Building local government integrity during times of crisis or emergency

This resource aims to help the **local government** sector review and strengthen integrity responses and improve capacity to prevent corrupt conduct during times of emergency and crisis.

The current COVID-19 pandemic is having an unprecedented impact on social and work environments. Significant funding and other measures are being progressively announced and implemented by all levels of government in response to the public health, economic and social impacts of the pandemic. This is in addition to the funding committed in response to the state's bushfires emergency last summer, which significantly affected seven local government areas.

The need for an immediate response to emergencies, coupled with remote work arrangements and pressing demands on local governments, presents new opportunities and risks for corruption. Experiences in other jurisdictions and overseas also show that changes to the way government services are delivered during times of crisis can create misconduct and corruption risks.

To support the Victorian local government sector, IBAC, in collaboration with key integrity agencies including the Local Government Inspectorate, has identified key corruption risks facing council staff during emergencies and crisis situations, associated warning signs or 'red flags', and suggested prevention measures that can help minimise risk.

This information sheet highlights corruption risks during times of emergency and alerts local governments to opportunities to strengthen systems, and practices to mitigate them. It is appropriate that councils review their corruption prevention and detection strategies during times of crises, to ensure strategies are effective in minimising misconduct and corruption risks, but also proportionate to the circumstances.

IBAC will continue to engage with councils to help raise awareness of the risks highlighted in this information sheet, and to help them develop appropriate corruption prevention strategies.

Crisis-related increasing demands and pressure on local government sector employees

Crisis-related funding increases can lead to changed conditions that increase existing fraud and corruption risks. Key risks typically stem from the transfer of funds from the local government sector to the private sector for service delivery and other support. Employees undertaking activities in areas at higher risk of corruption, such as procurement and tendering, recruitment, grant assessment and acquittal, distribution of public funds, licensing, and resource management need to pay particular attention to the following warning signs and prevention measures.

Red flags:

- groups or individuals – particularly those that have not been previously registered with local government – attempting to submit fraudulent claims for grants or support

- suppliers submitting suspicious bids for tenders, which may involve incomplete applications or repeated claims using the same or different ABN, or other individual identifiers

- suppliers pressuring government agencies to rush procurement or payments, or to agree to irregular variations of contracts or competitive tendering processes

- unusually excessive claims by suppliers for completed work

- unusual changes to vendor and employee data, such as bank account details

- government employees releasing sensitive information to bidders or not declaring and properly managing conflicts of interest

- processes not being correctly followed or documented

- service delivery and contract management being poorly monitored or supervised.

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Suggested control measures:

- provide integrity training for staff

- ensure agreed processes are followed and, where exemptions are required, documented

- obtain advice from a procurement adviser before starting procurement processes

- form a diverse team representing different areas of your organisation to assess supplier quotes and submissions

- establish a project management team to regularly monitor contract delivery and timeframes

- mandate reporting of suspected corruption or misconduct, and reinforce ways for employees or suppliers to report suspected fraudulent and corrupt conduct

- ensure activities, particularly those relating to procurement decisions and approvals, are appropriately segregated

- conduct regular and random audit and risk reviews to identify trends and patterns that may indicate the presence of fraud and corruption

- consider internal data collection and analysis to identify changes in behaviour and transaction patterns, particularly as emergency response restrictions lift, to help detect corrupt and fraudulent behaviour

- councils should consider developing and applying their own supplier code of conduct, such as that developed by the Victorian Government Purchasing Board. Additionally, councils should refer to *Local Government Victoria's Best Practice Procurement Guidelines* (2013).[1]

Find out more about procurement risks and prevention strategies, view IBAC's resource *The red flags of corruption: procurement*.

Risks associated with working remotely

Working from home increases security and privacy risks to local government sector employees. Risks may include inadvertently discussing or exposing information to unauthorised individuals, either in person within shared work spaces, via social media or other electronic means.

