Corruption trouble-shooting

Lessons learnt from ICAC research about identifying and dealing with corruption hot spots
This publication is available in other formats for the vision impaired upon request. Please advise of format needed, for example large print or as an ASCII file. This publication is also available on the ICAC website in HTML format, www.icac.nsw.gov.au
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This publication aims to help CEOs of NSW public sector agencies, General Managers of local councils and public sector senior management teams build corruption resistance within their agencies.

Corruption resistance means having systems, culture and risk management measures in place that will maximise an organisation’s resistance to corrupt behaviour – whether by staff or outsiders. The benefits are clear – a reduced likelihood of financial loss, damaged reputation or reduced morale.

To provide assistance in developing such an approach, the Commission has identified key trouble areas, based on various research findings, and then proposed remedial actions for management. We have linked these actions to resources from the ICAC, NSW Ombudsman and the Audit Office that can provide even further assistance.

The publication is a guide to identifying and addressing the areas and issues that most frequently cause corruption problems for agencies. Some of these initiatives may already be implemented by agencies, but these can be strengthened further by adopting some of the other strategies suggested.

I hope that you find this publication useful as we work together to make the NSW public sector ethical and corruption-resistant. I would welcome your feedback on this publication.

Irene Moss AO
Commissioner
**Hot spot**

**The foundations – promoting an ethical culture**

**Key lesson**

Focus on organisational culture as it appears to have more influence than an individual's personal values on their workplace behaviour

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**Based on**

The ICAC conducted a literature review of empirical evidence of how ethical culture impacts on the efficient functioning of an organisation. This review identified which organisational factors affect ethical culture and revealed that emphasising ethical work practices has a positive impact on:

- organisational efficiency and effectiveness
- decision-making processes
- employee commitment and job satisfaction
- employee stress
- employee turnover.

The literature also revealed that the organisation has the potential to influence an ethical person to act unethically or an unethical person to behave ethically.

An ICAC survey of NSW public sector employees found that perceptions of an ethical workplace were related to positive outcomes, such as staff saying they had better work relationships, greater job satisfaction, were less fearful to speak out, and were less likely to leave the organisation.

Surveys revealed that knowledge about codes of conduct, values, rules and procedures was related to employee perceptions that their organisation placed a strong emphasis on the importance of working honestly, had high levels of honesty among the executive, supervisors and staff, handled reports of wrongdoing appropriately, treated staff in a fair manner, and had values that matched their own.

**Action**

Analyse the culture of your organisation:

- identify the types of work behaviours that are rewarded within the organisation
- survey employees to better understand staff values and attitudes.

To promote an ethical culture:

- ensure all staff know and understand the meaning of their public duty and base decisions on it
- include ethical considerations when discussing work issues
- use tools such as codes of conduct and clearly stated values to communicate the organisation’s ethical stance
- recognise that the behaviour of leaders is critical and use it to set the ethical tone of the organisation
- deal appropriately and effectively with wrongdoing
- treat anti-corruption strategies as integral to work activities.
### Resources that can help implement the suggested actions

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- **Conduct Becoming ethics and public duty training kit** (June 1999)
- **Ethical Culture Survey Kit.** (September 2000)
  - Part one: Strategies for a successful survey.
  - Part two: Perceptions of your workplace.
  - Part five: Organisational integrity – Key areas to consider in building an ethical workplace
Based on

Corruption risk factors present possible areas to focus corruption-resistance strategies. A review of the literature revealed the following range of corruption risk factors:

- nature of the work, such as discretion exercised by position, position in the organisation and whether the work or service performed is associated with delays
- working conditions, such as lack of benefits for remaining with the employer, employee dissatisfaction and work pressures
- individual histories and dependencies, such as ethical decision making history, dependence on employer, dependence on alcohol, drugs or gambling
- organisational culture, such as unclear messages about what is acceptable, attitudes of colleagues, example set by management, lack of reinforcement of ethical behaviour, other poor work practices
- other organisational factors, such as failure to identify the behaviour as wrong, existence, knowledge and perceptions of organisational reporting mechanisms, employee responsibility, organisational history in dealing with reports of corruption.

