most organisations said they have a policy or procedures covering gifts and benefits, gift registers are relatively uncommon across the sector. A gift register is a relatively straightforward tool that can bring offers of gifts and benefits into the open. In this way it can remove any associated suspicion arising from these offers. A gift register also provides a way of tracking patterns in who is offering gifts or benefits to what types of positions and under what types of circumstances.
- The completed questionnaire for individual agencies can provide a useful background profile for the organisational characteristics, nature of business undertaken and perceived risks for ICAC staff dealing with individual agencies as part of their Corruption Resistance Reviews, Visit and Advise Program, or provision of advise.
- The collated results provide an indication of which parts of the public sector are most in need of attention (e.g. the responses from boards and committees were substantially different from the responses of other agencies – while this may not be a problem for some of the very small advisory boards, it may be more of a problems for boards with larger budgets, marketing or regulatory roles).
- The collated results indicate what types of resources might be of interest across the sector. For example, organisations identified the opportunities posed by new technology, information security and increased commercial activity as possible emerging corruption risks over the next three to five years.
- By providing a profile of the sector, it provides an indication of the diversity of the organisations (e.g. the range in sizes of organisations) that the ICAC is trying to reach with its messages. This in turn can help the ICAC determine how best to tailor its messages.
- The report provides an additional mechanism for the ICAC to convey some of the previous messages about building corruption resistance.
- It also provided a way of further promoting resources that have previously been produced by the ICAC.

Additional papers on this research:

When we talked on the phone, you mentioned that you were interested in any other papers that had been given based on this research.

I am aware of two papers that I have given that pertain to this research:

1. The first was in a workshop on “Can Ethics be Audited?” that was part of the 10th International Anti-Corruption Conference (IACC) that was held in Prague in October 2001.² This paper was given in the very early stages of this research (the research had been designed and the questionnaires had just been distributed). This research was one of four examples that I gave of how the ICAC goes about ‘auditing ethics’. The paper was called ‘Four ICAC tools for measuring corruption resistance’. A summary of the overheads used for this paper can be found on the conference website (www.10iacc.org) at <http://www.10iacc.org/content.phtml?documents=101&art=173>
2. The second was at the International Institute for Public Ethics (IIPE) 2002 Biennial Conference held in Brisbane 4th – 7th October 2002. A full copy of that paper can be found on the IIPE website at <http://www.iipe.org/conference2002/papers/Gorta.pdf>

I hope this submission is helpful to your inquiry.

Angela Gorta PhD

² The conference organisers paid for my return airfare, conference registration and two days’ accommodation costs for this conference.



*Minister for Roads
Minister for Housing
Leader of the House*

PSPR 0

ICC 41

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Ja
17/9/2003

The Hon Kim Yeadon MP
Chairman
Committee on the Independent Commission Against Corruption
Parliament House
Macquarie Street
SYDNEY NSW 2000

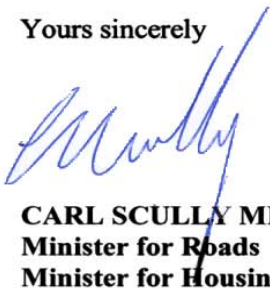
- 9 SEP 2003

Dear Mr Yeadon

I refer to your letter dated 24 July 2003 inviting submissions from agencies within my portfolio to the Independent Commission Against Corruption (ICAC) Committee's *Inquiry into the Report of the Independent Commission Against Corruption on the NSW Public Sector Profile: Functions, risks and corruption resistance strategies.*

The Roads and Traffic Authority, Landcom, Aboriginal Housing Office and the Department of Housing have each examined their policies and practices in light of the Independent Commission Against Corruption's report and I enclose their submissions for the purposes of the ICAC Committee's inquiry.

Yours sincerely


CARL SCULLY MP
Minister for Roads
Minister for Housing



**PROFILING THE NSW PUBLIC SECTOR –FUNCTIONS, RISKS AND
CORRUPTION RESISTANCE STRATEGIES**

<u>ICAC RECOMMENDATIONS</u>	<u>RTA SITUATION</u>
<u>IDENTIFYING AND DOCUMENTING RISKS</u>	
That organisations identify and document their risks and incorporate corruption risk management into their broader risk management strategy (Reco 4).	The RTA has a formal framework in place to identify its strategic risks and developed strategies to address those risks. Within the Finance Directorate there is a position of Manager, Strategic Risk Management, with responsibility for monitoring the application of the strategies throughout the Authority. The RTA also has a dedicated corruption risk management section with responsibility for assisting line managers to develop and implement corruption risk management strategies.
<u>CODES OF CONDUCT</u>	
Agencies which do not have an existing code of conduct develop one as a matter of priority (Reco 5)	The RTA has a code of conduct in place that is applicable to all staff.
Review the adequacy of their code of conduct every two years (Recommendation 6)	The RTA's Code of Conduct is presently under review and a revised version will be released later in the year.
When reviewing the code of conduct, consider the areas for improvement that staff have suggested for their current codes of conduct (greater staff consultation, inclusion of more information on ethical dilemmas, greater relevance and practicality) (Recommendation 7)	These aspects form a part of the review process.
Review the adequacy of their code of conduct training arrangements at regular intervals of no more than two years (Recommendation 8)	The Code of conduct training arrangements are reviewed as part of the regular reviews of the Code referred to above.
<u>GIFTS AND BENEFITS POLICIES AND GIFT REGISTERS</u>	
Develop gifts and benefits policies and procedures where these are not already in place (Reco 9)	The RTA has such a policy.
Consider establishing a gift register as a supplementary strategy to deal with gifts and benefits (Recommendation 10)	The policy requires that all offers of substantial gifts or benefits should be recorded in a work place register.
Ensure that employees are aware of and understand applicable gifts and benefits policies and procedures	This aspect, and the correct responses to offers of gifts, benefits and bribes is emphasised during the section of induction training that is conducted by the corruption risk

PROFILING THE NSW PUBLIC SECTOR –FUNCTIONS, RISKS AND CORRUPTION RESISTANCE STRATEGIES

<u>ICAC RECOMMENDATIONS</u>	<u>RTA SITUATION</u>
<p>through training and/or employee declarations that they have read and understood the policies and procedures (Recommendation 11)</p>	<p>management section and provided to all employees. They are also required to sign applicable declarations.</p>
<p>Educate clients and potential contractors and suppliers about applicable gifts and benefits policies and procedures (Recommendation 12).</p>	<p>The RTA’s Statement of Business Ethics, which is distributed widely to contractors, suppliers etc, is unequivocal in its statements on this. It advises staff and others that gifts must neither be solicited nor accepted by RTA personnel. Tenderers etc are also told that they are expected to refrain from making any such offers.</p>
<p><u>INFORMATION MANAGEMENT AND TECHNOLOGY</u></p>	
<p>Develop IT security plans as a component of their general security or risk management plans and monitor these plans as part of general compliance monitoring programs (Recommendation 13).</p>	<p>Under its <i>Information Management and Technology Strategic Plan 2003 – 2005</i>, the RTA is moving towards certification to Information Security Management Standard AS/NZS 7799.</p> <p>Consistent with that Standard, the RTA has implemented an Information Security Framework., The framework specifically includes the development of IT security and risk management strategies, including monitoring procedures.</p> <p>The RTA’s Information Security Steering Committee is an executive body focussed on the governance of information security across the Authority. In addition, two specific roles in the RTA have been to established to address Information Security issues from both a operational and audit point of view: Manager, Information Security, Information Management and Information Technology Branch and IT Security & E-Commerce Auditor, Control Management Services Branch</p>
<p>Educate staff about their role and responsibilities in information security management. Staff awareness campaigns should cover:</p> <ul style="list-style-type: none"> - an overview of applicable IT security policy and compliance monitoring - the value of data held by the organisation - active password control - electronic delegations - information classification - record keeping <p>(Recommendation 14)</p>	<p>Also consistent with Information Security Management Standard AS/NZS 7799, the RTA ensures that all staff are trained and remain fully conversant with their roles and responsibilities relating to information technology, information protection and confidentiality generally.</p> <p>Users formally acknowledge they have read the appropriate security policies before access is granted to RTA systems. Both the training and education programs and the relevant polices emphasise the aspects addressed by the ICAC in these dot points.</p>

PROFILING THE NSW PUBLIC SECTOR –FUNCTIONS, RISKS AND CORRUPTION RESISTANCE STRATEGIES

<u>ICAC RECOMMENDATIONS</u>	<u>RTA SITUATION</u>
<u>RECRUITMENT</u>	
<p>Ensure staff participating in recruitment selection panels have received training on how to identify and manage conflicts of interest and other ethical dilemmas (Recommendation 15)</p>	<p>All RTA staff attend training in ethics and handling conflicts of interests as part of their induction process. Information on ethical practices is regularly promulgated throughout the Authority by, for example, the Team Briefing process.</p> <p>It is RTA policy that at least the convenor of all panels must have attended formal, specific recruitment training.</p> <p>The Selection policy requires convenors to ensure equity, independence and diversity in the make-up of panels and the following of EEO principles.</p>
<p>Consider how to use the opportunities presented by the recruitment process – such as including comment on ethical work practices in job advertisements, job descriptions, job selection criteria and asking job interview questions related to ethical work practices – to promote their ethical standards and commitment to minimising corruption (Recommendation 16).</p>	<p>These aspects are considered on an ongoing basis when the Selection policy is reviewed. For example, a recent innovation involved the inclusion, where appropriate, of questions at interviews requiring responses to ethical dilemmas.</p>
<u>CONTRACTING AND PROCUREMENT STRATEGIES</u>	
<p>Develop and adopt a statement of business ethics and values which should include:</p> <ul style="list-style-type: none"> - details of any restrictions on giving and receiving of gifts, benefits or any other sort of favour or inducement either to employees or to associated persons like the employee's friends, family or favoured causes - guidance about secondary employment and any potential conflicts of interest that may arise as a result of holding secondary jobs - what might happen if breaches occur, either by employees, contractors or suppliers, and - what to do if approached to breach the organisation's requirements (Reco. 17) 	<p>The RTA's Statement of Business Ethics addresses most of the issues raised by the recommendations.</p> <p>The Statement is characterised by a positive tone and so consciously avoids specifying penalties and discussing breaches.</p>

PROFILING THE NSW PUBLIC SECTOR –FUNCTIONS, RISKS AND CORRUPTION RESISTANCE STRATEGIES

<u>ICAC RECOMMENDATIONS</u>	<u>RTA SITUATION</u>
<p>Include clauses in contracts that give the organisation the right to terminate the contract or take other appropriate contractual remedies if the contractor fails to abide by the organisation’s statement of business ethics (Recommendation 18)</p>	<p>The RTA’s infrastructure contracts are tendered and administered to the requirements of the NSW Governments, Construction Policy Steering Committees:</p> <ul style="list-style-type: none"> <input type="checkbox"/> Code of Practice for the Construction Industry, July 1996 <input type="checkbox"/> Code of Tendering for the Construction Industry, July 1996 <input type="checkbox"/> Implementation Guidelines for the Code of Practice & Code of Tendering, July 1996 <p>These codes of practices and guidelines are available through the internet and describe tendering ethics requirements in tendering.</p> <p>Tender documentation for major contracts includes references for compliance to above codes of practice and guidelines. A Tenderer is required to sign the Tender Form which states under Clause 5, “The Tenderer agrees to comply with the NSW Government Codes of Tendering and Practice, and Implementation Guidelines for the Code of Practice and Code of Tendering, July 1996 edition as amended.”</p> <p>The C1, Ed 1, Rev 8, General Conditions of Contract, Clause 44 “Default or Bankruptcy of Contract” specifies requirements and procedures for termination of a contract by the Principal where a contractor is in breach of contract.</p>
<p>Include their code of conduct in contracts, indicating how that code would apply to the successful contractor (Recommendation 19)</p>	<p>The RTA makes its “Statement of Business Ethics” available to all potential contractors, however this statement is not included in tender/contract documents.</p> <p>As detailed above the Tenderer in submitting a signed Tender Form, “The Tenderer agrees to comply with the NSW Government Codes of Tendering and Practice, and Implementation Guidelines for the Code of Practice and Code of Tendering, July 1996 edition as amended.”</p>
<p>Actively monitor performance against contract requirements to minimise the impact of any potential problems through early detection and intervention (Recommendation 20)</p>	<p>The RTA implemented the NSW Government’s directive of Contractor Performance Reporting in 1996. Currently the RTA undertakes performance reporting of contractors in accordance with the “NSW Government Contractor Performance Reporting and Exchanges of Reports between Government Agencies Guidelines”, 2nd Ed. Dec 1999</p> <p>Contractor performance reports are generated through using the RTA internal PROMIS software database system. Reports are submitted routinely on 1st April, 1st August and 1st December as well as critical times of when there is a continuing period of unsuitable performance on a contract; immediately after practical completion of a contract; or when a contract is terminated.</p>

**PROFILING THE NSW PUBLIC SECTOR –FUNCTIONS, RISKS AND
CORRUPTION RESISTANCE STRATEGIES**

<u>ICAC RECOMMENDATIONS</u>	<u>RTA SITUATION</u>
<p>Record any problems encountered with specific contractors for future reference when letting other contracts (Recommendation 21)</p>	<p>RTA wide statistical analysis of Contractor Performance Reporting is prepared by RNI three times a year.</p> <p>The contractor performance reports are utilised in reviewing a contractors level under the RTA’s pre-qualification scheme and the tender assessment process.</p>
<p>Ensure staff participating in tender selection panels have received training or information on how to identify and manage conflicts of interest and other ethical dilemmas (Recommendation 22).</p>	<p>Staff administering construction contracts are given training in the RTA’s Engineering Contracts Manual (ECM). The ECM Section 3.4 and 3.5 specifies requirements Examining Tenders and Assessing Tenders respectively. This includes the make-up of Tender Assessment Committee as well as the assessment process requirements. Section 3.4.2 Maintaining Confidentiality, Probity and Fairness draws attention to the “Code of Conduct and Ethics” from Section 12.1 of the Human Resources Manual.</p> <p>A requirement of the Tender Assessment Panel is to provide the Branch Manager a signed statement that there is no actual or potential conflict of interests arising from the carrying out of the officers duties in relation to the tender process.</p>
<p><u>PROVIDING INFORMATION ON ETHICAL WORK PRACTICES TO STAFF</u></p>	
<p>Provide and promote information to all those that undertake work within the organisation (including short-term staff, specialist staff, board members, consultants and private sector contractors) on:</p> <ul style="list-style-type: none"> - organisational values - public duty requirements - conflicts of interest and other corruption risks that they are likely to face in their role and how best to manage these risks (Recommendation 23). 	<p>All staff undergo training in ethical work practices during their formal induction training. The training includes material on:</p> <ul style="list-style-type: none"> - Ethical decision making - RTA values - The obligations of RTA staff as public servants - The nature and management of conflicts of interests - Corruption risk management policies and strategies <p>In addition staff can access information, advice and services including:</p> <ul style="list-style-type: none"> - Accessing dedicated pages on the intranet - Information in the house journal, Momentum - Advice, including through an ethics hot line - Research of contemporary developments - Internal probity auditing and advice
<p>For organisations with more than one worksite, the ICAC recommends that these organisations ensure staff at different worksites (especially in organisations that are large and decentralised) are provided with the same access to information (Recommendation 24).</p>	<p>RTA staff have access to the Code of Conduct and Ethics and related policies both in hard copy and via the intranet. The intranet also includes considerable information through a number of ethics pages. In addition, consistent, formal, monthly Team Briefs are held at decentralised sites that regularly contain information on ethical work practices.</p>