Cyber threats also pose a risk in remote workforces. Cybercriminals have increased their use and adaptation of malicious online strategies to exploit working from home conditions. Their strategies include phishing emails, malicious websites, and text messages – sometimes disguised as COVID-19-related communication – that seek to obtain private information.[2]

Emergency and crisis situations, can also place local government sector employees and their families under financial hardship. Remote working can create perceptions of isolation and lack of support from team members. If these issues are not addressed, they have the potential to increase employees' vulnerability to corruption and fraud risks.

Red flags:

- lack of installed and updated anti-virus and anti-malware software on work devices

- lack of password and multi-factor authentication on work devices

- storage of work material on private devices

- lack of regular communication between team leaders and members.

Suggested control measures:

- review the principles of the Victorian Protective Data Security Framework to ensure secure information management

- comply with guidelines issued by the Office of the Victorian Information Commissioner (OVIC) and the Australian Cyber Security Centre (ACSC), and incorporate these into internal policies

- support employees to protect the integrity and security of their work when working from home, including by:
  — using secure communications and conferencing technology

  — arranging for file sharing and electronic signature approval methods for remote working that permit collaboration and shared document authentication, using a government-approved, file-sharing service and email system

  — reminding employees to ensure confidential material on screens and printed documents cannot be viewed by others in shared work spaces

  — locking computer screens when leaving work stations and closing doors when discussing confidential or sensitive information

  — securing hardcopies of confidential material in lockable home safes or mobile secure cases

  — reporting suspected losses of confidential information

- maintain regular communication within your team to discuss work requirements, while ensuring all employees are able to discuss issues and pressures affecting them

- promote employee assistance programs for employees.

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[1] Local Government Victoria, 2020, *'Procurement'*, 10 July 2020.
[2] Australian Cyber Security Centre, 2020, *'Threat update: COVID-19 malicious cyber activity'*, 20 April 2020.

Risks to governance processes and oversight

It is always important to ensure there are clear and transparent policies and procedures around decision-making. However, during emergency or crisis situations, government agencies face increasing pressure to deliver services with less opportunities for face-to-face interactions. In this environment, local government sector employees may come under pressure to take shortcuts to accelerate delivery, such as bypassing proper processes, and reducing or stopping routine consultations with stakeholders and experts. This can increase or exacerbate risks, including nepotism and cronyism, failure to document decision-making, lack of transparency, and poorer decisions being made.[3]

Virtual meetings can offer increased opportunities for public engagement while employees work from home. In the interests of transparency, employees should continue to document meetings, and continue to declare and manage conflicts of interest.

Red flags:

- failure to comply with policies and procedures
- reduced stakeholder involvement in decision-making
- failure to appropriately document and promptly release public records of meetings
- not declaring or managing conflicts of interest
- high proportion of local government council decisions made in meetings that are closed to the public.

Suggested control measures:

- regularly review and record temporary amendments to decision-making procedures in response to emergency situations
- ensure employees complete conflict of interest declarations when necessary, and follow management strategies
- strictly adhere to all employment protocols
- provide realistic and adapted training to employees to help them, and managers, identify conflicts of interest
- make meeting agendas (including online), minutes and other relevant documentation accessible to stakeholders in a timely way and according to principles in section 58 (public transparency) and section 66 (public access to council meetings and documentation) of the *Local Government Act 2020*, as well as the *Ministerial Good Practice Guideline 1: Virtual Meetings*[4]
- have each relevant stakeholder provide written support (or otherwise) of decisions made outside of standard conventions.

Supporting corruption resistant cultures during crisis and emergencies

The need to provide exemplary leadership and corruption awareness training to the workforce remains crucial during emergency or crisis situations. There is a risk that agencies' integrity-related education and training programs may be postponed or cancelled due to increased service delivery demands or logistical issues associated with remote working. It is important that such training continues and that leaders encourage and support their staff to maintain the highest standards of integrity and professionalism.
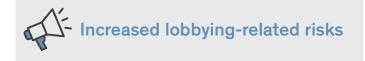
Red flags:

- reduced focus or cessation of corruption awareness and prevention training
- employee uncertainty about proper processes and how they can and cannot be adapted
- employee uncertainty about the processes around reporting corruption and fraud, either internally or to IBAC.