**Action**

- identify the major function areas of the organisation. Where appropriate, involve staff from across the agency in identifying risks for these areas and assessing the extent of these risks and potential damage if unchecked
- identify responses to risk areas and select the best
- evaluate existing system controls
- develop risk management measures
- formalise and document a risk management plan
- educate staff and contractors about the objectives and content of the risk management plan
- train staff to identify risks, including raising their ethical awareness
- assess how new business practices and/or new technology will change corruption risks
- develop risk reduction measures such as rotating staff and conducting spot and regular audits
- change the agency’s systems to deal with identified corruption risks
- set up proper accountability systems
- hold regular feedback and discussion sessions to review the risks and the strategies for addressing them
- include corruption risks in the organisation’s risk management strategy.
Resources that can help implement the suggested actions

ICAC

- e-Corruption: Exploiting emerging technology corruptly in the NSW public sector (March 2001)
- Practical Guide to Corruption Prevention (June 1997):
  - Chapter 2: Corruption risk assessment and management
  - Chapter 3: Code of conduct
  - Chapter 9: Conflicts of interest

All the above publications are only available on the ICAC website www.icac.nsw.gov.au

The Audit Office

  - Volume 2: Strategy
    - element 3: fraud risk assessment
  - Fraud Control Self Audit Kit (1998)
    - element 9: risk management and liability
    - p3 re the need for proper substantiation of decision making processes
  - Fare Evasion on Public Transport (performance audit report no. 78, 2000)
  - Ambulance Service: Readiness to Respond (performance audit report no. 80, 2001)
    - p82 re control of overtime

NSW Ombudsman

All NSW Ombudsman resources are available on or through the website www.nswombudsman.nsw.gov.au

- Complaint Handler’s Tool Kit, The
- Effective Complaint Handling
- Protected Disclosures Guidelines

All publications by the Audit Office are available on or through the website wwwaudit.nsw.gov.au

The need to know – e-Corruption and unmanaged risk (March 2001)

Minimising corruption – Some lessons from the literature (January 1998)

Strategies for corruption prevention in government regulatory functions [for those involved in regulation] (March 1999)
Hot spot

Level of corruption awareness in the organisation—recognising conduct as corrupt

Key lesson

Foster a common understanding of corruption among employees because thinking often differs on what is considered corrupt. If staff do not recognise an activity as corrupt, or at least undesirable or harmful, they will not do anything about it.

Based on

ICAC surveys show that NSW public sector employees differ in the types of behaviours they consider to be corrupt. Thus, what one public sector employee understands as corrupt may not be shared by their colleagues. This research finding suggests that, when communicating to employees, it is not enough to have messages such as ‘This organisation does not tolerate corruption’ or ‘Report corruption’. These messages leave open the response ‘Yes, I know corruption should not be tolerated – but what I am doing isn’t corrupt, it is just …’.

These surveys used different scenarios to provide examples of doubtful behaviours. In these scenarios, public sector employees identified some behaviours or grey areas where they are uncertain whether or not the ‘corrupt’ label should be applied. These include the case of theft with mitigating circumstances and scenarios in which rules were not followed yet what was regarded as a reasonable outcome was reached.

Research has provided insight into the criteria and justifications some public sector employees use when considering which behaviours are corrupt. For example, some respondents who equate corruption with breaking the rules believe that as long as procedures are followed the behaviour cannot be corrupt; others suggest that if there is no personal gain the behaviour cannot be corrupt; and some believe it depends on how often it happens.

A recent ICAC survey found that the perceived harmfulness of a behaviour was the most frequent variable that best distinguished between those who consider a behaviour to be corrupt and those who do not. These results suggest that corruption, as an abstract term, is better understood when translated into the more tangible context of the consequences of the behaviour.

