

# Profiling the NSW public sector: functions, risks and corruption resistance strategies

Report on follow-up research conducted in 2004

# Acknowledgments

The Commission thanks the agencies who participated in the follow-up research.

The Commission also acknowledges the work of Dr Rigmor Berg, who had responsibility for conducting this research and preparing the report, and Dr Nicola Dunbar who had primary responsibility for reviewing and finalising the report.

# Introduction

## Background

The principal functions of the ICAC are to:

- investigate allegations of corrupt conduct
- provide advice and assistance to the public sector on preventing and eliminating corrupt conduct
- advise and educate the public sector and the community on strategies to eliminate and prevent corrupt conduct and enlist and foster public support to do so.

To assist in the discharge of these functions, in 2001 the ICAC commenced a major research project to develop a snapshot of corruption risks facing NSW public sector organisations and of the corruption resistance strategies they had in place to address these risks. The results of this research were published in 2003 in the report *Profiling the NSW Public Sector: Functions, Risks and Corruption Resistance Strategies*, which is available on the ICAC website ([www.icac.nsw.gov.au](http://www.icac.nsw.gov.au)).

Overall, the responses to this survey were encouraging in terms of the implementation of corruption prevention strategies in the NSW public sector. However there were a number of areas where the ICAC considered that further work was needed. The *Profiling the NSW Public Sector* report included 29 recommendations to assist public sector agencies with their corruption prevention efforts.

The ICAC has conducted some follow-up research regarding the implementation of some of the key corruption prevention recommendations.

The main purpose of this research was to determine whether there had been progress by NSW public sector organisations in the implementation of core corruption prevention policies and procedures between 2001 and 2004. The follow-up focussed on the areas of code of conduct, corruption risk management, internal audit, gifts and benefits and internal investigations.

## Sample

The sample of public sector organisations used in the 2001 research had two main components: (i) public sector agencies including government departments, state owned corporations, statutory authorities, area health services and universities, and (ii) public boards and committees.

The results of the 2001 research indicated that the corruption risks and corruption prevention strategies of public sector boards and committees were distinctly different to those of public sector agencies. Boards and committees tend to have fewer and different functions than other public sector agencies, and generally have smaller budgets. The ICAC therefore decided to exclude the boards and committees from this follow-up research. Governance frameworks of boards and committee are currently being examined by the Legislative Assembly Public Bodies Review Committee. The ICAC will await the outcome of this review before conducting further research or project work regarding boards and committees.

The public sector agencies included in the 2001 research were identified using a range of lists from sources such as the *Public Sector Management Act 1988* (which has since been replaced by the *Public Sector Employment and Management Act 2002*), *Public Finance and Audit Act 1983*, *State Owned Corporations Act 1989*, and the *Health Services Act 1997*. All but four of the agencies identified in these lists were approached to participate in the 2001 research.<sup>1</sup> The final sample approached to participate was 182 agencies. Of these, 151 responses were received, an 83% response rate.<sup>2</sup> These 151 agencies were classified as:

- Departments (n=55)
- State owned corporations (n=17)
- Authorities (n=12)
- Area health services (n=20)
- Universities (n=10)
- Other (n=37).

This sample of 151 agencies was the basis for the follow-up research conducted in 2004. Some of these agencies were excluded from the follow-up. These comprised:

1. 21 agencies that did not exist as the same entities in 2004 because they had been merged or amalgamated between 2001 and 2004. These were excluded because it was not possible to obtain follow-up data that could be validly compared to the 2001 responses.
2. 37 agencies that were classified as “Other” in 2001. These were a group of miscellaneous organisations that ranged from small tribunals and trusts to large dispersed organisations.
3. one agency that was classified as an “Authority” in 2001, but does not employ any staff and conducts its operations through another public sector agency. This agency was more similar to those classified as boards and committees, and was excluded on that basis.

---

<sup>1</sup> The agencies excluded were the Independent Commission Against Corruption, NSW Police Service, Ministry for Police and the NSW Crime Commission.

