



ICAC

Independent Commission
Against Corruption
SOUTH AUSTRALIA

Off the Radar

Failures of supervision

A report by the Hon. Ann Vanstone KC
Commissioner

August 2023



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Published August 2023

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is vital for minimising
opportunities to engage in
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Commissioner's foreword

Impropriety and corrupt conduct flourish in environments where the activities of staff are not properly supervised.

The Commission has conducted a number of investigations where the inappropriate conduct of public officers was enabled by inadequate supervision.

Various reasons for supervisory gaps were apparent. In some matters, business units were left to operate independently either because they were located away from those supervising them, or because of the organisational reporting structure.

There were instances where supervision was lacking because agencies relied on individuals with specific technical expertise, or because of the level of trust placed in leaders with prominent public profiles.

The Commission has investigated allegations where, in environments where supervision was inadequate, public officers misused resources, exposed the government to undesirable risks, and made decisions that were not in the best interests of the agency.

Chief executives must ensure that effective accountability frameworks are in place to monitor the activities of their officers. Adequate supervision is vital for minimising opportunities to engage in inappropriate conduct, and to detect it when it occurs.

This report, prepared in accordance with section 42 (1) of the *Independent Commission Against Corruption Act 2012 (SA)* provides some examples of supervisory failures that have led to inappropriate conduct, and makes recommendations for minimising the risks of corruption.

A handwritten signature in black ink that reads "Ann Vanstone". The signature is written in a cursive, flowing style.

The Hon. Ann Vanstone KC
Commissioner

Remote worksites – out of sight, out of mind

Sometimes public authorities have business units that are physically separate from the department, or where employees work across multiple worksites. They could be councils with separate works depots, education providers with multiple campuses, or medical and social service providers with staff in regional locations.

In these circumstances it is not uncommon for officers to be autonomous in their control over the delivery of services, the allocation of resources, expenditure, information management and human resources. Although this might be warranted, not having visibility of staff and their activities will affect a manager's ability to observe irregular conduct. The Commission has conducted a number of investigations where this was the case.

In one matter, an individual in a remote location had not met their new manager until six months after commencing in the role.¹ In another, employees at a separate worksite had become what was described as a '*law unto themselves*', where it was alleged that one officer was unduly influencing others to fall in with workarounds and corrupt practices.²

At one remote worksite, a lack of communication led to a culture of employees not disclosing the full extent of safety breaches.³ This meant that unsafe practices continued because management was not aware of the need for intervention. In another example, the preparation of incomplete financial records raised questions about the appropriateness of spending by an officer who worked alone with very little supervision.⁴

A further example concerning poor rostering practices across an agency with multiple worksites could only be described as a serious mismanagement of resources. In this department, poor staff planning and scheduling resulted in the unnecessary engagement of expensive temporary staff.⁵

The following case study provides further insights from an investigation where a department did not adequately supervise a business unit that was located away from those responsible for managing it.

1 Matter 4.
2 Matter 5.
3 Matter 5.
4 Matter 8.
5 Matter 12.

Case Study 1

Allegations of wrongdoing were made against a number of public officers who worked for a large government department at a remote worksite. The business unit was responsible for the operation, maintenance and management of specialist vehicles and heavy equipment.⁶

Given the specialist nature of the equipment, it was necessary for the officers to hold qualifications and current licences. Use of the equipment was also subject to legislative requirements overseen by an external regulatory body.

It was alleged that the officers:

- ▶ allowed their qualifications to lapse by not keeping up to date with the necessary training, in breach of legislation
- ▶ did not always record safety incidents or report them to management, or if they did, details were often lacking
- ▶ made false entries in official documents
- ▶ used the equipment inefficiently and without authorisation
- ▶ inappropriately accessed overtime

The Commission's investigation revealed that the department did not have effective accountability structures in place to manage the operations of the business unit or its officers. This created an environment of complacency.

There was confusion around roles, responsibilities and lines of reporting, to the extent that what was depicted in the organisation chart was thought to be incorrect. This no doubt contributed to the poor lines of communication between the business unit and management. Regular meetings were scheduled but often did not occur, underlining the need for adequate record keeping and reporting.