PROFILING THE NSW PUBLIC SECTOR –FUNCTIONS, RISKS AND CORRUPTION RESISTANCE STRATEGIES

<u>ICAC RECOMMENDATIONS</u>	<u>RTA SITUATION</u>
<u>AUDIT PROCEDURES</u>	
<p>Consider options for resourcing their audit requirements through outsourcing or on a shared basis with other organisations (Recommendation 25).</p>	<p>The RTA’s size, diversity and complexity means that the benefits provided by audit resources are maximised by having them in-house. The RTA has a comprehensive internal audit function that includes reviews of corruption risk policies and procedures in its activities.</p>
<p>Ensure that their risk management strategies inform their audit plan and that the results of audits are acted upon to improve organisational processes and performance (Recommendation 26).</p>	<p>The risk management (including corruption risk management) and audit functions within the RTA are both the responsibility of the Control Management Services Branch. The staff are co-located at corporate headquarters facilitating an active policy of ensuring that these functions inform one another. The audits performed are based on the formal risk reviews carried out by the Branch and all recommendations are followed up to confirm implementation.</p>
<u>PROTECTED DISCLOSURES</u>	
<p>Ensure all employees are aware of the Protected Disclosures Act 1994 and specific internal reporting procedures, by:</p> <p>regularly informing staff about the Act, the organisation’s internal reporting policy, internal and external reporting channels and how they work</p> <p>incorporating information about the Act and other reporting systems into policy and procedures and where possible, into induction training and providing regular refresher training for staff (Recommendation 27).</p> <p>ensure that internal reporting mechanisms are effective and include protection for those that use them (Recommendation 28).</p>	<p>The Ethics pages on the RTA website provide ready access to information about the Protected Disclosures Act 1994 and to material containing additional information,</p> <p>Information concerning Protected Disclosures is included in the Induction Manual that all staff receive on commencement.</p> <p>Protected disclosures are also referred to in the Code of Conduct and Ethics.</p>
<u>INTERNAL INVESTIGATION CAPACITY</u>	
<p>The ICAC recommends that organisations that currently either do not have an internal investigation capacity or a strategy for outsourcing this work, make specific plans to effectively deal with an allegation of corrupt conduct if one were to arise (Recommendation 29).</p>	<p>The RTA has two fully resourced and active investigation sections. These look at corrupt, and other inappropriate, conduct involving RTA staff and at the activities of others that impinge on the work, or threaten the integrity, of the RTA or its staff.</p>



The Hon. Kim Yeadon MP
Chairman
ICAC Committee
Parliament House
Macquarie Street
SYDNEY NSW 2000

Attention: Mr Jim Jeffries, Project Officer

New South Wales
Department of State and
Regional Development

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ICCI 47
KSPR 012
C03/1673
Advised
Jan 17/9/03



Dear Mr Yeadon,

**Inquiry into the Report of the Independent Commission Against Corruption (ICAC)
on the NSW Public Sector Profile: Functions, risks and corruption resistance strategies**

I refer to your letters of 24 July 2003 to Minister Egan and Minister Campbell seeking their assistance in arranging for departments and agencies under their administration to make a submission for the purposes of the inquiry into the ICAC's Report profiling the functions, risks and corruption resistance strategies of agencies in the NSW public sector. The Ministers have instructed me to reply directly on behalf of this Department.

The Department of State and Regional Development (DSRD) has found the Report to be an extremely comprehensive analysis of the current corruption-related issues facing NSW public sector organisations. The Report will enable us to compare our existing corruption resistance program against those of other public sector agencies and the findings and recommendations in the Report will assist us to identify areas where further improvement can be made.

To assist the Department to better identify and manage corruption risks it would be beneficial if some attention could be directed to emerging risk areas facing NSW public sector agencies such as the impact of information technology and the management of increasing volumes of electronic information; and the risk of corruption among contractors/consultants and other outsourced providers of services engaged by public sector agencies.

Should you have any enquiries concerning this matter, please contact Michael Milligan, Manager, Human Resources on 9228 4253.

Yours sincerely

Loftus Harris
Director General

10 SEP 2003

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Minister for Roads
Minister for Housing
Leader of the House

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Ja
17/9/2003

The Hon Kim Yeadon MP
Chairman
Committee on the Independent Commission Against Corruption
Parliament House
Macquarie Street
SYDNEY NSW 2000

- 9 SEP 2003

Dear Mr Yeadon

I refer to your letter dated 24 July 2003 inviting submissions from agencies within my portfolio to the Independent Commission Against Corruption (ICAC) Committee's *Inquiry into the Report of the Independent Commission Against Corruption on the NSW Public Sector Profile: Functions, risks and corruption resistance strategies.*

The Roads and Traffic Authority, Landcom, Aboriginal Housing Office and the Department of Housing have each examined their policies and practices in light of the Independent Commission Against Corruption's report and I enclose their submissions for the purposes of the ICAC Committee's inquiry.

Yours sincerely

CARL SCULLY MP
Minister for Roads
Minister for Housing



NSW ABORIGINAL HOUSING OFFICE

**INDEPENDENT COMMISSION AGAINST CORRUPTION
NSW PUBLIC SECTOR PROFILE**

AHO RESPONSE TO RECOMMENDATIONS

Recommendation No.	Recommendation	AHO Response
1	That organisations regularly review their corruption risks.	Agreed
2	That organisations compare their own risks with the risks identified by similar organisations as this may highlight some potential risk areas that have not been recognised before	Agreed – the AHO will arrange discussions with the Department of Aboriginal Affairs and the Department of Housing to compare potential corruption risk areas
3	That organisations use the examples of high-risk functions provided in this report as an aid to identify their own corruption risks	Agreed
4	That organisations identify and document their risks and incorporate corruption risk management into their broader risk management strategy	Potential corruption risks are included in the Risk Management Plan prepared by the AHO in consultation with the Internal Audit Bureau
5	That organisations which do not have an existing code of conduct develop one as a matter of priority	Agreed
6	That organisations review the adequacy of their code of conduct every two years	Agreed

Recommendation No.	Recommendation	AHO Response
7	That organisations when reviewing the code of conduct, consider the areas for improvement that staff have suggested for their current codes of conduct (greater staff consultation, inclusion of more information on ethical dilemmas, greater relevance and practicality)	Agreed
8	That organisations review the adequacy of their code of conduct training arrangements at regular intervals of no more than two years	Agreed
9	That organisations develop gifts and benefits policies and procedures where these are not already in place	These procedures already included in Code of Conduct
10	That organisations consider establishing a gift register as a supplementary strategy to deal with gifts and benefits	Gift Register already established
11	That organisations ensure that employees are aware of and understand applicable gifts and benefits policies and procedures through training and/or employee declarations that they have read and understood the policies and procedures	Included as part of the Code of Conduct training in Induction Program
12	That organisations educate clients and potential contractors and suppliers about applicable gifts and benefits policies and procedures	The AHO and the NSW Aboriginal Housing Board will need to give further consideration to how this could be done within the Aboriginal community housing sector

Recommendation No.	Recommendation	AHO Response
13	That organisations develop IT security plans as a component of their general security or risk management plans and monitor these plans as part of general compliance monitoring programs	The AHO has a service level agreement with the Department of Commerce (Central Corporate Services Unit) for the provision of IT services. The CCSU complies with all requirements for security.
14	<p>That organisations educate staff about their role and responsibilities in information security management. Staff awareness campaigns should cover:</p> <ul style="list-style-type: none"> - an overview of applicable IT security policy and compliance monitoring - the value of data held by the organisation - active password control - electronic delegations - information classification - record keeping 	Will be included in the next review of the AHO's Code of Conduct
15	That organisations ensure staff participating in recruitment selection panels have received training on how to identify and manage conflicts of interest and other ethical dilemmas	Agreed
16	That organisations consider how to use the opportunities presented by the recruitment process - such as including comment on ethical work practices in job advertisements, job descriptions, job selection criteria and asking job interview questions related to ethical work practices - to promote their ethical standards and commitment to minimising corruption	Agreed

Recommendation No.	Recommendation	AHO Response
17	<p>That organisations develop and adopt a statement of business ethics and values which should include:</p> <ul style="list-style-type: none"> - details of any restrictions on giving and receiving of gifts, - benefits or any other sort of favour or inducement either to employees or to associated persons like the employee's friends, family or favoured causes - guidance about secondary employment and any potential conflicts of interest that may arise as a result of holding secondary jobs - what might happen if breaches occur, either by employees, contractors or suppliers, and - what to do if approached to breach the organisation's requirements 	<p>Will be included in the next review of the AHO's Code of Conduct</p>
18	<p>That organisations include clauses in contracts that give the organisation the right to terminate the contract or take other appropriate contractual remedies if the contractor fails to abide by the organisation's statement of business ethics</p>	<p>The AHO and the NSW Aboriginal Housing Board will need to give further consideration to how this could be done within the current process of funding Aboriginal community housing organisations</p>
19	<p>That organisations include their code of conduct in contracts, indicating how that code would apply to the successful contractor</p>	<p>See recommendation 18</p>
20	<p>That organisations actively monitor performance against contract requirements to minimise the impact of any potential problems through early detection and intervention</p>	<p>Agreed</p>

Recommendation No.	Recommendation	AHO Response
21	That organisations record any problems encountered with specific contractors for future reference when letting other contracts	Agreed – this would normally be taken into account when considering tenders or quotes
22	That organisations ensure staff participating in tender selection panels have received training or information on how to identify and manage conflicts of interest and other ethical dilemmas	Agreed
23	That organisations provide and promote information to all those that undertake work within the organisation (including short-term staff, specialist staff, board members, consultants and private sector contractors) on: <ul style="list-style-type: none"> - organisational values - public duty requirements - conflicts of interest and other corruption risks that they are likely to face in their role and how best to manage these risks 	Included as part of the Code of Conduct training in Induction Program
24	That organisations with more than one worksite, the ICAC recommends that these organisations ensure staff at different worksites (especially in organisations that are large and decentralised) are provided with the same access to information	Agreed
25	That smaller organisations currently without audit procedures consider which of their business practices could benefit from auditing and consider options for resourcing their audit requirements through outsourcing or on a shared basis with other organisations	AHO already has audit procedures in place

Recommendation No.	Recommendation	AHO Response
26	That organisations ensure that their risk management strategies inform their audit plan and that the results of audits are acted upon to improve organisational processes and performance	This is included in the Risk Management Plan prepared by the AHO in consultation with the Internal Audit Bureau
27	That organisations ensure all employees are aware of the Protected Disclosures Act 1994 and specific internal reporting procedures, by: <ul style="list-style-type: none"> - regularly informing staff about the Act, the organisation's internal reporting policy, internal and external reporting channels and how they work, and, - incorporating information about the Act and other reporting systems into policy and procedures and where possible, into induction training and providing regular refresher training for staff 	Agreed – staff are aware of the Protected Disclosures Act 1994 and this is included in the normal Code of Conduct training undertaken as part of the Induction program
28	That organisations ensure that internal reporting mechanisms are effective and include protection for those that use them	Agreed
29	That organisations that currently either do not have an internal investigation capacity or a strategy for outsourcing this work, make specific plans to effectively deal with an allegation of corrupt conduct if one were to arise	This work is already outsourced when required

LANDCOM

ICAC Report – Profiling the NSW Public Sector: Functions, Risks and Corruption Resistance Strategies (January 2003)

Request by the ICAC Committee for assessment of risks against findings

The corporate governance framework established by Landcom and the values embodied therein are an integral part of Landcom's operations and culture. Landcom has a process of continual review of its corporate governance practices. In recent times Landcom has undertaken both internal and external reviews of its corporate governance framework using a mixture of identified best practice in the public sector (e.g., from Audit Office of New South Wales) with that in the private sector (e.g., IFSA Blue Book and the ASX Guiding Principles).

The results of the reviews confirmed Landcom has in place a Corporate Governance regime which overall is at/or close to best practice for a State Owned Corporation that in effect is a hybrid public / private organisation. A copy of the elements of Landcom's Corporate Governance framework is attached.

Landcom has undertaken a similar review using the ICAC checklist provided in the report "Profiling The NSW Public Sector: Functions, Risks and Corruption Resistance Strategies", which confirmed that Landcom is well placed in managing corruption risks in all of the areas identified.

This review highlighted the need for ensuring regular ongoing awareness training to staff on Landcom's Code of Conduct as well as its policies and procedures in regard to risk mitigation, probity and fraud/corruption prevention.

Landcom considers the ICAC report another useful reference for assistance in achieving best practice in State-Owned organisations.



CORPORATE GOVERNANCE FRAMEWORK FOLDERCONTENTS

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SECTION 3.	LANDCOM CONSTITUTION
SECTION 4.	LANDCOM BOARD
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SECTION 6.	CODE OF CONDUCT
SECTION 7.	BOARD COMMITTEES AND CHARTERS
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SECTION 15.	PUBLICATIONS
	15.1 Annual Report
	15.2 Triple Bottom Line Report

**Inquiry into the Report of the Independent Commission Against Corruption on the NSW
Public Sector Profile: Functions, risks and corruption resistance strategies**

The Department of Housing has reviewed the report and is pleased to provide a submission outlining the Department's progress in implementing the recommendations contained in the report. The Department has a broad range of prevention strategies in place, and is taking a multi faceted approach to minimising corruption.