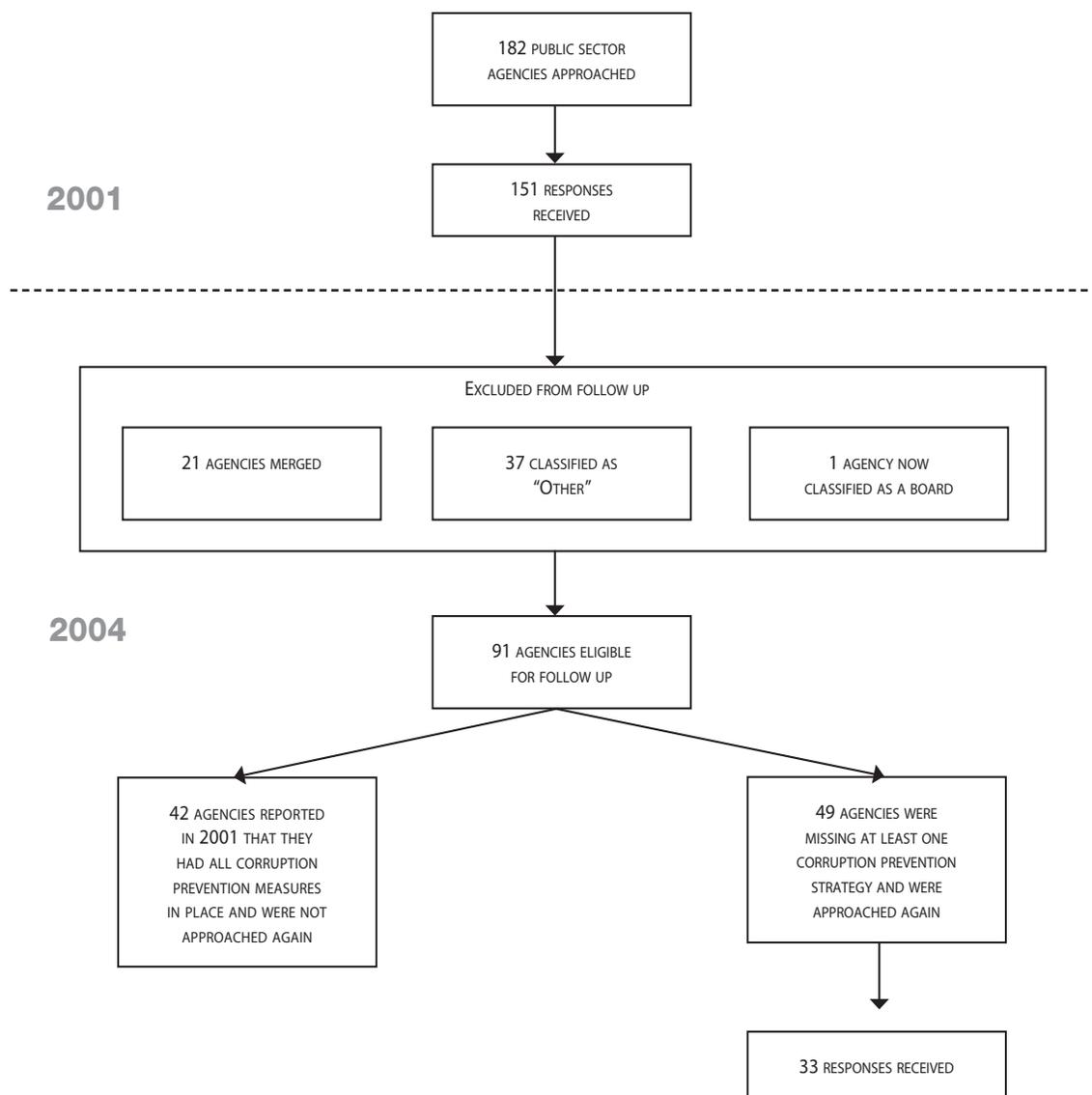
<sup>2</sup> Including boards and committees, the total number of organisations invited to participate in the 2001 survey was 411, with 265 responses (a response rate of 73%).

This left a sample of 91 agencies that were included in the follow-up research. These agencies were classified as follows:

- Departments (n=38)
- State owned corporations (n=15)
- Authorities (n=8)
- Area health services (n=20)
- Universities (n=10).

This sampling process is summarised in Figure 1.

**Figure 1: Sample and responses for 2004 follow-up research**



## Methodology

The focus of the follow-up research was on the core corruption prevention policies and procedures that are essential components of any corruption prevention strategy. The ICAC considers that all public sector agencies should have them in place. These were code of conduct, corruption risk management, internal audit, gifts and benefits and internal investigations.

