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**Papua New Guinea – Australia
Transport Sector Support Program**
Supported by the Australian Government - AusAID

Fraud and Corruption Prevention Strategy

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Fraud and Corruption Prevention Strategy

Australia – PNG Transport Sector Support Program

Contents

1. Introduction
2. Definitions of Terms
3. Roles and Responsibilities
4. Fraud and Corruption Risk Management
5. Conflicts of Interest
6. Procedures for Reporting Fraud and Corruption
7. Procedures for Fraud and Corruption Investigations
8. Review of Fraud and Corruption Control Procedures

Annexes

- A. *PNG Code of Business Ethics and Conduct for the National Public Service*
- B. *Australian Public Service (APS) Code of Conduct*
- C. Examples of Fraud and Corruption
- D. TSSP Fraud and Corruption Risk Assessment and Risk Management Strategies

Acronyms and Abbreviations

ANAO	Australian National Audit Office
APS	Australian Public Service
AusAID	Australian Agency for International Development
CAA	Civil Aviation Authority of PNG
CSTB	PNG Central Supplies and Tenders Board
CPG	Commonwealth Procurement Guidelines
DoF	Department of Finance
DoT	Department of Transport
DoW	Department of Works
FCRMC	Fraud and Corruption Risk Management Committee
FMA	Commonwealth <i>Financial Management and Accountability Act, 1997</i>
FMM	(GoPNG) Financial Management Manual
FMS	(TSSP's) Financial Management Specialist
GoA	Government of Australia
GoPNG	Government of PNG
GPM	Good Procurement Manual
MES	Monitoring and Evaluation Specialist
NMSA	National Marine Safety Authority
PFMA	PNG <i>Public Finance (Management) Act 1995</i>
PM	(TSSP's) Program Manager
PSMS	Public Sector Management Specialist
SMEC	Snowy Mountains Engineering Corporation Ltd
TSSP	Transport Sector Support Program

1. Introduction

1.1 Overview

This Fraud and Corruption Prevention Strategy sets out the fraud and corruption prevention policies and procedures followed by the Australia – PNG Transport Sector Support Program (TSSP). It details TSSP's approach to the prevention, detection, reporting and investigation of fraud and corruption. It also identifies TSSP activities that may be susceptible to fraud and corruption, and provides strategies for better management and control of those activities.

1.1 TSSP policy and attitude to fraud and corruption

TSSP promotes an organisational culture that will not tolerate any act of fraud or corruption. This Fraud and Corruption Prevention Strategy is designed to put this principle into practice.

Apart from the legal consequences of fraud and corruption, improper acts have the potential to damage the image and reputation of TSSP, AusAID and the Government of Australia (GoA). Unresolved allegations can also undermine an otherwise credible position and reflect negatively on innocent individuals.

All TSSP specialists, advisers and locally employed staff must be above fraud and corruption. Sanctions will apply to those who are not. In addition, specialists, advisers and locally employed staff must act so they are not perceived to be involved in such activities. Through transparent and accountable decision-making, together with open discussion about the risks of fraud and corruption, TSSP seeks to foster an organisational climate which does not tolerate fraud or corruption.

TSSP provides oversight to funds provided by GoA through AusAID endorsed flexible funding arrangements to various PNG transport sector agencies. TSSP's policy, strategies and attitudes to fraud and corruption are identical to those that apply internally within TSSP. Specifically, TSSP will not tolerate any act of fraud or corruption perpetrated in relation to the management or application of those funds by any person, government agency, contractor or other organisation.

TSSP will deal fairly with all parties in the course of investigating allegations of fraud or corruption. However, if fraud or corruption is proven, TSSP will apply appropriate sanctions.

The prevention of fraud and corruption requires that all persons concerned act ethically and professionally in accordance with appropriate codes of ethics. GoPNG staff members in the transport sector agencies are bound by the PNG *Code of Business Ethics*

and *Conduct for the National Public Service*¹. TSSP specialists, advisers and locally employed staff are expected to adhere to the *Australian Public Service Code of Conduct*.²

2. Definitions of Terms

The following terms, as defined below, are used in this document:

Accountability is the obligation to account for the way particular duties have been performed³. Accountability means that officials are responsible for the actions and decisions that they take in relation to procurement (and other activities) and for the resulting outcomes. Officials are answerable for such activity through established lines of accountability including the agency's executive and senior management, the Government and the Parliament⁴.

Conflict of interest arises where an official or adviser has an affiliation or interest that might prejudice, or be seen to prejudice, his or her impartiality⁵.

Corruption is the misuse of entrusted power for private gain⁶. It includes the acceptance of any gift or consideration as an inducement or reward⁷.

Ethics are the moral principles or values that guide officials in all aspects of their work. *Ethical behaviour encompasses the concepts of honesty, integrity, probity, diligence, fairness, trust, respect and consistency*. Ethical behaviour includes avoiding conflicts of interest, and not making improper use of an individual's position⁸.