Suggested control measures:

- adapt existing training for online and remote delivery to inform good practice, dissuade corrupt behaviour and continue to develop corruption-resistant cultures
- ensure that any critical and specialised training continues to be undertaken
- use case studies relevant to the current crisis situation to help staff recognise and respond effectively to fraud and corruption risks
- structured communication with employees to determine areas of uncertainty regarding processes and reporting of suspected fraud or corruption
- clear and consistent communication from senior leaders to reinforce the council's values, local government sector standards and codes of conduct, and to raise awareness of internal reporting channels and the relevant integrity agency.

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[3] Donaldson, David, 2020, *'Record-keeping in a crisis: hasty decisions create accountability problems – and are difficult to implement'*, The Mandarin, 16 April 2020.

[4] Department of Environment, Land, Water and Planning, 2020, *'Local Government Act 2020 – Ministerial Good Practice Guideline 1: Virtual Meetings'*, June 2020.

Increased lobbying-related risks

During the COVID-19 crisis councils are advised to be aware of lobbying efforts to place undue influence on, or accelerate, decision making, including in relation to procurement, and to ensure decision-making is always conducted in the public interest. Be alert to attempts to conduct lobbying, which can compromise probity and due diligence measures and decrease transparency.

Currently, lobbying in local government is not subject to the regulation that applies in state government. However, the state government controls around lobbying, including the Lobbyist Code of Conduct, can assist local government to identify problematic lobbying activity.

Red flags

• higher levels of lobbying of local governments, particularly from lobbyists that do not conform to established lobbying guidelines

• lobbying by individuals not listed on the Victorian Public Sector Commission's (VPSC) register of lobbyists

• failure by lobbyists to disclose details of the parties they represent

• failure by local government staff and councillors involved in discussions with lobbyists to declare any possible conflicts of interest

• attempts to influence local government decision-making through payments, gifts, benefits and hospitality.

Suggested control measures

• suggest contact with lobbyists complies with the Victorian Professional Lobbyist Code of Conduct (VPLCC) and that lobbyists are registered with the VPSC Register of Lobbyists

• local government staff and councillors maintain appropriate recordkeeping of all meetings with industry advocates and lobbyists, for transparency, and to avoid perceptions of undue influence

• ensure procurement policy has been updated and adopted as per the *Local Government Act 2020* requirements

• comply with council's procurement policy and conduct audits/reviews to confirm compliance

• ensure conflict of interest process and gifts, benefits and hospitality policy/process has been updated as per the *Local Government Act 2020*

• ensure council staff and councillors are aware of their obligations around conflicts of interest and gifts, benefits and hospitality under the *Local Government Act 2020* and council's policies.

Useful resources

IBAC resources

IBAC's integrity framework review of local government highlights good practices and opportunities for improvement. This guide helps councils strengthen their integrity frameworks and improve their capacity to prevent corrupt conduct.

www.ibac.vic.gov.au/publications-and-resources/article/local-government-integrity-frameworks-review

IBAC's fact sheets address key areas of local government sector corruption and fraud risk and provide useful strategies to manage them.

www.ibac.vic.gov.au/publications-and-resources/article/red-flags-of-corruption-procurement

www.ibac.vic.gov.au/publications-and-resources/article/information-sheet-conflicts-of-interest-myths-misconceptions-and-management

Victorian Government Supplier Code of Conduct

The Code of Conduct sets out the ethical standards required from suppliers to the Victorian Government and is a useful reference to local governments that are developing their own codes of conduct.

www.buyingfor.vic.gov.au/supplier-code-conduct

Victorian Public Sector Commission – Maintaining Integrity when Working Remotely Guide

The *Maintaining Integrity When Working Remotely* guide provides practical advice that Victorian public sector employees can follow to ensure they continue to comply with the Code of Conduct while they work remotely.