This response is divided into ten key corruption prevention areas, based on the categories used by ICAC in the report. The Department's progress in each of these areas is summarised below:

Identifying and documenting risks

A project is currently underway across the Department to develop an enterprise risk management framework for identification and analysis of risks, development of mitigation strategies, clear lines of accountability and reporting. Corruption risks will be included in this review.

This framework will be incorporated into core Departmental processes, and will include regular reviews of risks and the effectiveness of control strategies.

The examples of high risk functions contained in this publication will be used as part of this project to ensure that the Department has identified all relevant corruption risks.

Codes of Conduct

The Department has had a Code of Conduct and Ethics since 1993, and it has undergone regular revisions since then, with the most recent version issued in April 2003. It was issued to all staff and is available on the Department's intranet. Future reviews of the Code of Conduct and Ethics will be scheduled regularly, at least every two years as recommended in this publication.

Over the last 18 months, the Department has provided training about its Code of Conduct and Ethics to more than 80% of staff, and is continuing to provide this training as required in 2003. These principles are also included in entry level training for CSOs.

During the Code of Conduct and Ethics training sessions, staff were asked for feedback on the Code in operation at that time. They were asked to comment on issues such as relevance, practicality, format, areas where greater clarification was required, and potential additions to the Code. This information was used to revise the Code, and resulted in the version now in use. This was also combined with information gathered through investigations work undertaken by the Department.

Future revisions to the Code of Conduct and Ethics will use a similar process to ensure that document continues to provide guidance to staff on major issues they will face during their employment with the Department.

The Department is also considering a range of IT solutions to provide staff with compulsory six monthly refresher courses on the Code of Conduct and Ethics, delivered via their desktop PC.

The Department is currently initiating a project to implement periodic review of staff members' knowledge of the Security Policy, and a method of demonstrating that this knowledge has been understood and retained.

Recruitment

All Managers are periodically trained in corruption prevention strategies, public duty and ethics. This covers a range of issues including conflicts of interest and other ethical dilemmas. This training took place in the last quarter of 2002 when the Department engaged a Senior Corruption Prevention Officer from ICAC to provide corruption prevention training to all managers across the Department.

Requirements relating to Ethics and Probity are incorporated into all role descriptions that would be particularly exposed to corruption. The Department is also developing an overarching capability framework for all roles in the Department. This will identify core and functionally specific capabilities required for all roles and includes behavioural capabilities relating to ethical conduct. The capability framework will underpin recruitment, selection, development and performance management.

The Department will consider the recommendations in this publication covering the use of opportunities presented by the recruitment process to promote ethical standards and commitment to minimising corruption.

Contracting and procurement procedures

Reinforcing the Department's commitment to the NSW Government's "Procurement Reform Strategy", a new business unit, Contracting and Procurement, was established in June 2003. While its principal business aim is to ensure consistent quality and cost effective procurement of goods and services with minimal exposure to risk, it will also serve as a coordination and audit point for compliance and policy.

The Department's Code of Conduct and Ethics and Corruption and Fraud Control Policy cover the issues of gifts and benefits, guidance about secondary employment, the likely consequences of what might happen if breaches of these policies occur, and what to do if approached to breach the Department's requirements. The Department will consider developing a statement of business ethics and values for use with contractors, consultants and suppliers.

All Departmental contracts are currently being reviewed and will include clauses that give the Department the right to terminate the contract or take other appropriate contractual remedies for failure to abide by the Department's values and ethics. Contracts will also include our Code of Conduct and Ethics and indicate how that code would apply to the successful contractor.

Current contracts are monitored for performance. The process of performance assessment will be further refined, including staff training in contract administration. A centralised contracts register, including issues management and resolution is to be implemented to ensure the Department has access to performance information on specific contractors when letting other contracts.

As outlined above, information and training is currently in place to ensure that staff participating in tender selection panels are aware of how to identify and manage conflicts of interest and other ethical dilemmas.

Gifts and benefits policies and gift registers

The Department's Gifts and Benefits Policy is in the final stages of revision to bring it further into line with the current Code of Conduct and Ethics. This will be finalised in the next month, emailed to all staff and published on the intranet, along with some improvements such as an electronic form to allow staff to report any offers or acceptance of gifts and benefits.

The Department has a gifts and benefits register, and information on the policy and register are included in Code of Conduct and Ethics training sessions. Information on gifts and benefits policies will be included in any Code of Conduct and Ethics refresher courses once the configuration of the design solution is determined.

The Department has a client fact sheet on the Code of Conduct, which contains information on the policy on gifts and benefits. The Department has implemented a program of customer and community awareness initiatives such as promotional material in clients service areas and a corruption and fraud reporting line. These have been developed with some input and resources from the ICAC.

The Department has recently agreed to cooperate with ICAC in a pilot project to encourage members of non English speaking background (NESB) communities to report corrupt conduct to the ICAC.

Contractors who provide maintenance, upgrading and redevelopment services to the Department are also informed of the Department's policy. Staff are encouraged to explain the policy to clients and contractors wherever the situation arises, and refuse all offers, unless the gift is of nominal value and refusal would cause offence.

The Department will consider attaching the Code of Conduct and Ethics and Gifts and Benefits policies, or perhaps a Statement of Business Ethics and Values, to all future requests for proposal and tender, and also consider the requirement of making all successful contractors, consultants and suppliers sign these documents.

These steps are consistent with the recommendations made by ICAC during their recent investigation into the handling of applications for public housing by an officer of the Department.

Information management and technology

The Director General announced the IT Security Policy in September 2000. Subsequent to the release of this Policy the Department commissioned KPMG to carry out a review of our IT Systems to ensure the appropriate policy, plans and practices were implemented.

The IT Security Plan encompasses the following areas: system access; password security; data security; audit; physical security; data management; backup strategy; and virus protection.

Information from the IT Security policy is provided as part of the Code of Conduct and Ethics training given during staff induction and users are required to agree to the IT Security Policy every time they log into the Departments systems. On an on-going basis staff are regularly encouraged to report information security issues to the IT Service Desk.

Providing information on ethical work practices to staff

Please see our responses to the sections on 'Codes of Conduct' and 'Contracting and Procurement'.

Audit procedures

The Department has an extensive annual audit program, which in 2003/04 will focus largely on compliance auditing across a range of core business functions, products and services as well as financial and legal compliance, occupational health and safety, and information management technology.

The risk profile that is currently under development as part of the enterprise risk management framework will inform the Department's annual audit plan, which is endorsed by the Department's Risk Management and Audit Committee. This Committee also oversees the Department's response to audits and has recently implemented new reporting procedures to improve accountability and implementation of recommendations for improving organisational processes and performance.

Protected Disclosures

The Department has established a network of 52 protected disclosures officers across the state.

Information on the *Protected Disclosures Act 1994*, including a list of protected disclosures officers and other internal and external reporting systems, is included in Code of Conduct and Ethics training sessions and entry level training for CSOs.

This information was also included in the corruption prevention training for Managers provided by ICAC in the last quarter of 2002. Managers were then required to present the same information with their staff.

Information on Protected Disclosures, internal and external reporting systems is contained in the Department's Corruption and Fraud Control Policy, which was provided to all staff in October 2002. This document will be available on the intranet shortly.

Information on reporting systems and the Protected Disclosures Act will be included in any Code of Conduct and Ethics refresher courses the Department implements.

The Department makes every effort to ensure that internal reporting mechanisms are effective and include protection for complainants, where appropriate and possible.

Internal investigation capacity

The Department has a co-sourced arrangement with Ernst and Young to provide investigation capacity. This contract is in place until March 2004.

Please contact Doug Falconer, Director, Business Strategy and CIO on 8753 8818 if you require any further information.


12/09 '03 15:39 FAX 98971434

ELECTORATE OFFICE


The Hon Carmel Tebbutt MLC
Minister for Community Services
Minister for Ageing
Minister for Disability Services
Minister for Youth

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ICAC COMMITTEE



15 SEP 2003

11 SEP 2003

8 SEP 2003

RECEIVED

The Hon Kim Yeadon MP
Chairman
Parliament of New South Wales
Committee on the Independent Commission Against Corruption
Macquarie Street
SYDNEY NSW 2000

D03/6995

Dear Mr ^{Kim} Yeadon

I refer to your correspondence regarding the Independent Commission Against Corruption Report entitled, *Profiling the New South Wales Public Sector – Functions, Risks and Corruption Resistance Strategies* ("the Report"). I note that the Parliamentary Committee on the Independent Commission Against Corruption is proposing to hold a public hearing on the Report's findings and recommendations and has invited submissions from government agencies.

The recommendations of the Report have been noted and are currently under consideration by the Department of Ageing, Disability and Home Care (DADHC). The recommendations as set out in the Report appear to provide a useful guide for the development and implementation of effective corruption resistance strategies.

DADHC has already undertaken a number of initiatives consistent with ICAC, including a review of DADHC's Code of Conduct and Protected Disclosures Policy. Additionally, as DADHC is currently in the process of implementing a new regional structure, staff met with ICAC to explore its possible involvement in the induction of new regional managers in the coming months.

I trust this information is of assistance. Thank you for raising this matter with me.

Yours sincerely



The Hon Carmel Tebbutt MLC
Minister for Community Services
Minister for Ageing
Minister for Disability Services
Minister for Youth

Level 25, 9 Castlereagh Street, SYDNEY NSW 2000
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The Hon Carmel Tebbutt MLC
Minister for Community Services
Minister for Ageing
Minister for Disability Services
Minister for Youth

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Advised
Jan 17/9/2003

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11 SEP 2003

The Hon Kim Yeadon MP
Chair
Committee on the Independent Commission Against Corruption
Parliament of NSW
Macquarie Street
SYDNEY NSW 2000

Dear Mr *Yeadon*

Inquiry into the Report of the Independent Commission Against Corruption (ICAC) on the NSW Public Sector Profile: Functions, risks and corruption resistance strategies.

Thank you for your invitation to make a submission to the Committee's Inquiry. This submission is about the Department of Community Services' (DoCS) participation in and use of the ICAC's *NSW Public Sector Profile*.

DoCS responded to the Profile survey in October 2001. The survey provided a useful checklist of corruption risks and control and prevention measures against which the organisation could informally assess its performance.

I am advised that DoCS has a low incidence of corrupt conduct because of the high level of integrity of its staff, but also because of the nature of its business. It makes very few reports of suspected corrupt conduct to the ICAC. Two potential risk areas are the funding of service providers and the licensing of children's services providers. These risks are monitored and controlled by audits of processes in these areas and by DoCS Code of Conduct.

The ICAC makes twenty-nine recommendations in its report, which provide a framework for assessing corruption prevention measures. The Department is currently addressing a number of the recommendations by reviewing its Code of Conduct, reviewing and developing training in recruitment processes, conducting an ongoing internal audit program informed by risk assessment, and putting in place a comprehensive IT security plan.

One of the Department's major tools in preventing corruption is its Fraud Control Pack, developed in 2001 for both DoCS and the Department of Ageing, Disability and Home Care. The Pack is made up of a brochure *Fraud in the Workplace*, a basic description of fraud and how staff should act when they suspect it, an overview of the Fraud Control Plan, *Guidelines for Managers* which outline the fraud risks and appropriate controls in the various functional areas, and a self assessment tool that Departmental units were required to complete.

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The ICAC in its 2002 *Fighting Fraud* guidelines, praised the Fraud Pack as a model initiative to overcome the fraud control problems of a highly decentralised organisation with many offices. I am enclosing a copy of the Pack for the information of the Committee. The Department is also currently developing a Fraud Risk Assessment tool for non-Government service providers.

The NSW Public Sector Profile is a useful source of advice on measures for agencies to address the corruption risks common to their type of business and increase their resistance to corrupt behaviour. It is a valuable addition to the existing range of ICAC corruption prevention products.

Yours sincerely



Carmel Tebbutt MLC
Minister for Community Services
Minister for Ageing
Minister for Disability Services
Minister for Youth

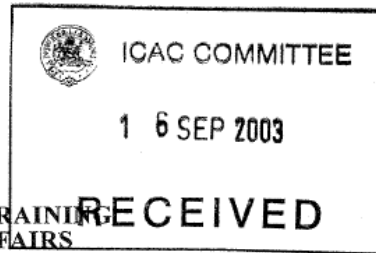
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NEW SOUTH WALES

DEPUTY PREMIER
MINISTER FOR EDUCATION AND TRAINING
MINISTER FOR ABORIGINAL AFFAIRS



RML 03/6871

Advised
Ja 17/9/2003

The Hon K M Yeadon MP
Chairman
Committee on the Independent
Commission Against Corruption
Parliament House
Macquarie Street
SYDNEY NSW 2000

Dear Mr Yeadon

Kim

I refer to your letter dated 24 July 2003, regarding an inquiry into the *Report of the Independent Commission Against Corruption on the NSW Public Sector Profile: Functions, risks and corruption resistance strategies.*

The Department of Education and Training has reviewed the report and has prepared the attached submission which shows the Department's position on each of the 29 recommendations. The Department intends to progressively implement the recommendations as required.

Overall, the Department found the report to be useful in identifying areas previously not considered. However, while some of the report's recommendations are of necessity general, the Department believes that in some cases they are not readily able to be implemented by large diverse organisations. This is particularly relevant in relation to the recommendations dealing with contracting and procurement procedures (recommendations 17 to 22). I am advised that the actions planned and the procedures already in place in the Department can still fulfill the intentions of the recommendations.

I note that a number of the report's recommendations relate to the provision of training to staff and the regular reviewing of training provided. I am informed that to implement training programs in the manner suggested by the Independent Commission Against Corruption (ICAC) would be very resource intensive given both the size and decentralised nature of the Department. The Department considers that the Intranet is also an effective means of disseminating this information to staff.

Thank you for the opportunity to make a submission on the ICAC report.