Action

- identify and address grey areas where employees are unsure of what is appropriate behaviour
- identify the major risk areas in each work area, then discuss what is acceptable in that workplace for each of these
- establish stories and rituals about appropriate and inappropriate workplace behaviour which are repeated until they become part of the organisation’s ‘history’ and way of thinking
- identify and challenge people’s justifications for corruption
- use public duty as the guiding principle for appropriate behaviour, such as when work decisions are not clearly covered by policy, procedure or codes of conduct
- focus on the consequences or harm of behaviour, as this is an effective strategy for communicating messages about corruption
- ensure that examples in training material and discussion sessions are practical, concrete and relevant
- when communicating, send educational messages across all subgroups of employees.
**Resources**

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### Key lesson

Equip employees to act if they witness workplace misconduct by:

- having in place internal reporting mechanisms which include protection for those who use them
- informing all employees about these internal reporting mechanisms and how they work
- using induction training to make known external reporting channels available to the employees, and to explain the Protected Disclosures Act 1994

### Based on

ICAC surveys strongly refute the notion that any reluctance to report corruption is due to peer pressure or that the Australian culture is opposed to reporting corruption.

The majority of NSW public sector employees indicate they consider it their responsibility to report corruption. Employees must be aware of the options for taking action and be prepared to use these options if they see corrupt conduct or other workplace misconduct.

Each of the following were seen by NSW public sector employees as definitely or likely to deter them from reporting corruption:

- absence of formal reporting channels (55 per cent)
- not knowing anyone to whom they could safely report corruption (71 per cent)
- lack of legal protection from negative consequences (76 per cent)
- not being sure if their identity would be kept confidential (65 per cent)
- not having enough proof (82 per cent).

A lack of knowledge of how to report corruption was found to relate to negative attitudes towards reporting corruption.

Also, recent survey results identified that it is those who are not supervisors, are on lower salaries and have been employed for shorter periods who consider themselves most in need of information about how and where to go to report corruption.

### Action

- implement effective internal reporting channels
- ensure there are multiple reporting channels in the agency
- inform employees about existing internal and external channels, the agency’s internal reporting policy, and about the Protected Disclosures Act
- focus training on actions employees should take if they witness corruption or other forms of workplace misconduct
- incorporate information about reporting systems in induction training and undertake regular refresher training.
- address internal disclosures quickly and effectively
- act to protect whistleblowers.
### Resources

**ICAC**  
- *Practical Guide to Corruption Prevention (June 1997)*  
  *Chapter 7: Internal reporting systems*

The above publication is only available on the ICAC website [www.icac.nsw.gov.au](http://www.icac.nsw.gov.au)

The publications below are also available in hard copy – contact the Commission on (02) 9318 5999 or 1800 463 909.

- *Internal Reporting Systems*  
  (prepared jointly by Auditor General, ICAC, NSW Ombudsman) (February 1995)

- *Monitoring the impact of the NSW Protected Disclosures Act, 1994: Encouraging NSW public sector employees to report corruption.*  
  (November 1997) [In particular, recommendations pp. 71-76]

**NSW Ombudsman**  
- All NSW Ombudsman resources are available on or through the website [www.nswombudsman.nsw.gov.au](http://www.nswombudsman.nsw.gov.au)

  - *Complaint Handler’s Tool Kit, The Effective Complaint Handling Protected Disclosures Guidelines*

**The Audit Office**  
- All publications by the Audit Office are available on or through the website [www.audit.nsw.gov.au](http://www.audit.nsw.gov.au)


  - Volume 2: Strategy
    - element 6: fraud reporting systems
    - element 7: protected disclosures

  - *Fraud Control: Status Report on the Implementation of Fraud Control Strategies*  
    (performance audit report no. 48, 1998)

  - *Fraud Control Self Audit Kit*  
    (1998)

  - *Office of the Protective Commissioner and Office of the Public Guardian: Complaints and Review Processes*  
    (performance audit report no. 66, 1999)
Based on

Many public sector managers recognise that the ‘tone at the top’ is important in building an ethical culture. Appropriate behaviour must start at the top of the organisation and pass on down the hierarchy. The consistent and overwhelming message from public sector managers is that corruption prevention strategies require thought, effort and commitment from the top of the organisation.