The central principles underpinning fair and ethical dealing include:

- a. Treating potential and existing suppliers with equality and fairness
- b. Not seeking personal or family gain
- c. Treating suppliers and potential supplier's information with respect and confidentiality;
- d. Where conflict of interest occurs, it must be declared⁹.

¹ PNG *Code of Business Ethics and Conduct for the National Public Service* – June 1 2002 – Section 3 – reproduced as Annex A to this strategy document

² *Public Service Act, 1999* – Commonwealth of Australia – Part 3, Section 13 – reproduced as Annex B to this strategy document

³ *Ethics, Probity and Accountability in Procurement* - Queensland Purchasing, Department of Public Works - Crime and Misconduct Commission - October 2006 - Better Purchasing Guide – page 6

⁴ *Commonwealth Procurement Guidelines* – January 2005 – Clause 7.4

⁵ *Guidance on Ethics and Probity in Government Procurement* - Commonwealth of Australia - January 2005 – page 14

⁶ *Tackling corruption for growth and development - a policy for Australian development assistance on anti-corruption* – AusAID March 2007 – page 3

⁷ *Ethics, Probity and Accountability in Procurement* - Queensland Purchasing, Department of Public Works - Crime and Misconduct Commission - October 2006 - Better Purchasing Guide – page 4

⁸ *Guidance on Ethics and Probity in Government Procurement* - Commonwealth of Australia - January 2005 – page 5

⁹ Government of PNG *Financial Management Manual*- Department of Finance – Clause 1

Fraud is the false representation of facts with an intention to deceive or enable some person or organisation to gain an unfair advantage. This includes the falsification of documents and the certification as to the trueness of statements known to be wrong¹⁰.

Probity is the evidence of ethical behaviour in a particular process. Probity is defined as complete and confirmed integrity, uprightness and honesty¹¹.

Theft is the stealing or dishonest misappropriation of money or property¹².

Transparency provides assurance that procurement processes undertaken by agencies are appropriate and that policy and legislative obligations are being met. Transparency involves agencies taking steps to support appropriate scrutiny of their procurement (and other) activities¹³.

Examples of fraud and corruption are provided in Annex C.

3. Roles and Responsibilities

3.1 AusAID

AusAID considers and approves all policies and procedures relating to the control and investigation of fraud and corruption.

3.2 TSSP Program Manager (PM)

The TSSP PM has the following responsibilities in relation to fraud and corruption:

- establishing and maintaining ethical policies, systems and procedures for all aspects of TSSP work
- ensuring that staffing policies and practices are fair and equitable
- ensuring that mechanisms for responding to potentially unethical circumstances are appropriate and effective (e.g. grievance and complaint handling systems)
- ensuring that areas of work that are of inherently higher risk in terms of ethics and corruption are identified and that preventive strategies are in place
- monitoring the ethical health and culture of TSSP and responding to any problems identified.

All reasonable suspicions of fraud or corruption are reported to the PM who decides what action should be initiated to assess the concerns raised. All fraud and corruption investigation reports are referred back to the PM who then decides what action is necessary to address the investigation findings.

¹⁰ *Ethics, Probity and Accountability in Procurement* - Queensland Purchasing, Department of Public Works - Crime and Misconduct Commission - October 2006 - Better Purchasing Guide – page 4

¹¹ *Guidance on Ethics and Probity in Government Procurement* - Commonwealth of Australia - January 2005 – page 6

¹² *Ethics, Probity and Accountability in Procurement* - Queensland Purchasing, Department of Public Works - Crime and Misconduct Commission - October 2006 - Better Purchasing Guide – page 4

¹³ *Commonwealth Procurement Guidelines* – January 2005 – Clause 7.5

3.3 TSSP Financial Management Specialist (FMS)

The FMS is responsible for:

- producing fraud and corruption policies, procedures and training proposals
- liaising with internal and external investigators
- assuring the quality of investigation processes and reports, and
- providing advice to TSSP specialists, advisers and locally employed staff as well as GoPNG transport agency staff affected by internal investigations.

3.3 TSSP Fraud and Corruption Risk Management Committee

TSSP's Fraud and Corruption Risk Management Committee (FCRMC), comprising the PM, FMS, Public Sector Management Specialist (PSMS), Monitoring and Evaluation Specialist (MES), a nominee of the PSCMIC and a nominee of the PNG DoF, is responsible for reviewing the effectiveness of TSSP's fraud and corruption control strategies and plans.

3.4 TSSP Specialists

TSSP Specialists must determine whether effective fraud and corruption prevention risk management strategies and staff awareness programs are established in the transport sector agencies they are assisting and make recommendations about rectifying any deficiencies encountered.