Yours sincerely

Andrew Refshauge MP
Deputy Premier
Minister for Education and Training
Minister for Aboriginal Affairs

12 SEP 2003

**Submission by the NSW Department of Education and Training
to the Parliament of NSW Committee on the Independent Commission Against
Corruption's report:**

*PROFILING THE NSW PUBLIC SECTOR: Functions, Risks and Corruption
Resistance Strategies January 2003*

The Department of Education and Training (DET) reviewed the 29 recommendations contained in the report and conducted a gap analysis to determine the Department's position on each of the recommendations. An action plan was then drawn up to assist with the implementation of the recommendations and to also enable progress to be monitored and reported to the Department's Audit Investigation Committee.

The Department's position on each of the recommendations is as follows:

Recommendation 1

Organisations regularly review their corruption risks.

DET Position: Risk management is happening in various parts of the Department and in various forms. The Department's Enterprise Risk Management model, currently being developed, will ensure a co-ordinated approach to risk management across DET.

Action Plan: Continue to develop and implement the DET Enterprise Risk Management Model.

Recommendation 2

Organisations compare their own risks with the risks identified by similar organisations as this may highlight some potential risk areas that have not been recognised before.

DET Position: While there are no comparable agencies in NSW, a comparison with other agencies could be undertaken in specific areas such as corporate service systems and IT. The Department participates in the NSW Corruption Prevention Network and attends corruption prevention forums at which discussion of risk areas takes place.

Action Plan: Continued DET participation in the NSW Corruption Prevention Network and other Corruption Prevention forums;
Comparisons with university rates and types of academic fraud;
Benchmarking of corporate services.

Recommendation 3

Organisations use the examples of high-risk functions provided in this report as an aid to identify their own corruption risks.

DET Position: Many of the examples quoted in the report may have been addressed through the Department's internal audit process.

Action Plan: DET audit programs to include review of high risk functions identified in the ICAC report.

Recommendation 4

Organisations identify and document their risks and incorporate corruption risk management into their broader risk management strategy.

DET Position: Corruption risk management is one of the risk groups that forms part of the enterprise risk management model currently being developed.

Action Plan: Continue to develop and implement the DET Enterprise Risk Management Model.

Recommendation 5

Organisations which do not have an existing code of conduct develop one as a matter of priority.

DET Position: The Department currently has three codes of conduct (Schools, TAFE and AMES).

Action Plan: A revised single code is currently being written for release within six months.

Recommendation 6

Organisations review the adequacy of their code of conduct every two years.

DET Position: The Department is working towards having one code of conduct which is expected to be issued within six months.

Action Plan: Review code of conduct every two years.

Recommendation 7

Organisations when reviewing their code of conduct, consider the areas of improvement that staff have suggested for their current codes of conduct (greater staff consultation, inclusion of more information on ethical dilemmas, greater relevance and practicality).

DET Position: Various stakeholders have been given the opportunity to comment on various drafts of the code. Additional ethical guidance and examples have been included.

Action Plan: Stakeholders will be given the opportunity to comment on the code which will be taken into account when the code is reviewed.

Recommendation 8

Organisations review the adequacy of their code of conduct training arrangements at regular intervals of no more than two years.

DET Position: Not currently undertaken.

Action Plan: The strategy for the release of the new code will include training arrangements.

Recommendation 9

Organisations develop gifts and benefits policies and procedures where these are not already in place.

DET Position: Included within current and draft code of conduct.

Action Plan: No further action required.

Recommendation 10

Organisations consider establishing a gift register as a supplementary strategy to deal with gifts and benefits.

DET Position: Currently not done across DET. Appropriate records are to be included in new code of conduct.

Action Plan: Alternative controls/records have been included in the new code.

Recommendation 11

Organisations ensure that employees are aware of and understand applicable gifts and benefits policies and procedures through training and/or employee declarations that they have read and understood the policies and procedures.

DET Position: Employees will be aware of DET stance through code of conduct and training sessions on ethics.

Action Plan: Training for the new Code of Conduct and Ethics Training for Executives.

Recommendation 12

Organisations educate clients and potential contractors and suppliers about applicable gifts and benefits policies and procedures.

DET Position: No current procedures.

Action Plan: Audit to develop and arrange distribution of corruption prevention material for clients and potential contractors. Adaptation of current ICAC corruption prevention material may be appropriate. Include DET stance on Website.

Recommendation 13

Organisations develop IT security plans as a component of their general security risk management plans and monitor these plans as part of general compliance monitoring programs.

DET Position: The Department is currently recruiting an information security team. A draft information security policy is presently being considered by senior management.

Action Plan: Information Systems Audit continue to review DET IT security plans.

Recommendation 14

Organisations educate staff about their role and responsibilities in information security management.

DET Position: It is envisaged that work will commence on addressing these aspects through policy following issue of information security policy. These policies will be available to staff through the Intranet.

Action Plan: Information System Audit to review plans with Information Technology Directorate to ensure gap is closed.

Recommendation 15

Organisations ensure staff participating in recruitment selection panels have received training on how to identify and manage conflicts of interest and other ethical dilemmas.

DET Position: Employees will be aware of DET stance through code of conduct and training sessions on ethics.

Action Plan: Audit to liaise with Personnel regarding additional action.

Recommendation 16

Organisations consider how to use the opportunities presented by the recruitment process – such as including comment on ethical work practices in job advertisements, job descriptions, job selection criteria and asking job interview questions related to ethical work practices – to promote their ethical standards and commitment to minimising corruption.

DET Position: No current procedures.

Action Plan: Audit to provide guidance to Personnel re conclusion of ethical issues in the staff selection process.

Recommendation 17

Organisations develop and adopt a statement of business ethics and values which should include:

- details of any restrictions on giving and receiving of gifts, benefits or any other sort of favour or inducement either to employees or to associated persons like the employee's friends, family or favoured causes;
- guidance about secondary employment and any potential conflicts of interest that may arise as a result of holding secondary jobs;
- what might happen if breaches occur, either by employees, contractors or suppliers;
- what to do if approached to breach the organisation's requirements.

DET Position: The Department does not have a statement of business ethics and values. However, the aspects raised are addressed in Code of Conduct; Secondary Employment Policy; and DET Purchasing and Tendering Handbook (on Intranet).

Action Plan: The Department's ethical stance is to be included on the DET Website for access by suppliers, contractors and potential providers of goods and services.

Recommendation 18

Organisations include clauses in contracts that give the organisation the right to terminate the contractor or take other appropriate remedies if the contractor fails to abide by the organisation's statement of business ethics.

DET Position: No current procedures, however, DET contracts contain clauses regarding breach of contract.

Action Plan: Audit to promote with all relevant sections of the Department the inclusion of a statement on ethics in contracts.

Recommendation 19

Organisations include their code of conduct in contracts, indicating how that code would apply to the successful contractor.

DET Position: Not proposed.

Action Plan: Audit to promote with all relevant sections of the Department the inclusion of a statement on ethics in contracts.

Recommendation 20

Organisations actively monitor performance against contract requirements to minimise the impact of any potential problems through early detection and intervention.

DET Position: Contracts are monitored against requirements.

Action Plan: All audit units include the review of the monitoring of contract performance in the audit program.

Recommendation 21

Organisations record any problems encountered with specific contractors for future reference when letting other contracts.

DET Position: Problems generally recorded but depending on contract information, may not be centralised.

Action Plan: All audit units to review. Consider centralised registers.

Recommendation 22

Organisations ensure staff participating in tender selection panels have received training or information on how to identify and manage conflicts of interest and other ethical dilemmas.

DET Position: DET Purchasing and Tendering Handbook addresses these issues. Dealt also in Code of Conduct and ethics training sessions.

Action Plan: New Code of Conduct will address together with proposed training. All audit units to review. Conduct probity audits of major contracts.

Recommendation 23

Organisations provide and promote information to all those that undertake work within the organisation (including short-term staff, specialist staff, board members, consultants and private sector contractors) on:

- organisational values
- public duty requirements
- conflict of interest and other corruption risks that they are likely to face in their role and how best to manage these risks.

DET Position: Employees will be aware of DET stance through code of conduct and training sessions on ethics. Not generally provided to short-term staff, specialist staff, board members, consultants and private sector contractors.

Action Plan: See sections 12, 17, 18, 19, 20, 21, 22.

Recommendation 24

Organisations ensure that staff at different worksites (especially in organisations that are large and decentralised) are provided with the same access to information.

DET Position: Staff able to access information through Intranet.

Action Plan: No further action required.

Recommendation 25

Smaller organisations currently without audit procedures consider which of their business practices could benefit from auditing and consider options for resourcing their audit requirements through outsourcing or on a shared basis with other organisations.

DET Position: DET has existing internal audit function.

Action Plan: No further action required.

Recommendation 26

Organisations ensure that their risk management strategies inform their audit plan and that the results of audits are acted upon to improve organisational processes and performance.

DET Position: DET audit plan is based on risk management strategies. The results of audits are acted upon to improve organisational processes and performance.

Action Plan: No further action required.

Recommendation 27

Organisations ensure that all employees are aware of the *Protected Disclosures Act 1994* and specify internal reporting procedures, by:

- regularly informing staff about the Act, the organisation's internal reporting policy, internal and external reporting channels and how they work;
- incorporating information about the Act and other reporting systems into policy and procedures and, where possible, into induction training and providing regular refresher training for staff.

DET Position: DET has issued policy on Internal Reporting of Protected Disclosures. Policy is available in hard copy, on the Intranet, DET Policy Database and DET Website.

Action Plan: Audit to liaise with Personnel in relation to inclusion of this policy in induction training.

Recommendation 28

Organisations ensure that internal reporting mechanisms are effective and include protection for those that use them.

DET Position: DET has effective internal reporting mechanisms which include protection for those that use them.

Action Plan: No further action required.

Recommendation 29

Organisations that currently either do not have an internal investigation capacity or a strategy for outsourcing this work, make specific plans to effectively deal with an allegation of corrupt conduct if one were to arise.

DET Position: DET has existing internal investigation function.

Action Plan: No further action required.



acknowledged
Ja
24/9/03

M03/4591

22 SEP 2003

Hon K Yeadon MP
Chairman
Committee on the Independent Commission Against Corruption
Parliament of New South Wales
Macquarie Street
Sydney NSW 2000

Dear Mr Yeadon

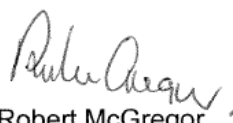
I refer to your correspondence to the Minister for Health dated 24 July 2003 advising of the public hearing to be conducted by the Committee on the Independent Commission Against Corruption into the report of the Independent Commission Against Corruption, *Profiling the NSW Public Sector: Functions, risks and corruption resistance strategies*.

NSW Health does not propose to make a submission to the Inquiry at this time.

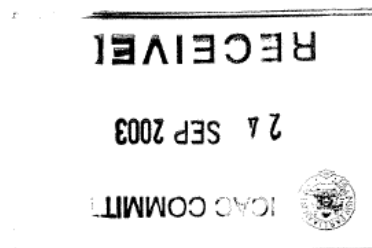
If you or the Committee secretariat seek any further information please contact Steven Carr, Manager, Parliamentary and Cabinet Support on (02) 9391 9328 in the first instance.

I wish you well with the Inquiry.

Yours sincerely



Robert McGregor
Acting Director-General



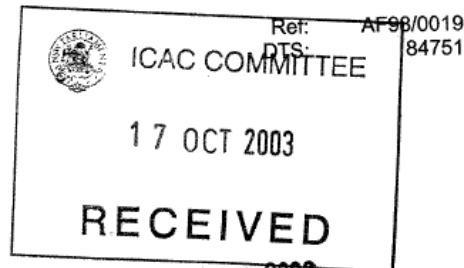


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The Hon Tony Kelly MLC
Minister for Rural Affairs,
Minister for Local Government
Minister for Emergency Services, and
Minister Assisting the Minister for Natural Resources (Lands)

The Hon K M Yeadon MP
Chair
Parliamentary Committee on the
Independent Commission Against
Corruption
Parliament of New South Wales
Macquarie Street
SYDNEY NSW 2000



17 OCT 2003
Acknowledged
Jan 21/10/2003

Dear Mr Yeadon

I refer to your letter of 26 September 2003 and your request for input from agencies under my administration on your inquiry into the ICAC's report on the NSW Public Sector Risk Profile.

I have pleasure in enclosing a submission from the Department of Local Government in response to the ICAC's report.

The department has a long and close working relationship with the Commission. The two agencies hold regular consultation meetings and routinely exchange matters of relevance to each agency's jurisdiction.

With the department's relocation to Nowra, the department is taking the opportunity to review much of its existing corruption resistance framework. The Commission's report is a valuable guide in completing this process.

Thank you for the invitation to make this submission.

Yours sincerely

The Hon Tony Kelly MLC
Minister for Local Government

**Profiling the NSW Public Sector: Functions, risks and corruption
resistance strategies
Submission from the Department of Local Government**

Introduction

The Department of Local Government has conducted a self-assessment of its risk management and corruption resistance strategies against the ICAC findings for the ten key areas outlined in the ICAC report. The self-assessment was undertaken to identify areas where further improvements might be made to improve corruption resistance.

The department has a close and ongoing working relationship with the ICAC. The two agencies hold regular liaison meetings in order to exchange relevant information in relation to our overlapping investigative jurisdiction over local government. The two agencies also regularly refer complaints and information to each other to ensure that information relevant to each agency's distinct jurisdiction is properly dealt with.

The department, through the Director General, is also one of only a few designated investigative agencies under the Protected Disclosures Act, and is represented on the Protected Disclosures Implementation Committee with the ICAC and other agencies.

This gives the department a good understanding of the ICAC and its key corruption prevention messages. These messages are ones the department supports and promotes in its work promoting best practice in local government.

The department relocated to Nowra in January 2003. Following that move, the department is taking the opportunity to substantially review its existing corporate policy framework. The ICAC 'Umbrella' report is a valuable guide for the department in completing this work.

A summary of comments on the self-assessment follows:

Identifying and documenting risks

In line with ICAC's recommendation, the department has adopted an integrated risk management approach whereby risk assessments are incorporated as essential components in strategic and operational decisions made by management.

The department has processes to ensure it identifies factors that may impact on the capacity of the organisation to meet corporate objectives and develops and implements strategies to help manage those risks.

Benefits to the organisation of this integrated approach include:

- Better information for decision making
- Increased productivity
- Safer work environment
- Improved corruption prevention controls
- Enhanced probability of achieving objectives.

