



Outsourcing Work, Insourcing Corruption

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Australian Public Sector Anti-Corruption Conference

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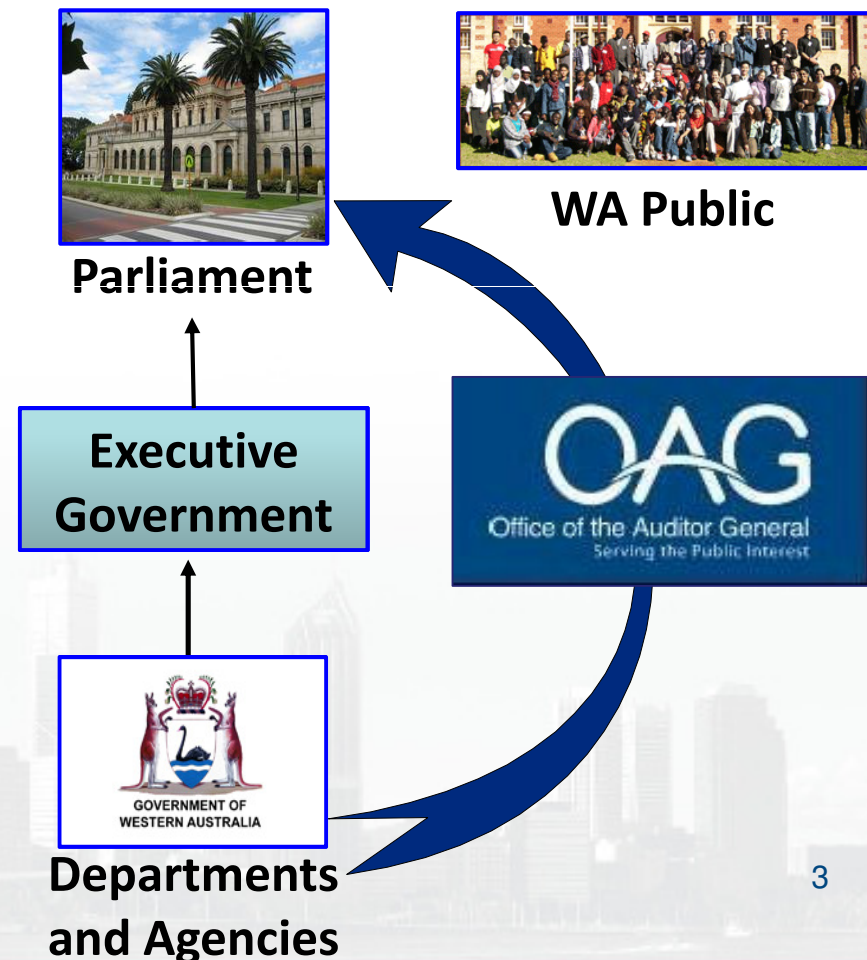
Overview

- WA accountability framework
- Audit view on corruption
- Outsourcing and procurement
 - Lessons from recent reports
 - Corruption risks



The role of the AG in WA

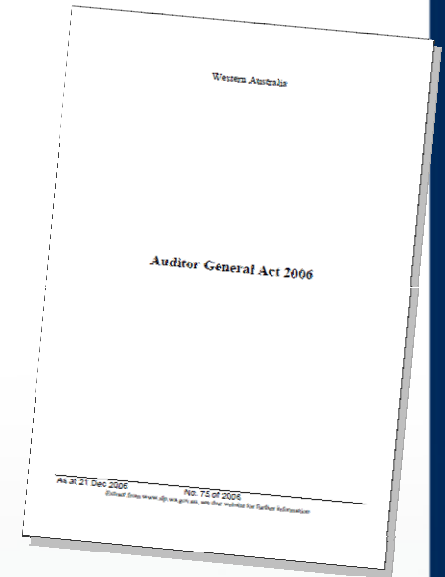
- Provide information to Parliament
- Independent and impartial
- Public sector accountability
- Serving the public interest





Legislative points of difference

- Giving an opinion on:
 - Key Performance Indicators; S.15(1)
 - Controls; S.15(3) and (4)
- Follow-the-dollar powers; S.17, S.18



The Auditor General has powers to investigate;

“any matter relating to public money... or to public property”

“the efficiency and effectiveness with which a related entity of an agency performs functions”



The ICG is not a statutory body, but consists of the:

- Auditor General (Chair)
- Corruption and Crime Commissioner
- State Ombudsman
- Public Sector Commissioner
- Information Commissioner



The role of the ICG

- Collaboration
- Information sharing
- Clear and consistent message
- Advice to the Public Sector



The purpose of financial audit

- The purpose of an audit is to enhance the degree of confidence of intended users in the financial report.
- Australian Auditing Standards require the auditor to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error.



