

## Summary

# Corruption risks associated with government funded human services delivered by community service organisations

[www.ibac.vic.gov.au](http://www.ibac.vic.gov.au)

Community service organisations (CSOs) play a critical role in delivering a range of welfare and social services to support individuals, families and communities. Given the considerable public funds that support the delivery of many of these services, IBAC has undertaken research into the corruption risks that could affect CSOs' delivery of human services.

The CSO sector is large and complex, playing an essential role in providing services to many Victorians and there are considerable public funds which support the delivery of many of these services. The impacts of corruption are far reaching, particularly when it results in the waste of public funds and has the potential to jeopardise services delivered to vulnerable people and communities.

IBAC's [\*Corruption risks associated with government funded human services delivered by community service organisations\*](#) research report outlines those risks and a range of corruption prevention strategies to help mitigate them.

In developing its findings, IBAC consulted with a range of public sector agencies and experts in the sector, and reviewed intelligence, investigations, complaint and notification data, as well as other relevant public reports and information. Through this research IBAC observed that some steps are already being taken by government departments, CSOs and regulators to mitigate corruption risks.

IBAC will continue to engage with key stakeholders across the Victorian public sector and NFP sector to raise awareness of the risks identified in this report and to support corruption prevention.

The report considers services funded by the Department of Families, Fairness and Housing (DFFH) and the Department of Health (DH).<sup>1</sup> The risks and drivers identified in the report do not apply to all CSOs and the report does not assess the extent of corruption occurring within the CSO sector.

<sup>1</sup> The research and analysis undertaken for this report primarily occurred prior to the Machinery of Government changes announced by the Premier of Victoria on 30 November 2020. The Premier announced that the Department of Health and Human Services was to be separated into two new departments – DFFH and DH on 1 February 2021. The DFFH incorporates the previous DHHS portfolios of Child Protection, Prevention of Family Violence, Housing and Disability.



## Key corruption risks

- A lack of awareness of enduring corruption risks
- Vulnerabilities in how departments and CSO boards oversight the delivery of government-funded services by CSOs
- False or inaccurate reporting practices due to limited reporting systems
- Misuse of sensitive information
- Overlap or duplication of regulatory activity
- Lack of capabilities and resources in CSOs' governance and corruption prevention frameworks



## Prevention measures

- Strong conflict of interest frameworks
- Information security management
- Training on the identification and reporting of corruption risks
- Strengthened procurement practices
- Develop profiles to assess and manage corruption risks
- Proactive governance, auditing and corruption prevention strategies that identify potential corrupt behaviour



# Key corruption risks

IBAC has identified the following key corruption risks associated with government funded human services delivered by CSOs:



## A lack of awareness of enduring corruption risks

Enduring corruption risks include those associated with procurement and contract management<sup>2</sup>, employment practices, conflict of interest and thefts of cash and small physical assets. A lack of awareness about corruption and associated prevention strategies is likely to heighten these risks.



## Vulnerabilities in how departments and CSO boards oversight the delivery of government-funded services by CSOs

There are persistent vulnerabilities in contractual oversight by DH and DFFH. While the Departments have taken steps to strengthen contract management, there are ongoing issues relating to the design and administration of service agreements and inconsistent compliance activities across services.



## False or inaccurate reporting practices due to limited reporting systems

False or inaccurate reporting practices about services delivered may arise where CSOs lack, or have unsophisticated, reporting systems. CSOs may also inaccurately report service delivery outputs to obtain future funding.



## Misuse of sensitive information

CSOs increasingly have access to sensitive personal and business information. The inappropriate access to, and misuse of, information is a corruption risk and is heightened within CSOs that may either lack the resources to invest in information technology safeguards, and policies, processes and formal training regarding the use of information.



## Overlap or duplication of regulatory activity

External oversight and regulatory arrangements have the potential to create confusion due to overlap or duplication of regulatory activity, as well as potential gaps or blind spots. Confusion around regulation and limited understanding of Public Interest Disclosures (whistleblower) protections is likely to contribute to the underreporting of improper conduct or corruption.