When supervisors and senior executives are seen to act honestly and practise what they preach, employees are more likely to perceive the workplace as honest. Likewise, as well as encouraging and emphasising honest behaviour in the workplace and treating all staff fairly and equally, supervisors should allow staff to make appropriate decisions about how to conduct their own work and encourage new ideas. These actions also affect the degree to which employees perceive the workplace as honest.

The perception that leaders are honest is associated with NSW public sector employees having positive perceptions about colleagues, their job and the workplace as a whole.

**Action**

Assess the quality of your organisation’s leadership:

- consider conducting the *ICAC Ethical Culture Survey* to find out the strengths and weaknesses in the leadership of your organisation
- identify areas where the behaviour of leaders is not consistent with the stated values of the organisation.

To promote leadership:

- communicate openly, honestly and consistently with staff
- base decisions on public duty principles and ensure all actions are consistent with these principles.
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Hot spot  Management commitment—creating an atmosphere of trust

Key lesson  Create an environment in which employees feel safe (and are safe) to report corruption.

Based on

In 1999, sixty-nine per cent of public sector employees agreed with the statement ‘those who report corruption are likely to suffer for it’. This is an improvement on the 75 per cent who agreed with the statement in 1993. However, as a substantial number still agree, this suggests that significant work remains for public sector managers to create organisational cultures in which employees feel and are safe to report corruption.

Those who had been employed in the public sector for more than 10 years and those involved in recruitment and promotion decisions were the least likely to agree that people who report corruption will probably suffer for it.

Lack of faith in how their organisation might handle reports was associated with employee perceptions that dishonest behaviour occurred in their organisation and was likely to go unpunished.

Action

• send a clear message to staff that reporting corruption or other wrongdoing is encouraged and valued

• demonstrate commitment to keeping confidential the identities of people making reports

• managers should encourage and support employees to report wrongdoing

• build systems that actively reward ethical behaviour and punish unethical behaviour

• take action against those who act corruptly

• publicise disciplinary action that would be taken against those who breach a whistleblower’s confidentiality.
Resources that can help implement the suggested actions

**ICAC**

- **Practical Guide to Corruption Prevention** (June 1997)
  
  *Chapter 4: Cultural change: Understanding and influencing attitudes and values*

The above publication is available only on the ICAC website www.icac.nsw.gov.au

- **Ethics: The key to good management** (December 1998)

- **Monitoring the impact of the NSW Protected Disclosures Act, 1994; Encouraging NSW public sector employees to report corruption.** [In particular, recommendations pp. 71-76] (November 1997)

- **Tips from the top: Senior NSW public sector managers discuss the challenges of preventing corruption** (April 1999)

The kit below can be ordered by public officials from the ICAC on (02) 9318 5999 or 1800 463 909.

- **Conduct Becoming ethics and public duty training kit** (June 1999)

**NSW Ombudsman**

All NSW Ombudsman resources are available on or through the website www.nswombudsman.nsw.gov.au

**Effective Complaint Handling**

**Protected Disclosures Guidelines**

**The Audit Office**

All publications by the Audit Office are available on or through the website www.audit.nsw.gov.au

**Fraud Control: Developing an Effective Strategy, Better Practice Guide** (1994)

**Volume 1: Conceptual Framework**

**Volume 2: Strategy**

- element 1: integrated macro policy
- element 2: responsibility structures
- element 4: employee awareness
- element 5: customer and community awareness
- element 6: fraud reporting systems
- element 7: protected disclosures


**Fraud Control Self Audit Kit** (1998)
Management needs to take, and be seen to take, effective action against corrupt behaviour to convince employees of the value of reporting corruption. This can include systemic change.