Auditing Standard ASA 240

The Auditor's Responsibility to Consider Fraud in an Audit of a Financial Report

- Distinguishes fraud from error
- Requires the auditor to:
 - Identify and assess the risks of material misstatement due to fraud
 - Evaluate the design of related controls
 - Determine overall responses to address the risks
 - Respond to the risk of management override of controls



Corruption and fraud

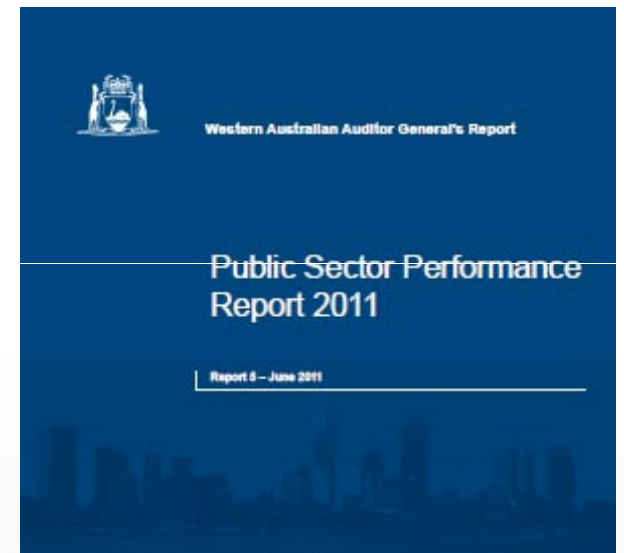
- Not the primary focus of an audit
- Must be considered
- Controls are critical
 - Prevention, detection
- Other types of audit work
 - Investigations, whistle-blowers, performance audit



Procurement compliance

Agency Compliance with Procurement Requirements

- Value for money
- Inappropriate exemptions
- poor controls for identifying and managing conflicts of interest
- Poor recordkeeping
- Lack of transparency





Lessons: Procurement compliance

- 5/9 agencies used the correct methods of procurement
- 3/7 agencies consistently reported procurement contracts valued at over \$20 000 publicly
- Combined lack of process and transparency has high corruption risk.



Use of ICT contractors



- ICT Strategy and plans
- Compliance with legislation and policies
- Monitor contractor performance
- Manage conflicts of interest



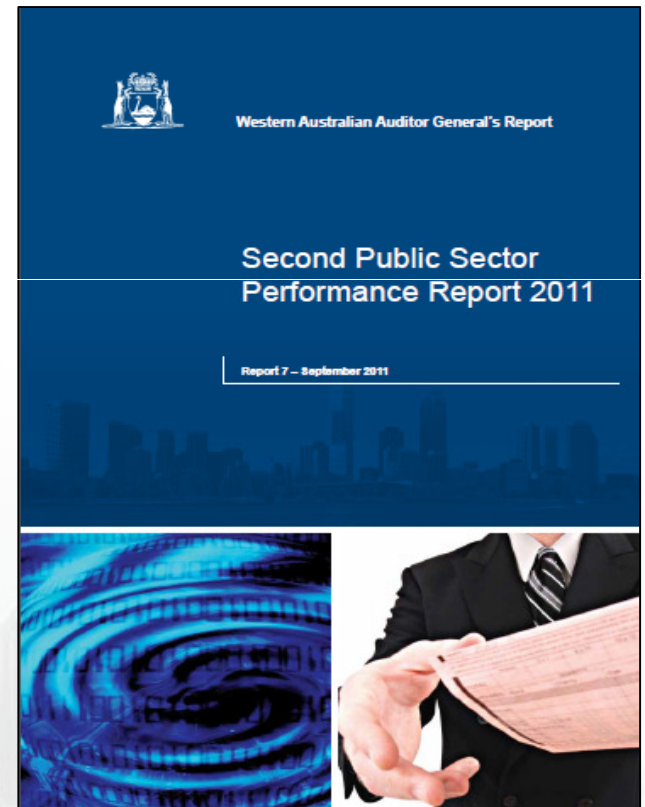
Lessons: Use of ICT Contractors

- Risk of contractor capture
- Reliance on consultants for advice
 - Provide advice & deliver associated services
- Management of conflicts of interest is critical
 - Including gifts and benefits
- “Land and expand”