3.5 Senior Managerial Staff in PNG Transport Sector Agencies

All Senior Managerial Staff in PNG transport sector agencies being assisted by TSSP are responsible for:

- monitoring their workplaces to identify and address situations that are likely to raise ethical dilemmas in relation to TSSP-related activities (e.g. by establishing good procedural guidance for decision-making, particularly the exercise of discretion)
- ensuring that staff are not placed in potentially difficult or compromising situations in relation to TSSP-related activities (e.g. by working alone in the field where they may face compromising situations)
- being available and supportive to staff who require guidance on ethical dilemmas in relation to TSSP-related activities
- fostering a work environment free of harassment, discrimination, victimisation, corruption, maladministration and waste
- ensuring that staff are aware of the principles contained in the PNG *Code of Business Ethics and Conduct for the National Public Service* and the established systems and procedures for addressing ethical problems in relation to TSSP-related activities

- supporting and protecting staff who report, in good faith, instances of potentially unethical or corrupt practices in relation to TSSP-related activities.

3.6 All TSSP specialists, advisers and locally employed staff

All TSSP specialists, advisers and locally employed staff have a duty to:

- act ethically, lawfully and in accordance with the principles contained in the *Australian Public Service Code of Conduct*.¹⁴
- report potentially unethical or corrupt practices via the established mechanisms.

3.7 GoPNG transport sector agency staff

All GoPNG staff employed PNG transport sector agencies in receiving TSSP assistance have a duty to:

- act ethically, lawfully and in accordance with the principles contained in the PNG *Code of Business Ethics and Conduct for the National Public Service*¹⁵
- report potentially unethical or corrupt practices via the established mechanisms.

4. Fraud and corruption risk management

4.1 Regular program for fraud risk assessment

An important part of fraud and corruption prevention is understanding where the areas of risk are in relation to TSSP's responsibilities and functions. TSSP systemically assesses its functions and responsibilities to identify all potential risk areas and to develop a risk management plan to control high and medium risk issues. Building on this broad risk assessment, a further specific risk assessment of potential fraud and corruption issues is undertaken.

A dedicated review of TSSP's fraud and corruption risk assessment will occur annually. It will be undertaken by TSSP's Fraud and Corruption Risk Management Committee (FCRMC), comprising the PM, FMS, PSMS, MES, a nominee of the PSCMIC and a nominee of the PNG DoF.

¹⁴ *Public Service Act, 1999* – Commonwealth of Australia – Part 3, Section 13 – reproduced as Annex B to this strategy document

¹⁵ PNG *Code of Business Ethics and Conduct for the National Public Service* – June 1 2002 – Section 3 – reproduced as Annex A to this strategy document

4.2 TSSP's current fraud and corruption risk assessment

TSSP's current fraud and corruption risk assessment (along with an outline of associated risk management strategies) is tabulated in Annex D.

4.3 Overview of TSSP's fraud and corruption risk management strategy

AusAID has identified¹⁶ three focus elements in its anti-corruption for development policy:

- building constituencies for anti-corruption reform
- reducing opportunities for corruption, and
- changing incentives for corrupt behaviour.

TSSP's fraud and corruption risk management strategy is built around that framework.

4.3.1 Building Constituencies for Anti-Corruption Reform

*“Fostering integrity and accountability in leaders helps to promote anti-corruption reform in the longer term”.*¹⁷

Wherever appropriate to do so, TSSP Specialists will integrate probity components, including anti-fraud and corruption issues, into formal and informal capacity building activities. While this will be particularly evident in activities relating to financial management, procurement and recruitment, probity principles will permeate all TSSP activities.

TSSP will model ethical work practices and behaviour when working with transport sector agencies and will encourage senior management in these agencies to do the same within their own organizations.

TSSP supports gender equity in leadership positions believing with AusAID that this contributes to a more just society and lower tolerance for corruption.

4.3.2 Reducing Opportunities for Corruption

TSSP will provide technical assistance to agencies as required to improve budget processes, government financial management, and procurement systems. Enhanced transparency, accountability and ethical work practices will be a priority among the improvements made.

TSSP recognises GoPNG's documented and mandatory financial management, procurement and recruitment processes and procedures are generally sound. It is the failure to comply with those processes and procedures that provides opportunities for unethical, fraudulent and/or corrupt activities. TSSP will encourage and model compliance with GoPNG processes and procedures. Where required, TSSP will provide

¹⁶ In Tackling corruption for growth and development – a policy for Australian development assistance on anti-corruption – AusAID March 2007 –What Australia Will Do - reproduced in this document as Annex D

to agencies technical assistance to build compliance capacity where sound processes and procedures are ignored, unknown or poorly understood.

4.3.2 Changing Incentives for Corrupt Behaviour

Where fraudulent or corrupt activities are detected, TSSP will initiate or encourage the initiation of the anti-fraud, anti-corruption and similar sanctions contained in relevant legislation such as PNG's *Public Finance (Management) Act 1995* and *Public Service (Management) Act 1997*.