Based on

ICAC surveys strongly suggest that one of the greatest barriers to taking action about corruption is the belief that ‘there is no point in reporting corruption as nothing useful will be done about it’. ICAC research has indicated that the establishment of reporting mechanisms and communicating their existence to staff are only initial steps.

Sixty-one per cent of the public sector employees surveyed saw not being sure if their report of corruption would be taken seriously as a definite or likely deterrent to reporting corruption.

This means that safe and effective reporting channels are of little value if people do not believe there is any point in using them. This research recognises that organisations should communicate what effective action, including systemic changes, can and has been taken in response to reports of corruption from employees.

Action

- use the reported information to assist with improving your organisation’s operations
- follow up disclosures and set up systems to prevent similar situations in the future
- deal with reports of wrongdoing honestly, objectively and promptly
- publicise the action and outcomes of reports if possible
- make staff aware of the repercussions of corrupt conduct.
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<td>The above publication is available on the website at <a href="http://www.icac.nsw.gov.au">www.icac.nsw.gov.au</a> while the publications below are also available in hard copy – contact the Commission on (02) 9318 5999 or 1800 463 909.</td>
<td><strong>Investigating Complaints: A manual for Investigators</strong></td>
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<td>• <em>Tips from the top: Senior NSW public sector managers discuss the challenges of preventing corruption</em> (April 1999)</td>
<td><strong>Options for redress: Guidelines for Redress of Detriment Arising out of Maladministration</strong></td>
<td>• element 1: integrated macro policy</td>
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<td>• <em>Internal investigations handbook</em> (October 1997)</td>
<td><strong>Protected Disclosures Guidelines</strong></td>
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<td>• element 9: investigation standards</td>
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<td><strong>Fraud Control Self Audit Kit</strong> (1998)</td>
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<td><strong>Ambulance Service: Readiness to Respond</strong> (performance audit report no. 80, 2001)</td>
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<td>• section 1.3 p16 re ethical culture issues</td>
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</table>
Key lesson

Those who work in an area such as recruitment or tender selection should be able to identify inappropriate conduct in these areas and be willing to take action. Agencies should provide specific training to address the needs of those participating in selection panels.

Based on

From the scenarios in one survey, recruitment stood out as an area of decision-making that needs further attention to minimise corruption risks.

Approximately one-third of respondents considered it was not corrupt to use one’s public sector position to get a friend a job, irrespective of the respondent's experience in recruitment. This perception is inconsistent with the NSW public sector recruitment system which seeks to operate fairly in the market, employ the best person available and leave no room for corruption or unfair advantage. Hence, this perception needs to be addressed in both agency policy and training for those who participate in recruitment panels.

Action

Documents and procedures:

- review your recruitment policy and procedures against the ethical dilemmas outlined in the ICAC’s report Best Practice, Best Person: Integrity in public sector recruitment and selection*.

Training and communication:

- establish stories and rituals about appropriate and inappropriate recruitment practices which are repeated until they become part of the organisation’s ‘history’ and way of thinking
- use practical, concrete and relevant examples in training material and discussion sessions on selection procedures
- ensure training is undertaken on selection procedures. This training should include how to identify and handle conflicts of interest and other ethical dilemmas.