Codes of conduct

The department has a code of conduct. The department's code of conduct has been developed to meet the specific needs and requirements of the organisation. On joining the department, new staff are required to commit to its principles and practices.

The code includes provision for regular review and updating to reflect relevant changes that occur both within and outside the department.

The department is currently reviewing its code and has adopted ICAC's recommendations 7 and 8 on staff consultation and the adequacy of training arrangements within this review.

The department is also responsible for developing the existing model code of conduct for local government. This code is to be reviewed in coming months. The review will take into account ICAC advice on best practice in this area.

Gifts and benefits policies and procedures

The department has a gifts and benefits policy in its code of conduct. The department's policy provides appropriate procedures for reporting any substantial gift, offers or suggestions made directly or indirectly to a member of staff. The department could enhance these procedures by establishing a formal register for recording any reports made as a supplementary strategy to deal with gifts and benefits. (Recommendation 10)

Information management and technology

Last year the department commissioned a report on its records and document management systems and is implementing a series of recommendations to improve compliance with requirements of the State Records Act and standards, and to increase effective work practices.

Staff also participated in a series of forums conducted by an independent consultant to evaluate the department's IT security and privacy management systems and provide recommendations for incorporation in Information Technology and Communication plans. (Recommendation 13)

Recruitment

The department's external recruitment adopts the common selection criteria, which include a requirement that candidates exhibit an understanding of ethical practice. The department supports a best practice policy whereby members of interview panels are required to complete appropriate selection techniques training.

With many staff joining the department after the relocation to Nowra in January 2003, it is timely to provide training for new staff participating in recruitment selection panels as detailed in ICAC's recommendations 15 and 16.

Contracting and procurement procedures

As a small agency, the value of contracts and procurements undertaken by the department is not significant. The department has limited skills and resources available in-house. But the department can utilise other skills through its shared corporate service arrangement in place with the Department of Gaming and Racing.

The department regularly engages the services of Government Supply procurement specialists to provide advice and to assist with or undertake tendering processes.

The department also has an important role in promoting best practice tendering practices within the local government sector and demands high standards of probity of itself in establishing contracts and undertaking procurement.

Providing information on ethical work practices to staff

Information on ethical work practices is provided to staff in the code of conduct.

Following the introduction of shared corporate services arrangements, the department has a reduced in-house capacity to develop a wide range of human resource services on demand. The issue has become more difficult to address following the move away from the service provider to Nowra.

The department has an identified need to develop strategies to improve induction programs for staff to promote information on ethical work practices to staff. (Recommendation 23)

Nevertheless, it should be noted that the nature of the department's work in promoting best practice in local government and in working closely with the ICAC means that many staff have a sophisticated understanding of ethical practice issues. These staff represent a useful resource for the department in developing strategies in this area.

Audit procedures

The department resources its internal audit requirements on a shared basis with the Department of Gaming and Racing under its shared corporate services arrangements. (Recommendation 25)

Protected disclosures

The department has a comprehensive protected disclosures regime in place. It includes a detailed internal reporting system and information to staff on the subject. The department has arranged several seminars and forums on protected disclosures, which have been well attended by staff.

The department's protected disclosures policy and procedures are reviewed regularly and are readily accessible to all staff on the intranet. The department supports and implements ICAC's recommendations 27 and 28.

The department again benefits from its close association with this legislation. The Director General is a designated investigating authority under the Protected Disclosures Act for disclosures of serious and substantial waste of local government money. This means many staff have a well developed understanding of the legislation.

Internal investigation capacity

The Director General or Deputy Director General under delegation from the Director General maintain an internal capacity to investigate or make a strategic decision to outsource this work.



NEW SOUTH WALES

MINISTER FOR ENERGY AND UTILITIES
MINISTER FOR SCIENCE AND MEDICAL RESEARCH
MINISTER ASSISTING THE MINISTER FOR HEALTH (CANCER)
MINISTER ASSISTING THE PREMIER ON THE ARTS

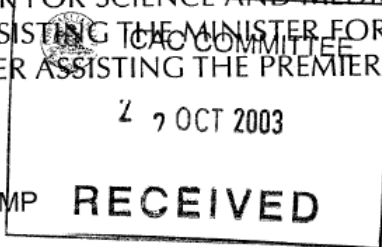
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Ja

22/10/03



MEU Ref: 03/01584

The Hon Kim Yeadon MP
Chairman
Committee on the Independent Commission against Corruption
Macquarie Street
SYDNEY NSW 2000

20 OCT 2003

Dear Chairman *Kim*

I refer to your correspondence of 26 September 2003 concerning submissions to the Committee for the purpose of the inquiry into the Report of the Independent Commission against Corruption on the NSW Public Sector.

I fully support the essence of the Report and the recommendations made and will ensure that all agencies within my portfolio review their own anti corruption procedures and incorporate anti corruption strategies to minimise risk.

I have sought advice from the Ministry of Energy and Utilities, and based on the information provided, am satisfied that the Ministry can identify, monitor and effectively deal with corruption related issues.

In particular, the Ministry has a comprehensive Corruption Prevention Policy which identifies most of the major issues raised in the report, including fraud risk assessment, corruption education and awareness, protected disclosures and the code of conduct.

The Policy was developed in 2001 and in accordance with the ICAC recommendations, will be reviewed in the near future and subject to regular reviews thereafter.

I am advised by the Ministry that each recommendation contained in the report will be Reviewed and incorporated in their Policy where appropriate.

Thank you for giving me the opportunity to make a submission on this matter.

Yours sincerely

Frank Sartor

Level 31, Governor Macquarie Tower, 1 Farrer Place, Sydney NSW 2000
Telephone: (02) 9228 4700 Facsimile: (02) 9228 4711 Email: office@sartor.minister.nsw.gov.au



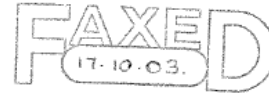
NSW Fisheries



ICC141
03/1932

PSPR 020

Acknowledged
Jan 22/10/03
DL03001229



The Chairman
ICAC Committee
Parliament House, Macquarie Street
SYDNEY NSW 2000

Dear Sir,

I am writing in regard to the request by your Committee for NSW Fisheries' response to the ICAC report *NSW Public Sector Profile: Functions, Risks and Corruption Resistance Strategies*.

The report is a highly valuable and useful document that clearly identifies the risks of corruption faced by public sector organisations and the appropriate responses. NSW Fisheries already has a number of the report's recommendations in place, such as the code of conduct, a protected disclosures procedures and a recruitment package that addresses conflicts of interest.

It is my intention to closely consider the report's recommendations with a view to implementing those that would help identify corruption risks and reduce those risks through various strategies.

Yours sincerely

STEVE DUNN
Director-General, NSW Fisheries

HEAD OFFICE

202 Nicholson Parade - PO Box 21 CRONULLA NSW 2230

Telephone: (02) 9527 8411 Facsimile: (02) 9527 8576

Website: www.fisheries.nsw.gov.au

ABN 56 287 047 871



Minister for Fair Trading
Minister Assisting the Minister for Commerce

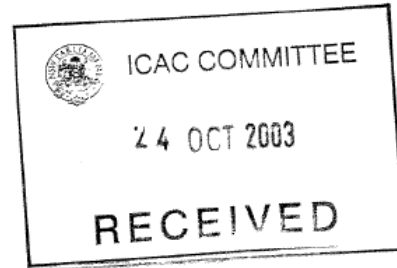
ICCI41
C03/1949

PSPR021

Acknowledged
Jan 24/10/03

MIN03/583

The Hon K M Yeadon, MP
Parliament of New South Wales
Committee on the Independent Commission
Against Corruption
Parliament House
SYDNEY



Dear Mr Yeadon,

I refer to your correspondence concerning the Committee's inquiry into the Report of the Independent Commission Against Corruption on the NSW Public Sector.

As you are aware the New South Wales Department of Commerce now incorporates the Office of Fair Trading.

Following receipt of your letter I brought this matter to the attention of the Director-General of the Department of Commerce, Ms Kate McKenzie for a direct reply.

Should you require any further information, please contact Mr Michael Galderesi at my Office on 922-3555.

Yours sincerely,

Reba Meagher, MP
Minister

17 OCT 2003

Level 37, Governor Macquarie Tower
1 Farrer Place
Sydney NSW 2000

Phone: 02 9228 3555
Fax: 02 9228 3585
Email: rmeagher@meagher.ministernsw.gov.au

VCC141
C03/2159

BPR 021.1

3 OCT 2003

D/03/01414

The Hon K M Yeadon MP
Chairman
ICAC Committee
Parliament House
Macquarie Street
SYDNEY NSW 2000



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2-24 Rawson Place
Sydney NSW 2000

Telephone 02 9372 8877
Facsimile 02 9372 7070
TTY 1300 301 181

ABN 54 625 095 406
www.commerce.nsw.gov.au

Dear Chairman

I refer to your previous correspondence to the Hon J J Della Bosca MLC, Special Minister of State, Minister for Commerce, Minister for Industrial Relations, Assistant Treasurer and Minister for the Central Coast and the Hon R P Meagher MP, Minister for Fair Trading and Minister Assisting the Minister for Commerce regarding the *Report of the Independent Commission Against Corruption on the NSW Public Sector Profile: Functions, risks and corruption resistance strategies*. The Ministers have asked that I reply to you on their behalf.

The Department of Commerce, which was formed in April this year, comprises the following agencies:

- Office of Government Business
- Office of Government Procurement
- Office of Fair Trading
- Office of Industrial Relations
- Office of Information and Communications Technology, and
- Strategic Management & Corporate Support

I note that the Report identifies the types of corruption related issues facing the New South Wales public sector with the intent of assisting agencies to further develop and refine their individual risk identification, monitoring and management programs. In addition, the report is intended to enable public sector managers to assess their own organisation against the Report's findings and assist them in identifying areas where further improvements can be made in their organisation's corruption resistance.

I have circulated the Report to all Offices comprising the Department of Commerce and can advise that all agencies have indicated that they have in place appropriate and effective strategies to address the key areas identified in the ICAC Report.

These strategies will be progressively integrated to ensure that the Department will promptly apply a consistent standard to the identification, assessment and management of these risk areas.

I trust that this information is of assistance to you.

Yours sincerely


Kate McKenzie
Director-General



ICC141
603/2157

PSR 022

Minister for Police

The Hon K M Yeadon, MP
Chair,
Committee on the Independent Commission
Against Corruption
Level 40
Governor Macquarie Tower
1 Farrer Place
SYDNEY NSW 2000



Dear Mr Yeadon,

Thank you for the opportunity to comment on the *Report of the Independent Commission Against Corruption on the NSW Public Sector Profile: Functions, risks and corruption resistance strategies*.

The Wood Royal Commission, its subsequent report and recommendations was a catalyst for major reform for the NSW Police. It identified potential and real corruption risks and led to enhanced corruption prevention policies and procedures. NSW Police currently has in operation numerous policies which already address the recommendations made in the ICAC report. These policies are reviewed regularly by the corporate owners of each policy. Some of these policies include:

- Code of Conduct and Ethics
- Risk Management Policy
- Command Management Framework (CMF)
- Employee Management Policy.
- Internal Police Complaints Guidelines.
- Internal Witness Support Policy
- Sponsorship and Endorsement Policy.

Further to these policies, the Commissioner has implemented a 'strategic plan for change'. This plan provides a blueprint for NSW Police to focus on the strategic management of the organisation in a way that does not diminish the critical operational focus, but implements the leadership, cultural and people management changes necessary in a reformed Police organisation envisaged by Justice Wood. Corruption resistance is one of the 23 key areas addressed in the strategic plan for change. The corruption resistance project objectives are:

- Research and define best practice corruption resistance strategies.
- Develop corruption resistance strategies based on best practice.
- Implement, monitor and review strategies.


NSW Police agrees with the initiative of minimising the prevalence of corruption in NSW public sector organisations. To achieve this goal, organisations need to possess the tools and knowledge to ensure corporate risks are identified, monitored and dealt with in a satisfactory and consistent manner. The provision of the ICAC report to the public sector organisations, to be used to identify areas where further improvements can be made to improve their organisation's corruption resistance, will be beneficial in achieving the goal of minimising corruption in the NSW public sector.

The Police Integrity Commission (PIC) considers that the matters identified by the report, through its survey of perceived risks of corruption at both executive and staff levels, to be of assistance in informing public sector agencies to identify and address potential problem areas. With regard to the applicability of the report to the PIC itself, the PIC already has security and integrity processes in place that are more rigorous than those utilised or able to be utilised by other public service agencies. The PIC nonetheless considers the report of value in assisting to benchmark its internal processes and improve its own corruption resistance.

The Inspector of the PIC commends the authors for the report and encourages the implementation of their recommendations.

I trust that these comments will be of assistance for your inquiry.

Yours sincerely



John Watkins MP
Minister for Police

23 OCT 2003

ICCA
03/258

ORIGINAL
OF FAXED
DOCUMENT

PSPR 023
Department of Lands

Land Administration & Management
Property & Spatial Information

DIRECTOR GENERAL
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SYDNEY NSW 2000
AUSTRALIA

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AUSTRALIA

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www.lands.nsw.gov.au

Our Ref.: MIN03/3031

The Honourable Kim Yeadon MP
Chairman
Committee on the Independent Commission Against Corruption
Parliament of New South Wales
Macquarie Street
Sydney NSW 2000


Dear Mr Yeadon

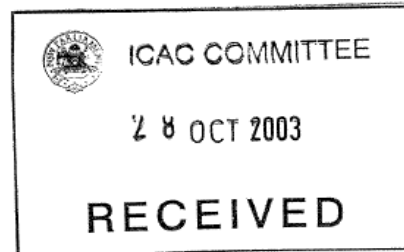
The Minister Assisting the Minister for Natural Resources (Lands), the Honourable Tony Kelly MLC, has referred your request for submissions to the *Inquiry into the Report on the Independent Commission Against Corruption on the NSW Public Sector Profile: Functions, Risks and Corruption Resistance Strategies* for my attention.

Generally we have found the publication to be a useful resource. As the outcome of research undertaken by ICAC in 2001, the publication provides a snapshot of corruption and risk related issues across the public sector. The publication is currently being utilised as an information resource by the Department of Lands, as we undertake departmental risk assessments and prepare the risk and audit plans for the organization and will continue to be a useful tool as we review related departmental policies, guidelines and processes.

