



Corruption and misconduct risks associated with employment practices in the Victorian public sector

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This is a summary of IBAC's research report *Corruption and misconduct risks associated with employment practices in the Victorian public sector*.

This report highlights the corruption vulnerabilities associated with employment practices across the Victorian public sector and alerts public sector agencies to opportunities to strengthen their systems and practices to mitigate those vulnerabilities.

The findings of this research report are based on consultations with relevant Victorian public sector agencies, IBAC research, investigations and data holdings and other materials. **The full report is available on IBAC's website.**¹

Background

The Victorian public sector is large and diverse. More than 297,000 people are employed by the Victorian state government and another 43,000 by the local government in Victoria. People are employed full-time and part-time in ongoing positions, as contractors or consultants, and as temporary or fixed-term employees.

For the most part, employment activity is well managed and conducted in accordance with agency or public sector-wide standards. However, if employment practices are corrupted, the potential adverse consequences are significant, and can place agencies at risk of the misuse of public funds, as well as substantially damage agency reputations.

Employment practices in the public sector are vulnerable to corruption at different stages of the employment lifecycle, from recruitment through to an employee leaving the sector. Public sector agencies need to be aware of these risks and consider how they can strengthen their systems and practices to address them.

Recruitment risks

Inadequate pre-employment screening (such as checking applicants' qualifications, work history, discipline and criminal histories, and conflicts of interest) can place a public sector agency at greater risk of corruption.

IBAC's research shows employers do not always validate applicants' qualifications and credentials. There are cases of applicants falsifying their qualifications and work experience, which has not been detected until after the person has commenced work.

Recruitment can also be compromised by nepotism, favouritism and conflicts of interest. Selection processes can be corrupted in the earliest stages of recruitment (for example, during the development of position descriptions) and by the failure of panel members to declare or manage conflicts of interest.

Blatant disregard for a proper recruitment process is difficult to prevent. However, all members of selection panels should complete conflict of interest declarations. If conflicts are identified, a process for effectively managing that conflict must be put in place, which could include removing the person with the conflict of interest from the recruitment process.

¹ www.ibac.vic.gov.au/publications-and-resources/article/corruption-and-misconduct-risks-associated-with-employment-practices-in-the-victorian-public-sector

There are significant issues in the way prospective employees are screened, particularly those who have worked for other Victorian public sector agencies. It is concerning that public sector agencies do not generally share information about their employees, and there is no central register of Victorian public sector employees and their complaint and discipline histories. As a result, problematic employees can move between agencies with little fear their history will follow them.

Employment-related risks

When hiring internal applicants, a recruitment panel is often able to access more performance and discipline information than it can for an external candidate. However, IBAC has found that panels do not always consider this information during the selection process.

There may be corruption risks associated with the use of recruitment agencies, ranging from the circumvention of merit-based selection and probity processes, through to complex schemes like 'double dipping' (is where an employee at a public sector agency establishes a company in order to use recruitment agencies to hire relatives or associates back to the public sector agency at an inflated fee).

'Ghost' employee fraud is a well-established corruption risk, and using a recruitment agency may make this practice easier to facilitate and more difficult to detect. 'Ghost' positions are created and then 'filled' by staff who either do not work for the organisation or do not exist. Corrupt employees can benefit either by accessing the ghost employee's wages or by siphoning the wages to a relative or associate.

Post-employment risks

'Recycling' of employees with problematic discipline or criminal histories in the public sector is a significant corruption risk. This risk can be mitigated by asking prospective employees to complete a statutory declaration about their work history including any discipline or criminal matters.

Employees accused of misconduct or corruption often resign before investigations are finished, to avoid disciplinary action and limit damaging their long-term employment prospects. Thorough probity checking arrangements between public sector agencies could prevent this but most Victorian public sector agencies limit their probity process to referee checks with an applicant's nominated referees.

Conflicts of interest can arise when an employee leaves the public sector and takes up a position in the private sector, directly using the knowledge and relationships made in the public sector. Certain public sector positions, such as those involving significant interaction with private businesses, present a greater risk in relation to such conflicts.

A framework addressing pre-emptive resignation, post-separation discipline and baseline screening practices would significantly reduce the risk of public sector agencies employing a person likely to engage in corrupt conduct.

In Queensland public sector employees can be subject to disciplinary action after they have left an organisation. In South Australia, it has been recommended that a central misconduct register be established. Similar approaches in Victoria could reduce the risk of former public sector employees (including police officers) with concerning complaint and discipline histories re-entering the Victorian public sector.

IBAC recognises adopting these processes would mean some additional work for agencies. However, a framework tailored to an agency's operating environment with minimum standards complemented by risk-based policies and procedures will help strengthen integrity in public sector employment practices.

IBAC has consulted on the report's findings with the Victorian Public Sector Commission, and is advised the Commission is examining ways in which the vulnerabilities identified can be addressed. IBAC will continue to engage with key agencies across the Victorian public sector to discuss the employment practices risks highlighted in this report, and to assist them to develop appropriate corruption prevention strategies to address those risks.

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IBAC is Victoria's anti-corruption agency responsible for preventing and exposing public sector corruption and police misconduct. We do this by:

- investigating serious corruption and police misconduct
- informing the public sector, police and the community about the risks and impacts of corruption and police misconduct, and ways in which it can be prevented.

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