The recruitment process:

- before undertaking recruitment, obtain declarations of non-interest from all participants
- follow competitive recruitment practices
- carefully choose the selection panel, ensuring that those who participate have undertaken selection procedures training
- use public duty as guiding principles for recruitment decisions
- ensure that all decisions reached and the reasons for these decisions are fully documented
- apply the merit principle
- promote your agency’s core values to applicants
- carry out checks to ensure that procedures were followed.
### Resources that can help implement the suggested actions

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<tr>
<th>ICAC</th>
<th>The Audit Office</th>
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<td><strong>Best Practice, Best Person: Integrity in public sector recruitment and selection</strong> (May 1999)</td>
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<td>This publication is available on the website <a href="http://www.icac.nsw.gov.au">www.icac.nsw.gov.au</a> and in hard copy—contact the ICAC on (02) 9318 5999 or 1800 463 909.</td>
<td><strong>Fraud Control: Developing an Effective Strategy</strong>, Better Practice Guide (1994)</td>
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<td>* This publication is subject to a review which will be completed later this year.</td>
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<td>• element 10: conduct and disciplinary standards</td>
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<td><strong>Medical Specialists: Rights of Private Practice Arrangements</strong> (performance audit report no. 35, 1997)</td>
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<td><strong>Academics Paid Outside Work</strong> (performance audit report no. 71, 2000)</td>
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<td>• checklist for paid outside work policies, p31</td>
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Hot spot  Operational risks—dealing with contractors

Key lesson  Public sector agencies should raise the awareness among contractors who are engaged to undertake public sector work of the sector's ethical expectations.

Based on

Public sector employees are not the only ones who use public monies to undertake public work. In NSW, the public sector is increasingly relying on private contractors to provide services and infrastructure.

Public sector rules were found to be more likely to be perceived as negative or pointless by contractors engaged to undertake public sector work when there was a lack of understanding about the relationship of those rules to public duty and ethical work practices.

Action

Communication:

- promote a better understanding among private contractors that public sector rules are tools for increasing fairness, integrity and accountability
- inform private contractors that when performing public sector work they are likely to be defined as public officials and therefore come under the jurisdiction of the ICAC Act
- focus on the consequences or harm of behaviour as a useful strategy to communicate messages about corruption
- promote the importance of integrity and ethical work practices
- define public duty and its impact on the way work is done in the public sector
- consider an induction on public duty and ethics for contractors.

Policies and procedures:

- explore areas in which your organisation’s work practices can be improved
- review rules and policies for their continued relevance
- aim for an ethical framework which promotes individual accountability rather than overly bureaucratic rules and processes.
- include a commitment to ethical conduct and integrity in contracts
- evaluate the contracted work outcomes for quality and integrity.
## Resources that can help implement the suggested actions

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<td>• <strong>Private Contractors Perceptions of Working for the NSW Public Sector.</strong> (January 1999)</td>
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<td>Good Conduct and Administrative Practice – Guidelines for Councils second edition</td>
<td>• element 3: fraud risk assessment</td>
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<td>Police and Insurance Investigators, NSW Ombudsman, A Special Report to Parliament, August 1996.</td>
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<td>chapter 7 re balancing risks and benefits</td>
<td>• chapter 7 re the tender process</td>
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<td>chapter 4 re contract administration issues</td>
<td>• chapter 4 especially 4.7 re probity issues</td>
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<td>• chapter 4 to 7 re tendering and contractual process issues</td>
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<td>Sydney Showground, Moore Park Trust: Lease to Fox Studios Australia (performance audit report no. 44, 1997)</td>
<td>• chapter 8 re probity issues</td>
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Check the ICAC’s website for an up-to-date list of resources and for the publications in this booklet

www.icac.nsw.gov.au

Check also: NSW Ombudsman at www.nswombudsman.nsw.gov.au
The Audit Office at www.audit.nsw.gov.au

This booklet is based on ICAC research which appears in the following reports:


Tips from the top: Senior NSW public sector managers discuss the challenges of preventing corruption. April 1999.


ICAC project team:
Andrew Biro
Angela Gorta
Anita Hansen
Yvonne Miles
David O’Sullivan

Assistance from:
NSW Ombudsman
The Audit Office
Corruption trouble-shooting
Lessons learnt from ICAC research about identifying and dealing with corruption hot spots

updated November 2001