I thank you for the opportunity to comment.

Yours sincerely


Warwick Watkins
Director General 16-10-03



The Hon Sandra Nori MP
Minister for Tourism and Sport and Recreation
Minister for Women

10/12/03

*ICC 141
04/85*

15/12/04

(see 003/1389)



*Acknowledged
12/2/04*

RML B13758



The Hon Kim Yeadon MP
Chair
Independent Commission Against Corruption Committee
Parliament House
Macquarie Street
SYDNEY NSW 2000

[Handwritten signature]
Dear Mr Yeadon,

Thank you for your letter requesting a submission for the Inquiry into the Report of the Independent Commission Against Corruption on the NSW Public Sector Profile; risks and corruption resistance strategies..

I have asked the Department of Tourism, Sport and Recreation and the Department for Women to investigate appropriate corruption resistant strategies and procedures and implement these where possible.

Yours sincerely,

[Handwritten signature of Sandra Nori]

SANDRA NORI MP
Minister for Tourism and Sport and Recreation
Minister for Women

24 DEC 2003

ICC191
C04/95



*Minister for Transport Services
Minister for the Hunter
Minister Assisting the Minister for Natural Resources (Forests)*

PSPR 025
Acknowledged
LA 3/2/2004

The Hon Kim Yeadon MP
Chair
Committee on the Independent Commission Against Corruption
Parliament of New South Wales
Macquarie Street
SYDNEY NSW 2000

29 JAN 2004

Dear Mr Yeadon

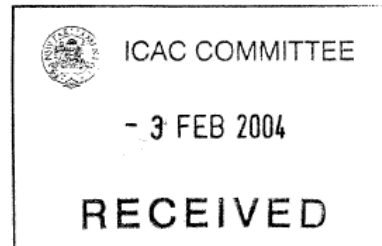
Thank you for your letter requesting submissions to the Inquiry into the Report of the Independent Commission Against Corruption on the NSW Public Sector Profile: Functions, risks and corruption resistance strategies.

Please find attached submissions from the Transport Services agencies.

Should you require any further information on this matter, please do not hesitate to contact Mr Darren Holder, A/Manager Government Relations, Ministry of Transport on (02) 9268 2801.

Yours sincerely


MICHAEL COSTA



**RAIL INFRASTRUCTURE CORPORATION
SUBMISSION TO THE COMMITTEE ON THE INDEPENDENT COMMISSION AGAINST
CORRUPTION**

ISSUE

Rail Infrastructure Corporation's (RIC) comments to the Independent Commission Against Corruption (ICAC) Inquiry into the Report on the NSW Public Sector Profile: Functions, risks and corruption resistance strategies.

BACKGROUND

RIC commenced operation as a State Owned Corporation on 1 January 2001, as a result of the merger of Rail Access Corporation and Rail Services Australia.

Steps were taken to introduce measures to build a corruption resistant organisation. Key staff were engaged to manage preventative and investigative actions, which led to the implementation of a Corruption Prevention Strategy.

RIC's Corruption Prevention Strategy includes:

- systematic case management approach to investigations
- Fraud Risk Assessment
- production and distribution of a RIC Code of Conduct booklet
- face-to-face corruption prevention awareness sessions
- a Corruption Reporting Hotline
- a Corruption Prevention Intranet site
- preparation of articles for RIC internal publications, and
- production and distribution of corruption reporting posters.

RIC used ICAC's Report on the NSW Public Sector Profile: Functions, risks and corruption resistance strategies to develop the strategy. In addition, publications produced by ICAC, The Audit Office of NSW and other organisations were also used to produce this strategy and supporting documentation. RIC's strategy also complies with Australian Standard AS 8001-2003 *Fraud and Corruption Control*.

COMMENT

RIC was one of the contributing organisations to the NSW Public Sector Profile survey exercise. Upon release, as with all other new ICAC publications, the report was reviewed for relevant applications to RIC operations.

The report has been instrumental in assisting RIC identify high priority areas on which to focus attention. For example, the recommendation that 'organisations regularly review their corruption risks and compare their risks with the risks identified by similar organisations' was acted upon by conducting Fraud Risk Assessments.

The High-Risk Functions identified within the report were examined as part of determining the triggers that would be used to generate discussion at each of the Fraud Risk Assessment Workshops.

The High-Risk Functions identified also assisted in the development of the Corruption Prevention Strategy by identifying some of the high-risk functions that were specific to RIC business, such as undertaking construction and providing a service to the community where demand frequently exceeds supply.

The High-Risk-Functions Checklist may be used as the basis of a survey, which participants of RIC's Corruption Prevention Awareness Sessions can complete to ascertain the level of risk they face in their various roles.

The comparison between various types of public sector organisations as to whether they identify and document risks and whether such documentation includes corruption risks and prevention strategies is useful information, as on occasion RIC networks with other agencies to conduct a mini 'best practice' exercise with strategies or policies.

The section on Codes of Conduct highlighted the need for regular reviews and for reinforcement via training. This is useful information when developing communication strategies, as it supports the unequivocal need for such activity, despite the required resource commitment.

Similarly, other areas addressed in the report such as audit procedures, protected disclosures and internal investigation capacity are of value, as the comparison to other types of agencies is informative and they contain pointers that can be used as a checklist.

RIC also used the Audit Office of NSW Fraud Control guidelines, which uses similar classification categories, to develop a Corruption Prevention Strategy. It provides practical pointers that expand upon the Fraud Control guidelines, and a comparison between the various types of public sector agencies, which highlights relative strengths and weaknesses of the respective agencies.

The checklist provided under 'Where to from here?' was a useful tool in the development of RIC's 2003/2004 Corruption Prevention Strategy. Whilst RIC used the Audit Office's methodology to benchmark, the ICAC Report provided a further mechanism to identify RIC's relative strengths and weaknesses across a broad and very relevant range of functionalities.

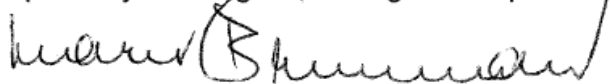
Strategies to build upon or address relative strengths and weaknesses can thereby be developed and implemented. For example, one of the strategies identified in the report was to 'provide contractors with information about the organisation's ethical standards'. This was captured as a proposed action in the 2003/2004 Strategy.

It was interesting to note that State Owned Corporations are leaders in the number of corruption prevention strategies in place, which in itself is an instrumental benchmark. The establishment of corruption prevention strategies has been shown to be an industry standard.

RECOMMENDATION

For information.

Prepared by Irene Agosti, Manager Corruption Prevention (9224 2840)



Approved by Maret Brennan, A/Manager Corporate Services Coordination (9224 4035)



Endorsed by Vince Graham, Chief Executive Officer

STATE TRANSIT
Submission to the Inquiry into ICAC's NSW Public Sector Profile:
Functions, Risks and Corruption Resistance Strategies

State Transit's following response to ICAC's Report "Profiling the NSW Public Sector: Functions, Risks and Corruption Resistance Strategies" outlines action taken with respect to the Report's.

Risks

State Transit periodically conducts risk workshops and updates its risk registers as appropriate. The identification, assessment and refinement of all business risks include fraud and corruption risks.

State Transit personnel are in regular contact with other agencies in the transport portfolio/industry and various risk associations to broaden our horizons in identifying risks and developing innovative methods in the treatment of risks.

It is our intention to utilise the "High-Risk Functions Checklist" in the ICAC report in the next round of risk workshops.

Codes of Conduct

State Transit's current Code of Conduct was issued in 2000 and will be reviewed as a matter of course as part of the current review of the disciplinary procedures.

It is our contention that the Code of Conduct should be reviewed in light of relevant legislative or policy changes, and no less than once every three years.

The review of the Code of Conduct training should be undertaken when changes to the Code have occurred.

Gifts and Benefits Policies and Gift Registers

State Transit has guidelines on gifts and benefits which form part of our quality business management system. A gifts and benefits register has been established.

Information Management and Technology

State Transit has a documented Information Technology Management Policy, which includes information security for the control and management of risks associated with Information Technology Systems.

State Transit adopts a proactive approach to information security management. State Transit adopts as its framework the Australian/New Zealand and International standards on information security, and the Australian/New Zealand standard on risk management.

The information technology policies and procedures are currently being reviewed to ensure that they are complete, effective and applicable.

Recruitment

State Transit's Recruitment Section conducts Merit Selection Workshops for staff required to participate in recruitment selection panels. These workshops identify conflicts of interest in recruitment and discuss with participants how to handle such situations.

All applicants for a job who request an information package are sent a copy of the NSW Government's leaflet on Common Selection Criteria which includes a section on ethical practice.

All new employees are given a copy of the code of conduct when they start work and during their induction class this is discussed further.

Contracting and Procurement Procedures

State Transit is committed to acting with integrity and probity and expects all participating organizations and persons in the activities of contracting and procurement to act with integrity and probity. On occasions, when warranted, State Transit appoints an independent probity advisor to assist in the Tendering processes.

State Transit requires all tenderers to declare whether they have any potential conflicts when submitting tenders.

State Transit has created a Contract Administration function to monitor the performance and management of contracts. Before the Practical Completion stage of a contract is finalised a performance assessment is undertaken of the Contractor as a learning tool.

All staff who participate in the tender process or access tender documents are required to read and sign a Tender Code of Conduct.

Providing information on Ethical Work Practices to Staff

State Transit has the following:

- Code of Conduct,
- Values statement,
- Ongoing program across depots to educate staff about acceptable conduct, part of which deals with ethical conduct,
- Facilitating ICAC publicity about corruption,
- Corporate investigations program, and

- A commitment to Protected Disclosures and Internal Reporting Systems training; which is currently being developed.

Audit procedures

An Internal Audit function is operating within State Transit staffed by employees and supplemented by contractors as required.

The Risk Management Framework within State Transit encourages Internal Audit to develop an appropriate compliance audit/assessment plan in conjunction with the Corporate Risk Manager.

Results of audits are reported as agreed management action plans (to improve processes) to senior management and to the Audit Committee of the State Transit Board. Internal Audit reports the progress of the implementation of these agreed action plans to the Audit Committee of the State Transit Board.

Protected Disclosures

The procedures for State Transit's Protected Disclosures and Internal Reporting System have been recently revised and updated. A training program for the new procedures is being developed and training of staff will commence on completion of the program.

The Protected Disclosures and Internal Reporting System procedures are available to staff on State Transit's quality business management system (ISO 9001:2000 certified). All new employees are given a copy of the protected disclosures procedures when they start work and during the induction class this is discussed further.

Internal Investigation Capacity

A corporate investigations training program is in place for all staff required to undertake investigations within State Transit. Investigations guidelines are currently being developed in conjunction with a review the disciplinary process.

JIM RING

Manager

Internal Audit

Tel. 9245 5470

CHIEF EXECUTIVE
6th Floor, Western Gateway
14-18 Lee Street, CHIPPENDALE NSW 2008
PO BOX K349
HAYMARKET NSW 1238

- 7 AUG 2003

Ref: Your Letter 13.08.03 - Z00/0101

Mr Grant Poulton
Executive Director
Corruption Prevention, Education & Research
Independent Commission Against Corruption
GPO Box 500
SYDNEY NSW 2001



StateRail

Dear Mr Poulton,

We refer to your letter of 13 June asking for an updated status report from StateRail in relation to recommendations contained in a June 1998 ICAC report entitled *A Major Investigation Into Corruption in the Former State Rail Authority of NSW*. We note that Ms Giselle Tocher agreed that ICAC would be amenable to a response by early-August.

You correctly mention in your letter that StateRail had already fully implemented many of ICAC's recommendations, and that there was some planned future work. We confirm that the planned work has since been actioned.

The attached Action Plan as at 30 June 2003 shows that StateRail has continued to introduce fresh 'best in class' corruption resistance initiatives and, where appropriate, has updated those that were in place in the late-1990's. Whilst the Status Report addresses specific recommendations raised by ICAC, I have taken the opportunity in this letter to outline some related corporate initiatives.

The Chief Executive in a message to staff in March 2003, reiterated that *the Executive Management Team shares his commitment to promoting an ethical and corruption-free workplace and takes instances of fraud, corruption and unethical behaviour seriously*. This message is consistent with StateRail's core values contained in the Corporate Plan 2002-2006 – the values include a commitment to *being ethical and honest in all our thinking, behaviour and relationships*. A copy of the published brochure is attached.

Employees are required to abide by StateRail's Code of Workplace Standards and other StateRail and Government policies, procedures and codes of practice. A separate Board Code of Conduct is in place, with a comprehensive Corporate Governance Charter that defines the respective roles, responsibilities and authorities of the Board of Directors and management in setting the direction, the management and the control of the organisation. Employees can obtain advice on ethical issues on a confidential ethics hotline; an Ethics Committee is available for advice on more complex issues.

StateRail has mechanisms in place that enable management to keep abreast of fraud and corruption trends in Australia and overseas, to ensure that they are well positioned to respond to emerging risks, and to facilitate continuous improvement to our policies and processes in line with best practice guidelines. In this regard, key initiatives effected in 2002/03 included:

- Establishment of a Disciplinary Review Panel made up of several senior executives, to assess reported breaches of the Code of Workplace Standards. The Panel reviews disciplinary reports and, if the report satisfies both procedural and substantive fairness, makes recommendations to executive management as to an appropriate finding and penalty.
- Development of an Ethical Leadership training program that has been rolled out through all levels of executive, senior and middle management.

- Introduction of a Statement of Business Ethics that disseminates clear guidelines for the ethical behaviour appropriate to businesses dealing with StateRail and its staff. A copy of the published brochure is attached.
- Establishment of an Ethics Committee consisting of several senior executives to provide advice on ethical questions, mostly relating to potential conflicts of interest for property management, procurement and contract award processes.
- Participation in an ICAC pilot across selected public sector agencies aimed at encouraging members of Non-English Speaking Background (NESB) communities to report corrupt conduct to the ICAC.
- Promotion of ethical behaviour through a variety of internal communication channels, such as the staff newspaper *Between the Lines*, induction arrangements for new staff, scheduled lectures to specific work groups, and other occasional messages on pay-slips and in weekly staff circulars.
- Review and update of Human Resource policies to ensure that they accord where appropriate to best practice guidelines published by other agencies such as ICAC and the NSW Audit Office; amongst other things, merit-based selection processes now require an independent panel member from outside StateRail, pre-employment background checks have been expanded, and secondary employment arrangements were strengthened.
- Development of policy guidelines on the use of probity auditors and advisers.
- Establishment of a comprehensive and prominently placed intranet site on Ethics and Honesty to provide staff with ready access to information and other resources on fraud, corruption, probity and ethics.