Officers commonly failed to record information on the department's incident management system. This would have alerted management to safety incidents and other operational problems. While some technical and audit reports were regularly supplied, management did not have the expertise to meaningfully appraise the content, or to question actions or decisions taken by the officers.

This knowledge deficit, together with a lack of communication and reporting, fostered a culture of non-disclosure. It also created an environment where those working at the remote location began to 'run their own ship'. Departmental policies and procedures were not followed, the employee performance review process had not been completed for over two years, standard operating procedures were out of date, and regulatory compliance monitoring was absent.

The lack of supervision and monitoring enabled the officers to exercise considerable discretion. This created an environment ripe for inappropriate conduct and posed serious risks to public safety.

6 Matter 5.

Operational silos

It is not uncommon for departments to encompass business units with discrete functions that operate with some independence. This can occur in highly specialised medical units within health networks, research bodies in universities, or entities that are established to execute a government priority.

Business units of this type can come to be wrongly regarded as stand alone and are typically led by individuals with significant technical expertise or experience. Because such individuals are often highly credentialled with a prominent public profile, they are usually afforded a great deal of trust and autonomy in decision making by those responsible for overseeing them.

In one Commission investigation it was revealed that a business unit had not followed departmental policies or procedures about budget processes, record keeping or audits.⁷ Unsurprisingly, there was an ongoing pattern of being considerably over budget.

In another, research funding had been deliberately held in bank accounts outside government to avoid unspent funds being returned to Treasury at the end of the financial year. The department did not have any mechanism to monitor the funding. It was instead controlled entirely by the public officers overseeing the research.⁸

The following case study provides further insights from a situation where an operational silo had developed through lack of supervision.

7 Matter 2.

8 Matter 7.

Case Study 2

The business unit was established to deliver specialised health services and was led by a public officer who was considered an expert and had a prominent public profile. The business unit quickly earned a reputation as a leader in its field.⁹

Although the unit was established to operate under the auspices of the department and its governance framework, over time its operations began to function independently. It was alleged that its director had:

- ▶ sought payment from members of the public for services already funded by the department, and requested that these payments be made into his private business account or another non-government account
- ▶ entered into contracts and memoranda of understanding without the knowledge of the department (or the authority to do so) and financially benefitted from those arrangements
- ▶ invoiced the department for speaking engagements while acting in his capacity as a government employee¹⁰

The investigation established that there were no documented processes to follow in relation to how the business unit was to operate. There were no policies setting out how the public would be charged, whether private donations could be sought, or if agreements with external parties could be struck.

With no guidance about rules and expectations, the director seemed to have formed the view that he could do whatever he wanted. As the department had placed a great deal of trust in him, he enjoyed a high degree of discretion in decision making. This may have been because of his status as an expert in his field.

Combining this with a lack of supervision created an environment where inappropriate conduct could occur. Once it had occurred it was difficult to detect.

9 Matter 2.

10 The director of the business unit was employed part time by the department and operated his own private consulting practice.

Conclusion and Recommendations

Where managers lose sight of activities they are meant to oversee, it is typically because roles, rules, expectations and reporting responsibilities are not properly defined and documented. Where there is confusion as to what needs to be reported and to whom, practices that support accountability can fall away.

Chief executives must understand the risks of corruption that arise in the absence of adequate mechanisms to monitor the activities of all their staff. This is particularly the case where sections within a department operate somewhat independently.

As the Commission has seen, inadequate supervision can foster a culture of low accountability, inappropriate conduct and even corruption that is difficult to detect.

However, with the following prevention measures accountability can be strengthened:

1. Clearly define the role and purpose of business units.
2. Set out the roles and responsibilities of individuals within a business unit, and those responsible for managing it.
3. Describe and communicate clear lines of reporting, including setting out the form, content and timing of reporting obligations.
4. Establish and maintain formal and informal communication processes.
5. Enforce adherence to departmental policies and procedures, including records management obligations.
6. Ensure all functions are appropriately captured in departmental governance and risk committee structures.



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