www.vpsc.vic.gov.au/resources/working-remotely/

Engaging with Lobbyists in the Victorian Public Sector guide

As a local government employee, lobbyists may contact you in an effort to influence decisions. This guide is for state government employees but contains useful information you can use when you're working in the office or remotely.

www.vpsc.vic.gov.au/html-resources/guide-to-engaging-with-lobbyists-in-the-victorian-public-sector/

Local Government Victoria Procurement Best Practice Guidelines

The *Local Government Best Practice Procurement Guidelines* help councils understand their obligations under the Local Government Act (2020) and develop and maintain best-practice approaches for the various stages of the procurement process: planning, implementation, management, evaluation and reporting.

www.localgovernment.vic.gov.au/strengthening-councils/procurement

Office of the Victorian Information Commissioner (OVIC) – COVID-19 news

OVIC's COVID-19 website lists information and guidance regarding freedom of information, privacy, information security and business continuity under COVID-19.

www.ovic.vic.gov.au/about-us/news-and-media/covid-19/

Australian Cyber Security Centre (ACSC) – COVID-19 advice

The ACSC regularly posts cyber threat updates and other forms of guidance to organisations in order to protect systems, data and personal information during the COVID-19 crisis.

www.cyber.gov.au/COVID-19

Local Government Victoria / Engage Victoria – *Local Government Act 2020*

Councils can improve oversight and transparency by co-designing and incorporating policies that reflect the principles of the *Local Government Act 2020*. The Act's public transparency principle, in particular, assumes all council matters must be made public, except in very specific and limited circumstances.

The Local Government Victoria and Engage Victoria websites outline the stages of engagement, co-design and implementation that Victorian councils will need to undertake, in conjunction with sector peak organisations and the community, to meet deadlines. The site also contains links to *Ministerial Good Practice Guidelines*, which are being issued to facilitate council compliance with the Act.

www.localgovernment.vic.gov.au/our-programs/local-government-act-2020

www.localgovernment.vic.gov.au/resilience-and-emergency-management/coronavirus-covid-19-information

www.engage.vic.gov.au/local-government-act-2020

Local Government Inspectorate

The Inspectorate is responsible for making sure Victorian councils follow the *Local Government Act 2020*.

As part of this role, the Inspectorate accept sand investigates complaints about council operations, including councillors and council staff; monitors governance and compliance with the Act; provides guidance and education for councils, and encourages transparency and accountability across the sector.

The Inspectorate publishes reports that identify corrupt behaviour or poor practices in local government and recommendations for improvement across the sector.

www.lgi.vic.gov.au/council-investigations-and-audit-reports

Local Government Act 2020 Principles – public transparency

The *Local Government Act 2020* site contains explanations of the Act's principles, including public transparency, and outlines the implications for councils.

www.localgovernment.vic.gov.au/council-governance/local-government-act-2020/principles-of-the-local-government-act-2020

Interstate resources

NSW Independent Commission Against Corruption

www.icac.nsw.gov.au/prevention/corruption-prevention-publications/latest-corruption-prevention-publications/managing-corrupt-conduct-during-the-covid-19-outbreak

www.icac.nsw.gov.au/prevention/corruption-prevention-publications/latest-corruption-prevention-publications/supplier-due-diligence-a-guide-for-nsw-public-sector-agencies

NT Office of the Independent Commissioner Against Corruption

www.icac.nt.gov.au/__data/assets/pdf_file/0008/816155/Fraud-and-the-COVID-19-Stimulus-Package.pdf

www.icac.nt.gov.au/__data/assets/pdf_file/0004/816232/COVID-19-fraud-watch-checklist_FINAL.pdf

SA Independent Commissioner Against Corruption

www.icac.sa.gov.au/report/public-admin-in-pandemic

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.

To report corruption now, visit **www.ibac.vic.gov.au** or call **1300 735 135**.

If you need help with translation, call the Translating and Interpreting Service on **13 14 50** or visit **www.ibac.vic.gov.au/general/accessibility/tr**

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