Gifts and Benefits

- Serious weaknesses in management of gifts & sponsored travel
- Failure to recognise the risk of potential conflicts of interest
- Lack of policy compliance management and documentation





Lessons: Gifts and benefits

- Often gifts can and should be politely declined
- Where not declined there needs to be
 - Approval
 - Transparency
 - Management of actual, perceived or potential conflict of interest



ICG – Managing Conflicts



The Integrity Coordinating Group
Promoting and Strengthening Integrity in WA Public Bodies

Conflicts of Interests

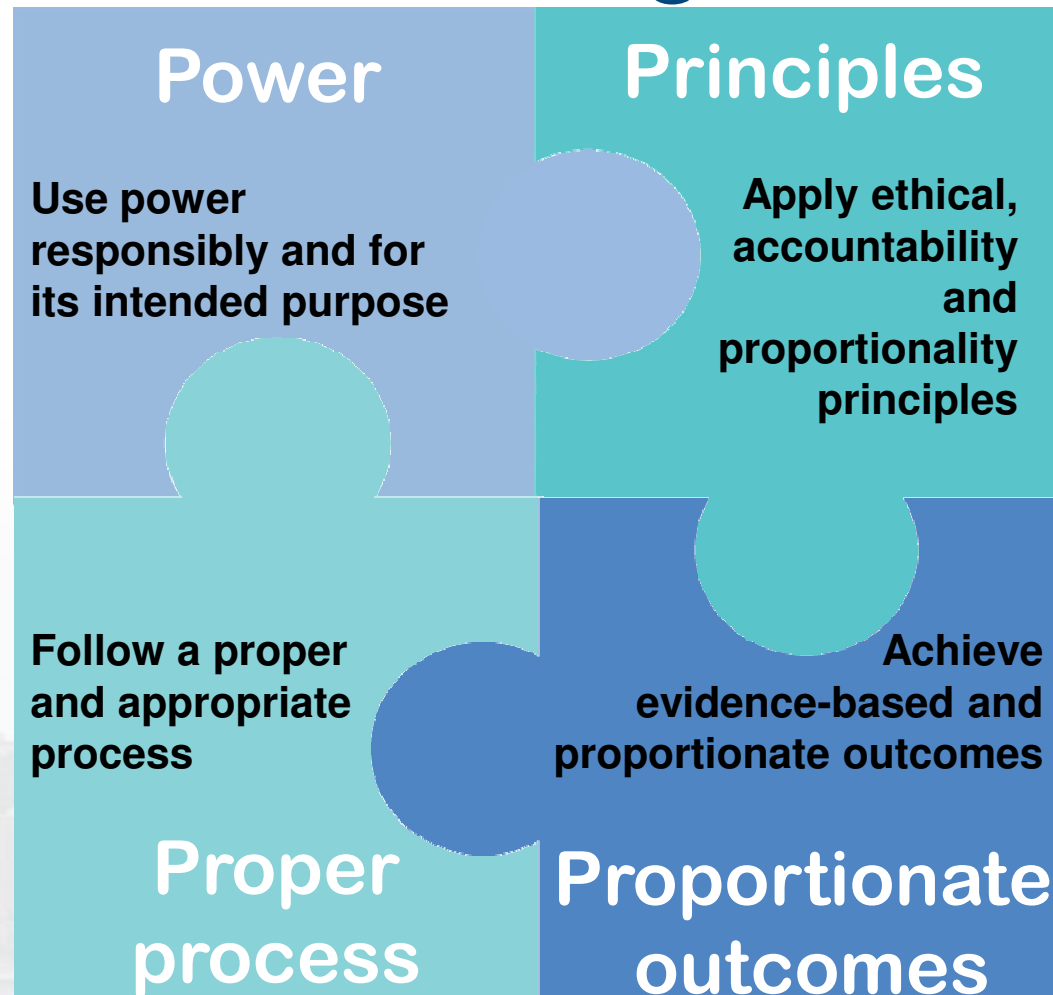
Guidelines for the Western Australia Public Sector

“A conflict of interest is a situation arising from conflict between the performance of public duty and private or personal interests.”

“It isn’t wrong or unethical to have a conflict of interest, what is important is that it is identified and appropriately managed”



Decision making framework





Conclusion

- WA Accountability Framework
- Audit approach to fraud and corruption
- Corruption risks in procurement and outsourcing
- ICG Guidance material can help



Questions?

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Serving the Public Interest