## Lack of capabilities and resources in CSOs' governance and corruption prevention frameworks

Some CSOs lack the necessary capability and resources to invest in dedicated formal governance and corruption prevention policies, processes, audit and risk management, information technology safeguards and training.

<sup>2</sup> Including for Service Agreements and Victorian Common Funding Agreements.



## Prevention measures

The report identifies a number of key prevention and detection strategies for CSOs and government to implement to ensure corruption risks are mitigated:



### Strong conflict of interest frameworks

CSOs should ensure they have clear conflict of interest frameworks that identify what constitutes a conflict of interest, and how conflicts should be reported, recorded and managed.



### Information security management

Measures to improve information security management and prevent unauthorised access and disclosure of information include:

- increased training and awareness of information security risks
- reviewing procedures for preventing and detecting information misuse
- regular and proactive audits of employees' access of information systems
- plus more.



### Training on the identification and reporting of corruption risks

There are opportunities for departments and funding agencies to strengthen the resources provided to CSOs around improper conduct and corruption, and best practice for managing or escalating complaints to improve understanding of corruption risks and encourage reporting.



### Strengthened procurement practices

Ensuring governance and oversight associated with procurement and contract management processes are appropriate for addressing corruption risks.



### Develop profiles to assess and manage corruption risks

Departments and funding agencies should ensure CSOs are risk assessed to determine the appropriate level of oversight and governance that should be applied to the delivery of government-funded services.



### Proactive governance, auditing and corruption prevention strategies that identify potential corrupt behaviour

Proactive strategies include regular and random auditing and risk reviews to identify trends and patterns that may indicate the presence of fraud and corruption.

A full list of prevention and detection strategies can be found in the report.<sup>3</sup>

<sup>3</sup> [www.ibac.vic.gov.au/publications-and-resources/article/corruption-risks-associated-with-government-funded-human-services-delivered-by-community-service-organisations](http://www.ibac.vic.gov.au/publications-and-resources/article/corruption-risks-associated-with-government-funded-human-services-delivered-by-community-service-organisations)

## Useful resources

Research report: *Corruption risks associated with government funded human services delivered by community service organisations*

[www.ibac.vic.gov.au/publications-and-resources/article/corruption-risks-associated-with-government-funded-human-services-delivered-by-community-service-organisations](http://www.ibac.vic.gov.au/publications-and-resources/article/corruption-risks-associated-with-government-funded-human-services-delivered-by-community-service-organisations)

Information sheet: *Corruption risks associated with public sector boards*

[www.ibac.vic.gov.au/publications-and-resources/article/information-sheet---corruption-risks-associated-with-public-sector-boards](http://www.ibac.vic.gov.au/publications-and-resources/article/information-sheet---corruption-risks-associated-with-public-sector-boards)

Information sheet: *Conflicts of interest - myths, misconceptions and management*

[www.ibac.vic.gov.au/publications-and-resources/article/information-sheet-conflicts-of-interest-myths-misconceptions-and-management](http://www.ibac.vic.gov.au/publications-and-resources/article/information-sheet-conflicts-of-interest-myths-misconceptions-and-management)

Research report: *Managing corruption risks associated with conflicts of interest in the Victorian public sector*

[www.ibac.vic.gov.au/publications-and-resources/article/managing-corruption-risks-associated-with-conflicts-of-interest-in-the-victorian-public-sector](http://www.ibac.vic.gov.au/publications-and-resources/article/managing-corruption-risks-associated-with-conflicts-of-interest-in-the-victorian-public-sector)

Level 1, North Tower  
459 Collins Street,  
Melbourne VIC 3000  
GPO Box 24234,  
Melbourne, VIC 3001  
T 1300 735 135  
E [info@ibac.vic.gov.au](mailto:info@ibac.vic.gov.au)  
September 2021

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](http://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](http://www.ibac.vic.gov.au/general/accessibility/tr)

*This document is for informational purposes only and should not be considered a substitute for legal advice.*