The follow-up survey included the following questions:

1. Does your agency have a code of conduct?
2. Does your agency have a risk management strategy (whereby corruption risks are identified and documented, then addressed by corresponding prevention strategies)?
3. Does your agency have an internal audit plan?
4. Does your agency have an internal auditor?
5. Does your agency have a policy or procedures to provide guidance about circumstances where staff or board members may not accept gifts or benefits?
6. Does your agency have an internal investigation system?

The questions in this survey focussed on the presence of corruption prevention policies and procedures. The survey did not look at the activities of the agency to promote or communicate these policies and procedures, and no enquiries were made to independently authenticate the responses.

Agencies that indicated in 2001 that they had all of these corruption prevention strategies in place were not re-surveyed. It was assumed that if the strategies were in place in 2001, they were still in place in 2004. Forty-two of the 91 agencies (46%) were in this category.

Agencies that indicated in 2001 that they did not have some of these strategies in place were followed up in 2004. Letters were sent from the ICAC Commissioner to the Director-General or Chief Executive Officer requesting an update on progress for each of the targeted corruption prevention strategies where the response from the agency in the 2001 survey indicated that it was not in place. Forty-nine organisations (54%) were followed up regarding at least one corruption prevention strategy. Where agencies had some but not all of these strategies in place in 2001, they were only asked about the strategies that were missing in 2001. It was assumed that if a particular strategy was in place in 2001 it was still in place in 2004.

# Results

Thirty-three of the 49 agencies contacted as part of the follow-up research responded (a response rate of 67%). These responses were combined with the responses of the 42 agencies who reported in 2001 that they had all of the corruption prevention strategies in place.

The 16 agencies who did not respond to the 2004 follow-up were also included in the analysis. For these agencies, where they had one of the corruption prevention measures in place in 2001 it was assumed that it was still in place for 2004. For the corruption prevention measures that were not in place in 2001, a “no response” was recorded in the dataset for 2004.

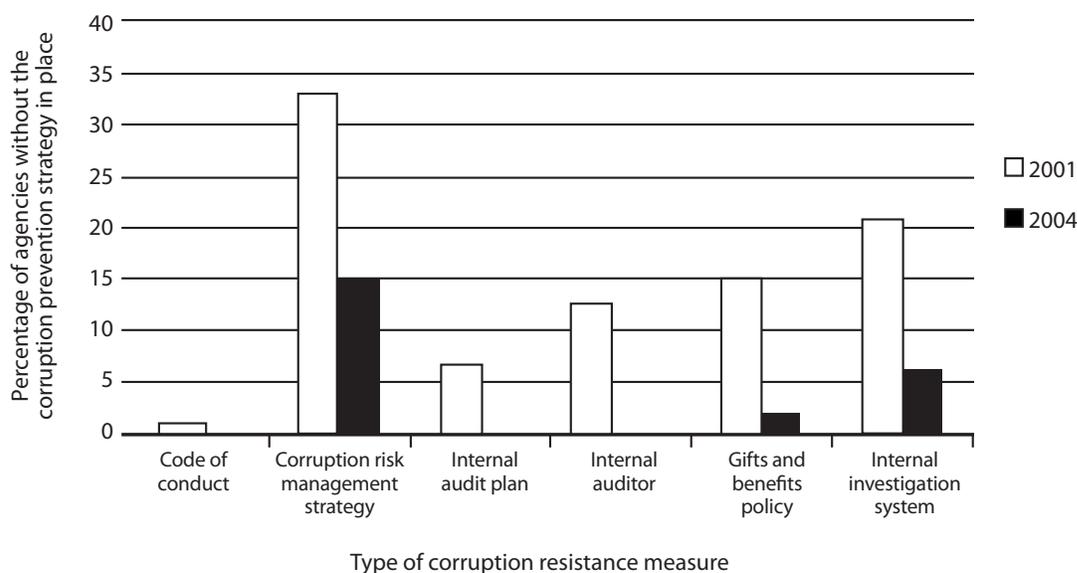
The results of the comparison are summarised in Table 1 and Figure 2. These results indicate that for this sample there was improvement in the implementation of all of the core corruption prevention strategies since 2001. Regarding each of the core corruption prevention strategies included in the follow-up survey the results indicate that:

- all of the agencies included in the follow-up survey have a code of conduct in place
- of the agencies responding to the follow-up survey, the proportion reporting that they did not have a corruption risk management strategy decreased from 33% in 2001 to 15% in 2004
- no agency responding to the follow-up survey up reported that they did not have an internal audit plan in place, down from 7% in 2001
- no agency responding to the follow-up survey reported that they did not have an internal auditor appointed, down from 13% in 2001
- the proportion of agencies responding to the follow-up survey without gifts and benefits policies and procedures decreased from 15% to 2%
- the proportion of agencies responding to the follow-up survey without internal investigation systems decreased from 21% to 6%.