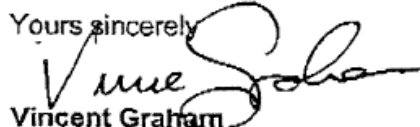
StateRail recognises that one of the critical building blocks for organisational integrity is a commitment to recruiting the right people (those that closely share the values of the organisation) and developing them so that they continue to provide high quality, ethical contributions and services. Management is also cognisant that an ICAC survey of public sector staff in NSW - published in mid-2003 - found that they considered that their organisation's two most significant corruption risks were how staff are promoted, and how staff are recruited. StateRail management had already taken action to establish a Central Recruitment Unit during the early part of 2003, reflecting a commitment to continuous improvement of the already rigorous recruitment life cycle within StateRail.

StateRail has a strong internal audit and corruption prevention capability, staffed by a professional well-equipped multi-disciplinary team. StateRail's Board, Board Audit Committee and Executive Management Team are committed to supporting an internal audit function that operates as an independent, objective assurance and consulting activity designed to add value and improve State Rail's operations. Reflecting this commitment, the Director Audit & Investigations reports on audit matters directly to the Board Audit Committee and the Chief Executive.

StateRail has rigorous ethical governance arrangements, including a high-level Investigations Coordination Group and a high-level Discipline Review Panel. All fraud, corruption and other matters subject to investigation are reported monthly to the Board and ICAC. A regular report on emerging trends and issues on fraud, corruption and ethics is provided to the Board Audit Committee (at least semi-annually).

Should you require any further information, please contact Bruce Turner Director Audit & Investigations Unit on (02) 9379 1422.

Yours sincerely



Vincent Graham
Acting Chief Executive

7 August 2003

**A MAJOR INVESTIGATION INTO CORRUPTION IN THE FORMER STATE RAIL AUTHORITY OF NEW SOUTH WALES: JUNE 1998
CORRUPTION PREVENTION INITIATIVES: STATE RAIL AUTHORITY – STATUS REPORT 30 JUNE 2003**

INITIATIVE FROM JUNE 1998 ICAC REPORT	STATERAIL STATUS AS AT 30 JUNE 2003
<p>LEADERSHIP</p> <p>The role of the CEO and other senior management in providing strong ethical leadership to achieve change within an organisation cannot be overstated. Ethical leadership is about leading by example and providing a vision for the organisation. This involves a commitment to such core values as integrity, openness and honesty.</p>	<p>An updated Corporate Governance Charter was introduced April 2003. The Charter is a policy document that clearly defines the respective roles, responsibilities and authorities of the Board of Directors and management in setting the direction, the management and the control of the organisation.</p> <p>The Director Audit & Investigations and Corruption Prevention Officer (CPO) maintain a close liaison with ICAC, and the CPO is involved in the Corruption Prevention Network as a means of maintaining an ongoing dialogue within the NSW Government sector in relation to corruption and fraud.</p>
<p>StateRail Board has worked productively with the ICAC. Is aiming to develop the highest standards of corporate integrity and accountability in StateRail.</p>	<p>The Board Audit Committee has a primary objective of assisting the Board in discharging its oversight and corporate governance responsibilities, including, amongst other things, business ethics and corruption prevention policies and practices, as well as risk management and internal controls.</p> <p>The Board Audit Committee meets five times each year, and receives regular reports on business ethics and corruption prevention initiatives.</p>
<p>StateRail Board has requested regular reporting on implementation of corruption prevention strategies.</p>	<p>During 2002, StateRail provided a series of Ethical Leadership Training workshops for the executive management team, senior management and middle management (all up, two hundred and ten people attended). The workshops included presenters from ICAC and were aimed at building organisational integrity and ethical leadership capability across the management of StateRail. Consideration is currently being given to options for follow-up workshops on ethical leadership training. The high-level workshops complement existing ethics and probity training that is incorporated in other StateRail training courses.</p>
<p>Senior management recognises need for organisational leadership (emphasis on middle management).</p>	<p>During 2002, StateRail provided a series of Ethical Leadership Training workshops for the executive management team, senior management and middle management (all up, two hundred and ten people attended). The workshops included presenters from ICAC and were aimed at building organisational integrity and ethical leadership capability across the management of StateRail. Consideration is currently being given to options for follow-up workshops on ethical leadership training. The high-level workshops complement existing ethics and probity training that is incorporated in other StateRail training courses.</p>

ICAC June 1998 Report on Corruption Prevention Initiatives

INITIATIVE FROM JUNE 1998 ICAC REPORT	STATERAIL STATUS AS AT 30 JUNE 2003
<p>The Chief Executive initiated a Risk Management review. Report issued in August 1997. This review identified a number of high risk areas, including fraud and corruption.</p>	<p>StateRail's <i>Corporate Plan 2002-2006</i> outlines the organisation's vision, mission, core values and community outcomes. The <i>Plan</i> complements the Risk Management initiatives (see next point). The core values reflect a commitment to being ethical and honest in all our thinking, behaviour and relationships.</p>
<p>A Risk Management Steering Committee was established to implement the Risk Management Plan. Committee now chaired by new CEO. Action Plans driven by management with the CEO taking leading role.</p>	<p>High-level risks are listed in StateRail's <i>Statement of Business Intent</i> that is agreed by key stakeholders (ministerial, Board and executive). Proposed risk management actions are listed. The Board Audit Committee (rather than a separate Risk Management Steering Committee) now receives quarterly reports on Risk Management.</p>
<p>Board approved Fraud & Corruption Action Plan in August 1997. There is a Board plan and flowing from it, a more comprehensive Fraud & Corruption Committee action plan package of initiatives due for completion June 1998.</p>	<p>The <i>Fraud & Corruption Action Plan</i> of 1997 has continued to apply. It is currently being reviewed, and will be replaced with an updated <i>Corruption Prevention Strategy</i> that will be developed and submitted for Board endorsement during 2003. As outlined elsewhere in this paper, other Fraud and Corruption actions have been progressed during 2002/03, in line with <i>Divisional Business Plans</i>.</p>
<p>ORGANISATIONAL VALUES</p>	
<p>The cultural values of an organisation have a strong influence on the behaviour of staff in an organisation. These values affect everything the organisation does and may help or obstruct the implementation of new policies and procedures. The ethical culture of an organisation includes the shared assumptions, beliefs, values and attitudes held by staff. These attitudes and values operate on a variety of levels and are used by individuals or groups to make decisions, to justify these decisions and to evaluate outcomes.</p>	<p>StateRail's <i>Corporate Plan 2002-2006</i> includes core values and reflects on a commitment to being ethical and honest in all our thinking, behaviour and relationships. The <i>Plan</i> was distributed widely (it is on StateRail's Internet site).</p>
<p>Core values underpin the way StateRail conducts its business. Values include ethical behaviour.</p>	<p>The Board endorsed a new <i>Statement of Business Ethics</i> in June 2003, which included suggestions made by ICAC. The <i>Statement</i> will help to raise private sector awareness (eg accountability and transparency; responsibility of public officials; rules for doing business), further evidence organisational integrity commitment, and increase the likelihood of sustainable ethical partnerships with the private sector. The <i>Statement</i> is provided to prospective suppliers, contractors, consultants etc in tender packs / quotation requests.</p>
<p>Statement on Business Ethics to encapsulate brief guidelines for: confidentiality, gifts, entertainment, ethical behaviour, etc.</p>	

<p>INITIATIVE FROM JUNE 1998 ICAC REPORT</p> <p>Corruption prevention in performance agreements/duty statements ongoing.</p>	<p>STATERAIL STATUS AS AT 30 JUNE 2003</p> <p>Values and standards are incorporated in the <i>Code of Workplace Standards</i> that are applicable to all StateRail staff. The weekly <i>StateRail Career Options and Information Booklet</i> reflects that the selection criteria for all positions includes (in addition to job specific selection criteria) an appropriate understanding of EEO, OH&S and <i>Ethical Behaviour</i>.</p>
<p>MANAGEMENT AND EMPLOYEE AWARENESS TRAINING</p> <p>It is essential that core values and principles of accountability and personal responsibility be conveyed throughout the organisation. The messages need to be clear and consistent. In this way the organisation comes to have, as an essential part of its ethos, the values of integrity probity and honesty.</p>	
<p>Risk Management Steering Committee, now to be chaired by the CEO meets monthly to identify/discuss areas of risk, including fraud and corruption.</p>	<p>The Corporate Risk Manager reports to the Chief Financial Officer. Close coordination is maintained with the Safety (Risk) Division and Internal Audit. The Board Audit Committee receives quarterly reports on Risk Management.</p>
<p>Monthly meeting of Fraud and Corruption Sub-Committee, chaired by the General Manager, Management Review and Audit.</p>	<p>A high-level <i>Investigations Coordination Group</i> was established in June 2002 to maintain high-level coordination and alignment between internal investigations, corruption prevention efforts, ethical leadership initiatives and related improvements. The Group meets at least monthly, and includes the Deputy Chief Executive (Workplace Strategy & Development), Director Audit & Investigations, Corruption Prevention Officer and investigations managers.</p>
<p>All fraud and corruption initiatives are screened by the Risk Management Steering Committee and Fraud & Corruption Sub-Committee.</p>	<p>An <i>Ethics Committee</i> is available to provide advice on ethical questions, including potential conflicts of interest for property management, procurement and contract award processes. Consists of several senior executives.</p>
<p>CORRUPTION PREVENTION STRATEGY PLAN</p> <p>Corruption prevention is about changing organisational features that allow corruption to occur. Since 1990, all NSW state public service organisations are required to develop and implement strategies to prevent fraud and corruption. The plan provides a framework and focus for corruption prevention activities.</p>	
<p>Fraud and Corruption policy to be disseminated throughout Authority – action plan agreed by Fraud and Corruption Sub-Committee includes a communications strategy.</p>	<p>Corruption prevention messages are regularly disseminated throughout StateRail. Messages on ethics, corruption prevention, risk management and internal control are periodically included on payslips, statements and reminders are included in the Chief Executive's weekly <i>What's News</i> newsletter, and articles are included in the staff newspaper <i>Between the Lines</i> (BtL)</p>

INITIATIVE FROM JUNE 1998 ICAC REPORT	STATERAIL STATUS AS AT 30 JUNE 2003
<p>CORRUPTIONAL ASSESSMENT</p> <p>Risk assessment is an essential part of a corruption prevention management plan. Every organisation has to decide how to manage the risks it faces. To make informed decisions about these risks, you need to be well organised and have up to date information about areas in which corruption might occur.</p> <p>Action plans being implemented by line management as a result of Risk Management study.</p> <p>Risk Management Steering Committee, now to be chaired by the CEO ensures implementation of action plans.</p> <p>Necessary follow-up and assistance provided by the Corporate Risk Manager.</p>	<p>Fraud Risk Assessment was undertaken in mid-2002. It was facilitated by Internal Audit and involved a collaborative approach with management and staff from operational and corporate areas of StateRail. The results were disseminated to relevant staff, and a summary resource is included on the Ethics and Honesty Intranet site.</p> <p>The Corporate Risk Manager has action plans in place for the Unit's activities, and provides quarterly reports to the Board Audit Committee on Risk Management.</p>
<p>ASSIGNING STAFF AND RESOURCES</p> <p>The allocation of sufficient resources is crucial to the success of a corruption prevention plan.</p> <p>General Manager, Management Review and Audit responsible for Corruption Prevention Strategy.</p> <p>Corporate Risk Manager appointed.</p> <p>Fraud Prevention Officer to be appointed to assist General Manager, Management Review and Audit.</p>	<p>The Director Audit & Investigations is responsible for maintaining and implementing StateRail's Corruption Prevention Strategy. As mentioned elsewhere, the Corruption Prevention Plan is currently under review, and a revised Plan will be referred to the Board for endorsement in 2003.</p> <p>A Corporate Risk Manager is in place with support staff.</p> <p>The Corruption Prevention Officer plays a crucial role with the Director Audit & Investigations in implementing corruption prevention initiatives across StateRail.</p>
<p>GOVERNMENT OPENNESS</p> <p>Those who deal with public sector organisations need to understand the values, ethics and culture which underpin the operations of their organisations. The community is entitled to expect that services align with these values. Likewise, contractors should be expected to align themselves with public sector values and ethics.</p> <p>Statement on Business Ethics</p>	<p>The Statement of Business Ethics issued in July 2003 outlines to the private sector the ethical standards that are expected when doing business with StateRail.</p>

INITIATIVE FROM JUNE 1998 ICAC REPORT	STATERAIL STATUS AS AT 30 JUNE 2003
<p>Code of Conduct</p> <p>A code of conduct is an important management tool which can positively shape the culture of an organisation. Many organisations have found that adopting a clearly defined approach to ethical issues improves the organisations reputation, helps to develop pride among staff and is good for business.</p>	<p>See earlier comments on the updated Corporate Governance Charter (for Board and management) that was introduced in April 2003. This is complemented by the Code of Workplace Standards for staff.</p>
<p>Board approved a Code of Conduct for Board Members as part of fraud and corruption action plan.</p>	<p>See separate comments on the Statement of Business Ethics issued in July 2003.</p>
<p>Current code under review</p>	<p>2003.</p>
<p>Statement on business ethics drafted.</p>	<p>2003.</p>
<p>Procurement</p> <p>State government departments and local councils do a lot of business with the private sector in the course of providing a wide range of services to the community. If organisations set and follow proper procedures, the risk of corruption is reduced, value for money is maximised, less time and public money is wasted and the performance and reputation of the organisation is enhanced. A purchasing system with clear rules for everyone, which goes fairly to the market and gets the best it has to offer, leaves little room for corruption and unfair advantage.</p>	<p>Fraud and corruption risks are well-covered in StateRail's Procurement Policies. Internal audit undertakes regular audits of procurement to assess compliance with policies. Further advice can be obtained from the Ethics Committee. Policy guidelines are also available for the use of Probity Auditors and Advisers.</p>
<p>Procurement policies being reviewed as part of Fraud and Corruption action plan to ensure fraud and corruption are well addressed.</p>	<p>The Code of Workplace Standards includes guidance on Conflicts of Interest.</p>
<p>Conflicts of Interest</p> <p>The integrity of an organisation and its staff needs to be protected by the implementation of policies and systems which effectively manage conflicts of interest actual and potential.</p>	<p>The Code of Workplace Standards includes guidance on Conflicts of Interest.</p>
<p>This topic is covered in Code of Conduct.</p>	<p>The Statement of Business Ethics issued in July 2003 includes guidance on Conflicts of Interest.</p>
<p>Will also be mentioned in Statement of Business Ethics.</p>	<p>Australian Rail Training (ART) runs a comprehensive training program for ethics, including conflicts of interest. Case Studies for conflicts of interest were reviewed in mid-2003 and updated case studies were developed for ART.</p>
<p>Senior and middle management training program – to include ethics training and ICAC case studies.</p>	<p>2003.</p>

