

Corruption risks associated with major transport infrastructure projects

Victorian major infrastructure projects make up a complex sector that receives billions of taxpayer dollars each year. The 2022-23 Victorian State Budget committed \$3.5 billion to public transport services and infrastructure. These major projects are under pressure to complete constructions and provide essential buildings and services for Victorians.

The Victorian community expects major infrastructure projects to be managed with integrity to ensure public funds are handled appropriately, and to minimise the risks of corruption.

This is a summary of IBAC's research report *Corruption risks associated with major transport infrastructure projects*.

IBAC's research has identified several corruption risks that could affect major infrastructure projects in Victoria during procurement and construction. The report also provides a range of strategies to help detect and prevent corruption.

IBAC's research focused on a number of projects overseen by the Major Transport Infrastructure Authority (MTIA). These projects, undertaken through the Victorian Government's \$90 billion Big Build initiative, include the North East Link Program, the Level Crossing Removal Project, the Metro Tunnel Project, the West Gate Tunnel Project and future major projects including the Melbourne Airport Rail, and the Western Rail Plan.

IBAC recognises a number of progressive prevention and detection strategies currently being implemented by the MTIA to manage corruption risks.

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

The full report is available on [IBAC's website](#).



Key findings

Corruption risks

Key corruption risks that can impact any major transport infrastructure project during procurement and construction include:

- fraud, collusion, and bribery during procurement
- collusion and bribery by contractors and subcontractors
- contractor and subcontractor fraud such as false invoicing and false claims
- favouritism and fraudulent recruitment practices. For example, payroll fraud.

Corruption drivers

Factors that contribute to corruption in the sector include:

- high value and complex projects, processes and operating environments
- high-level political, performance and economic pressures to complete projects
- depth and breadth of market participants and supply chain involved. For example, conflicts of interest arising from the small number of major contractors able to compete for state infrastructure projects, and a global shortage of technical experts.



Key findings

General



Corruption risks are often higher for major infrastructure projects than other public sector agencies.

The corruption risks that impact major infrastructure projects are not unique to the sector. However, the scale and potential impacts of the risks are greater, due to project size, complexity and cost. These factors also make it harder to detect corruption within major infrastructure projects.



The major contracting methods used in the construction industry are equally susceptible to corruption.

Contracting methods including public private partnerships, alliance contracting and design and construct, are all ways of undertaking complex projects. Each have inherent risks for business planning, management, construction and completion.



Resourcing and staffing constraints are increasing corruption vulnerabilities in the sector.

Infrastructure Australia estimates that of 50 public infrastructure occupations, 34 are potentially in shortage, with demand for labour and skills projected to be 48 per cent higher than supply in 2023.

The limited pool of providers working across multiple projects has complicated recruitment for Victorian agencies and contractors, increasing the likelihood of conflicts of interests.



The influence of major infrastructure projects on land value can increase corruption risks.

Major infrastructure projects can require significant land and can increase or decrease the value of that land and surrounding areas.

Information about the location of future transport infrastructure is valuable and can be misused to generate profit.



The MTIA is currently taking progressive measures to mitigate corruption risks.

Some of the MTIA's prevention and detection tactics include:

- risk-based pre-employment screening
- risk-based contractor and supplier due diligence checks
- declarations and management of private interests and conflicts of interest
- integrity training
- integrity awareness campaigns, including a whistleblowing hotline
- gifts, benefits and hospitality, and outside business event registrations and checks
- data analytics program for fraud and corruption control
- internal and external probity and assurance regimes.

Corruption detection and prevention

All agencies responsible for delivering major infrastructure projects must identify risks and implement corruption prevention strategies that are relevant to their own operating environments.

IBAC has identified several corruption detection and prevention measures to consider:



Ensure you have centralised and coordinated risk assessment, detection and prevention measures, and data collection and analysis between projects.



Share information between integrity officers and those responsible for leadership and governance to strengthen integrity frameworks and corruption controls.



Consider using collaborative contract management frameworks, such as alliance contracting, with open book commercial arrangements and auditing in place. This helps to increase transparency of project expenditure and knowledge-sharing.



Develop and uphold a culture of integrity and awareness of the public sector standards across entire projects, including among construction partners and suppliers.



Mandate minimum contracting clauses that protect the public sector from corruption and drive ethical practices. This could include requiring project partners and suppliers to have robust fraud control frameworks, targeted ethical training, and transparent procurement and subcontracting arrangements.

For a detailed list of corruption prevention and detection strategies for major infrastructure projects, and to read the research report, visit www.ibac.vic.gov.au.

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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.

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

Acknowledgement

IBAC acknowledges the Traditional Custodians of the lands on which we work and pays respect to Elders past, present and emerging. We recognise and celebrate the diversity of Aboriginal peoples and their ongoing cultures and connections to the lands and waters of Victoria.