**Table 1: Comparison of implementation of corruption prevention strategies by public sector agencies in 2001 and 2004 (n=91)**

Corruption prevention strategy	2001 response		2004 response			
	In place	Not in place	In place	Not in place <sup>3</sup>	Not applicable	No response <sup>4</sup>
Code of conduct	99%	1%	100%	0%	0%	0%
Corruption risk management strategy	67%	33%	74%	15%	0%	11%
Internal audit plan	93%	7%	97%	0%	1%	2%
Internal auditor	87%	13%	96%	0%	2%	2%
Gifts and benefits policy	85%	15%	90%	2%	1%	7%
Internal investigation system	79%	21%	89%	6%	0%	6% <sup>5</sup>

**Figure 2: Proportion of public sector agencies who reported that they did not have key corruption prevention strategies in place in 2001 and 2004 (n=91)**



It is possible to look at the implementation of the corruption prevention strategies according to the type of public sector organisation. These results are summarised in Table 2. Because of the small size of some of the cells, these results should be interpreted with caution.

<sup>3</sup> Includes strategies said to be “In progress”.

<sup>4</sup> Most of the “no responses” relate to agencies that had at least one corruption prevention measure in place in 2001, but did not respond to the 2004 survey.

<sup>5</sup> These figures do not add to 100 because they are rounded to the nearest whole number.

**Table 2: Proportion of public sector agencies who reported that they did not have key corruption prevention strategies in place in 2001 and 2004 by type of organisation (n=91)**

Type of organisation	Corruption prevention strategy											
	Code of conduct		Corruption risk management strategy		Internal audit plan		Internal auditor		Gifts and benefits policy		Internal investigation system	
	Not in place 2001	Not in place 2004	Not in place 2001	Not in place 2004	Not in place 2001	Not in place 2004	Not in place 2001	Not in place 2004	Not in place 2001	Not in place 2004	Not in place 2001	Not in place 2004
Department (n=38)	0%	0%	50%	24%	13%	3%	29%	0%	13%	3%	32%	8%
State owned corporation (n=15)	7%	0%	20%	13%	0%	0%	0%	0%	13%	0%	20%	7%
Authority (n=8)	0%	0%	13%	0%	0%	0%	0%	0%	0%	0%	13%	13%
Area health service (n=20)	0%	0%	20%	5%	5%	0%	5%	0%	25%	0%	0%	0%
University (n=10)	0%	0%	30%	20%	0%	0%	0%	0%	20%	10%	30%	0%

# Conclusions

There are three main conclusions that can be drawn from this follow-up research.

Firstly, the proportion of the sample included in the follow-up who reported in 2001 that they had the core corruption prevention strategies in place was already high, particularly for the code of conduct.

Secondly, for each of the core corruption prevention strategies, the proportion of agencies included in the follow-up who reported that they did not have them in place decreased between 2001 and 2004.<sup>6</sup>

Finally, this follow-up research suggests that the main area in which further work needs to be done is corruption risk management. These results indicate that while almost all public sector agencies have the elements of an effective corruption prevention program in place, a substantial proportion of the follow-up sample are not taking a risk management approach and identifying and addressing their corruption risks in a proactive way. This may be a particular issue for government departments and universities.

There are a number of caveats that should be taken into account when interpreting the results of the survey:

- The data are based on responses provided by the surveyed organisations. All responses have been accepted at face value.
- The number of agencies included in the follow-up was half that approached to participate in the original survey in 2001. This means that these results provide information about the progress of corruption prevention implementation for the sample included in the follow-up, but they should not be taken as representative of the performance of the public sector as a whole.
- None of the identified changes between 2001 and 2004 were subject to statistical analysis to confirm that they were statistically significant.

---

<sup>6</sup> Because of the way this study was designed it is more informative to discuss the proportion of agencies that reported that they did not have corruption prevention strategies in place than to discuss the proportion which did.