INITIATIVE FROM JUNE 1998 ICAC REPORT	STATERAIL STATUS AS AT 30 JUNE 2003
<p>GIFTS AND BENEFITS</p> <p>The offering and acceptance of gifts and benefits may give rise to potential conflicts of interest.</p> <p>Statement on Business Ethics to also include StateRail's position concerning Gifts and Benefits. Copies of ICAC and RTA policies have been obtained as role models.</p>	<p>The Statement of Business Ethics issued in July 2003 outlines to the private sector the ethical standards that are expected when doing business with StateRail, including clear guidance on gifts, benefits, hospitality, meals, travel and accommodation.</p>
<p>Gifts & Benefits Policy will detail the StateRail's position on the acceptance of gifts and benefits.</p>	<p>The Gifts & Benefits Policy is included within the Human Resources Policies (Chapter D1), and is accessible on the Intranet.</p> <p>The Code of Workplace Standards also provides clear guidance to staff in dealing with Gifts and Benefits or Favours.</p> <p>A Gifts & Benefits Register is maintained centrally within the Audit & Investigations Unit.</p> <p>Regular monitoring of gifts offered and accepted is undertaken. An article To Accept or Not to Accept was included in the staff newspaper Between the Lines in December 2002, reminding staff just prior to the festive season of the policy on gifts and benefits.</p> <p>The Chief Executive also issued a formal reminder on the Gifts & Benefits Policy to senior management in December 2002.</p>
<p>CONFIDENTIAL INFORMATION</p> <p>Public sector organisations hold increasing amounts of information about private citizens and business enterprises. A great deal of this information is either personal, politically sensitive or has commercial value.</p> <p>Will be incorporated in statement on Business Ethics.</p>	<p>The Statement of Business Ethics includes guidance to the private sector on StateRail's confidentiality requirements. This is covered in more detail in standard contract terms and conditions.</p>
<p>Detailed in Code of Conduct.</p>	<p>The Code of Workplace Standards includes guidance on the Use of Confidential Information.</p> <p>The Code complements the Personal Information Policy (Human Resource Policy Chapter D6) and the Privacy Management Plan.</p>

INITIATIVE FROM JUNE 1998 ICAC REPORT	STATERAIL STATUS AS AT 30 JUNE 2003
<p>INTEGRAL/EXTERNAL REPORTING</p> <p>A significant proportion of corruption is detected solely as a result of reports from staff and within the public sector. It is essential that agencies have good internal and external reporting systems because such systems are important sources of information. Research shows that corruption in the public sector is significantly under reported. There are number of reasons for this, one is a widespread fear of reprisals among public sector employees.</p> <p>To be effective, the reporting system must address attitudes and issues which deter staff from reporting corrupt conduct. A workplace culture needs to be established in which integrity is encouraged and reports of corruption are acted upon. Effective reporting channels are of little value if people do not believe there is any point in using them out of fear of reprisals if they do.</p>	<p>Chapter D5 of StateRail's <i>Human Resources Policies</i> covers the Protected Disclosures Policy, which was last reviewed and updated in February 2003. All HR Policies are available in StateRail's Intranet site.</p> <p>Regular messages are disseminated to staff on StateRail's internal reporting processes, including the <i>Ethics Hotline</i>.</p> <p>An article on <i>Protecting the Whistleblower</i> was published in the staff Newspaper <i>Between the Lines</i> in December 2002. In the 19 March 2003 edition of the Chief Executive's weekly newsletter <i>What's News</i>, the CEO expressed the commitment of he and the Executive Management Team to Ethical Practices.</p> <p>A comprehensive <i>Ethics & Honesty Intranet Site</i> is available to staff with guidance, tools and contact numbers.</p> <p>A <i>refresher workshop</i> was held in December 2002 for staff involved in the reporting and management of Protected Disclosures. It involved a joint presentation, with presenters from ICAC, the Audit Office and Ombudsman's Office.</p> <p>The Deputy Ombudsman provided a presentation on the Protected Disclosures Act to over one hundred StateRail senior and middle managers in March 2003.</p>
<p>Protected Disclosures Procedural Guideline, Policy and Quick Guide to be distributed throughout StateRail.</p> <p>Protected Disclosures Quick Guide (summary for making a protected disclosure) to be circulated in StateRail Handbook.</p> <p>Details contained in Code of Conduct.</p>	<p>The <i>Code of Workplace Standards</i> is provided to all staff (including new appointees). It includes information on Protected Disclosures under <i>Notification of Corrupt Conduct – Do I Get Protection if I Report Corruption?</i></p>

INITIATIVE FROM JUNE 1998 ICAC REPORT	STATERAIL STATUS AS AT 30 JUNE 2003
<p>INTERNAL INVESTIGATION</p> <p>Every public sector organisation is likely, at some time, to have to investigate reports of improper conduct. It is important to be prepared and have policies and procedures in place so that prompt action can be taken when a problem arises.</p>	<p>Depending on the seriousness and nature of improper conduct, investigations will be carried out in one of three areas. The Chief Investigator is responsible for investigating instances of alleged corrupt or fraudulent conduct by individuals. The Manager Workplace Conduct handles improper conduct involving allegations of harassment, bullying, assaults and the like. The Director Audit & Investigations is responsible for investigating matters involving significant amounts of money and / or those that might be the result of systemic internal control problems. Human Resources Policies include a comprehensive Discipline Policy (Chapter C3).</p>
<p>Conducted by StateRail Internal Investigations unit</p>	<p>The previous role of the General Manager, Management Review & Audit is now performed by the Director Audit & Investigations. All investigations are overseen by a high-level Investigations Coordination Group.</p>
<p>Now to report to General Manager, Management Review and Audit.</p>	<p>Up-to-date Investigation Standards are in place.</p>
<p>Draft of investigation Standards completed.</p> <p>Chief Executive Officer approved establishment of senior management committee consisting of General Manager, Management Review and Audit, Corporate Secretary and General Manager, Human Resources for initial review and an oversight of all matters referred for investigation and monitoring of progress.</p>	<p>See earlier comments on the high-level Investigations Coordination Group that includes the Deputy Chief Executive (Workplace Strategy & Development), Director Audit & Investigations, Corruption Prevention Officer, Manager HR Policy & Diversity and Chief Investigator.</p>
<p>MONITORING AND EVALUATION</p> <p>It is essential that corruption prevention strategies operate in an integrated and cohesive way. Organisations must regularly review and evaluate their corruption prevention initiatives to ascertain if they are effective.</p>	<p>StateRail has in place a comprehensive Performance Development Scheme (PDS) that follows an annual cycle and involves three phases: Planning; Progress Review (after six months); and Achievements (assessed at end of twelve-month cycle). The PDS encompasses senior executives, managers and other staff. Corruption prevention initiatives - and their regular review - are specifically included in the key performance areas for key staff, including the Director Audit & Investigations Unit and the Corruption Prevention Officer.</p>
<p>Ongoing monitoring, performance and appraisal of managers.</p>	

INITIATIVE FROM JUNE 1998 ICAC REPORT	STATERAIL STATUS AS AT 30 JUNE 2003
<p>Review of Corruption Prevention Plan.</p>	<p>The continued relevancy of corruption prevention initiatives is reviewed on a monthly basis by the high-level Investigations Coordination Group, taking into account trends advised by managers responsible for investigations, workplace conduct, internal audit and corruption prevention. A formal review of the Corruption Prevention Plan is currently in progress, and a revised Plan will be referred to the Board for endorsement in 2003.</p>
<p>Draft performance indicators developed.</p>	<p>The Board Audit Committee receives regular reports on business ethics and corruption prevention initiatives. The abovementioned review of the Corruption Prevention Plan during 2003 will consider whether the form and content of reporting needs to be altered, and / or whether performance indicators need to be updated.</p>

Contact officer: Bruce Turner, Director Audit & Investigations Unit, StateRail. Telephone: (02) 9379 1422

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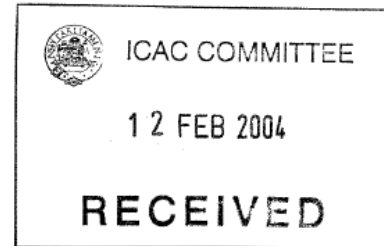
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Mr Ian Faulks
Committee Manager
Independent Commission against Corruption
Parliament of New South Wales
Macquarie Street
Sydney NSW 2000



Our Ref:ML04/09569
Your Ref:

10 February 2004

Dear Mr Faulks

The Minister for Transport Services, Michael Costa, has asked me to thank you for your letter concerning the NSW public sector risk profile research report released by ICAC.

The matters raised are currently being examined and a reply will be forwarded to you as soon as possible.

Yours sincerely

Roberta Burgess

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Roberta Burgess
Manager Ministerial Correspondence



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C04/132

RSPR 026

Attorney General's
department of nsw

The Hon. K. Yeadon MP
Chair
ICAC Committee
Parliament House
Macquarie Street
Sydney NSW 2000

10 NOV 2003

Dear Mr Yeadon

Inquiry into the Report of the Independent Commission Against Corruption on the NSW Public Sector Profile: Functions, risks and corruption resistance strategies.

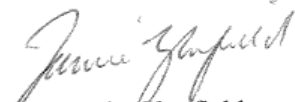
I am pleased to refer the enclosed Submission to the Inquiry into the Report of the Independent Commission Against Corruption on the NSW Public Sector Profile: Functions, risks and corruption resistance strategies on behalf of the Attorney General's Department of NSW.

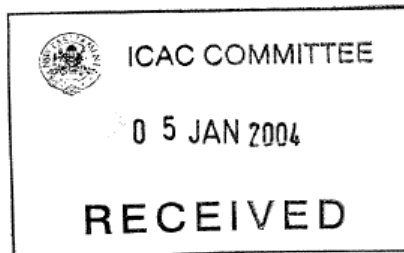
The Submission has been prepared following consultation across the Department and contains balanced feedback for consideration by the Inquiry.

Overall, the Report provides some useful background data in relation to the environment within which NSW government agencies are operating.

The contact person within the Attorney General's Department for any enquiries concerning this Submission is Mr Andrew Windever, Manager Workplace Development, Corporate Human Resources. Mr Windever's telephone contact number is 9228-7182 and email address is Andrew.Windever@agd.nsw.gov.au.

Yours sincerely


Laurie Glanfield
Director General



Inquiry into the Report of the Independent Commission Against Corruption on the NSW Public Sector Profile: Functions, risks and corruption resistance strategies.

Introduction

The Attorney General's Department has corruption prevention strategies in place, which are consistent with the recommendations contained in this ICAC Report. Overall, the Report provides some useful background data in relation to the environment within which NSW government agencies are operating.

Benefits of the Report

The benefits of this Report can be seen to support the development of tailored approaches to building and sustaining corruption resistance across the public sector with the consequence of supporting integrity in the sector. The Report is a tangible tool for informing and promoting corruption prevention strategies. It also aids in the identification of risks and provides assistance for appropriately managing them.

As a large and diversified agency, the Attorney General's Department of NSW faces a range of high-risk functions. The Checklist contained in the Report represents sound strategies for managing these risks. The Resources list is another useful tool.

This Report can assist organisations to be more aware of potential risks and thereby be in a better position to address the risks. Additionally the Report highlights opportunities for improvement in organisations already undertaking risk assessment. Consequently, the Report provides a good benchmark for activities associated with risk assessment.

Opportunities for improving the research

The focus of the research contained in the Report appears to be on the technical or situational aspects of risks. Whilst this is important it could be incomplete. The Report is silent on the behavioural aspects of the issue. In particular the cultural aspect of corruption prevention ie building and maintaining an ethical climate which is corruption-averse. This could be gauged, for example, by questions such as "how often is the behaviour of managers evaluated against the Code of Conduct?" or "are you aware of any instance where a promotion was annulled because of a failure of proper processes?" or "when was the last time you discussed a specific ethical problem with your manager?".

The Report also addresses the technological risks in the IT area. Again, this is sound but needs to be balanced by broader issues related to contract management. The preponderance of "contractors" in the IT field during the technology boom years created potential for conflicts of interest, poor recruitment practice and poor

performance management. This was often related to poorly written, vague or even non-existent “contracts”.

There is a limit to how much corruption resistance can be “trained” into an organisation. By definition, ethical issues are those that fall outside established rules and guidelines. The reference to training and education does not offer any indication about assessing the training. Nor are there demonstrable links to the effective use of performance management. Corruption resistance needs to be treated as a cultural issue not a functional competency to ensure change in the workplace.

Corruption and Fraud Control within Attorney General’s Department

In accordance with Premier’s Department requirements the Attorney General’s Department has implemented a corruption and fraud prevention strategy across each of its business centres. The strategy is constructed according to the “better practice” framework containing the “ten attributes” of effective fraud control strategies.

During 2002 and 2003 the Department reviewed this strategy in the context of the ten attributes. This included conducting a fraud and corruption risk assessment across all business centres. The results of this assessment indicate the risk of fraud and corruption is being effectively managed within the Department with the majority of residual risks being categorised as either “low” or “medium” risk.

In addition a review of the Department’s existing Fraud Control Strategy has been completed and is currently being updated to ensure it accurately reflects the Department’s needs and government requirements in relation to fraud and corruption control.

Summary

The Attorney General’s Department of NSW supports the adoption of the seven-step risk management process to identify and treat risks.

The Attorney General’s Department supports the recommendations contained in the Report as they represent sound business practice.

The diversity of the respondents and the corruption risks identified in the research are to be commended.