TSSP will assist agencies investigate incidences of suspected fraud or corruption in respect to TSSP funded activities, including assisting with gathering the data and preparing the reports and other documentation necessary to support the imposition of appropriate sanctions.

TSSP will encourage and support anti-fraud and anti-corruption initiatives of senior managers in the agencies with which it is working.

5. Conflicts of interest

A *conflict of interest* arises where an official or adviser has an affiliation or interest that might prejudice, or be seen to prejudice, his or her impartiality¹⁸.

The Australian National Audit Office (ANAO) identified two sources of conflict of interest¹⁹:

- *a conflict of personal interest is a situation in which the impartiality of an officer in discharging their duties could be called into question because of the potential, perceived or actual influence of personal considerations, financial or other. The conflict in question is between official duties and obligations, on the one hand, and private interests on the other;*
- *conflicts of role arise when an officer is required to fulfill multiple roles that may be in conflict with each other to some degree. Good corporate governance processes in public organisations usually address this issue by segregating functions and areas of work from each other.*

It is TSSP policy that TSSP Specialists and locally employed staff, Technical Advisers recruited through TSSP and employees of the transport sector agencies working on TSSP-related activities disclose any conflict of interest or relationship that might be perceived as a conflict of interest. Specifically, any of the above persons who are involved in decision-making roles in relation to TSSP-funded procurement or recruitment will be required to sign a Conflict of Interest Disclosure Declaration prior to commencing their roles.

¹⁷ Ibid

¹⁸ *Guidance on Ethics and Probity in Government Procurement* - Commonwealth of Australia - January 2005 – page 14

¹⁹ ANAO Better Practice Guide, Public Sector Governance, Volume 2, Guidance Paper No. 6, *Conflicts of Personal Interest and Conflicts of Role*, ANAO, Canberra, 2003.

Where a person with a decision-making role in relation to TSSP-funded procurement or recruitment is identified as having a relevant actual or perceived conflict of interest, the Program Manager may require:

- that the person resolve the actual or perceived conflict of interest situation before continuing in the decision-making role; or
- withdraw from any decision-making role in relation to those procurement or recruitment activities where the conflict of interest situation applies.

TSSP also recognises that the separation of duties in financial management, procurement and recruitment processes is an essential internal control measure to prevent conflict of roles. To ensure adequate separation, roles and responsibilities will be clearly defined in the appropriate procedures manuals and assigned such that no one individual is in charge of all aspects of a financial management, procurement or recruitment process from start to finish.

6. Procedures for reporting fraud and corruption

Under its contract with AusAID, SMEC (and, by extension, TSSP) is responsible for ensuring that its staff and its subcontractors' staff are responsible and accountable to SMEC for preventing and reporting any fraud or suspected fraud as part of their routine responsibilities.

SMEC must report in writing within 5 working days to AusAID any detected, suspected, SMEC must, in consultation with AusAID, develop and implement a strategy to investigate the detected, suspected or attempted fraud based on the principles set out in the *Australian Government Investigations Standards*. Where a matter is reported in writing to AusAID by SMEC, the advice must provide where known:

- (a) the name of the Project under which AusAID funding is being provided;
- (b) name of any personnel or subcontractors involved;
- (c) the allegation(s);
- (d) the names of the suspected offender(s) (where known);
- (e) details of witnesses;
- (f) a nominated contact officer;
- (g) any other relevant information (e.g., political sensitivities, any other party or agency that has been informed, involved or that can assist with investigations); and
- (h) the current status of any inquiries commenced by the Contractor.

TSSP will strictly adhere to these contractual requirements.

As stated above, TSSP Specialists, Technical Advisers and locally employed staff are responsible for reporting any suspected fraudulent or corrupt activity as part of their routine responsibilities. In addition, it is TSSP policy to encourage other persons (including GoPNG employees, contractors and members of the general public) to report

any instances of suspected fraudulent or corrupt practices in relation to TSSP activities. If requested, TSSP will guarantee the anonymity of such persons provided that they themselves are not guilty of, or a party to, the suspected fraudulent or corrupt practices.

In line with the TSSP objective of working within GoPNG systems and procedures, TSSP will work with DoW to ensure that, in the event of suspected criminal activity, the processes and remedies prescribed above are adhered to strictly.

Any failures by PNG Transport Sector personnel to follow prescribed systems, procedures and processes in relation to the management and operations of the Trust Accounts (including failures to follow prescribed procurement procedures) must be reported to AusAID, even if these do not result in any financial loss, fraud, misuse of funds or theft of assets. The reports must include actions taken or proposed (including disciplinary actions by the PNG agencies concerned and the provision of additional technical assistance support and capacity building to these agencies through TSSP).

Where warranted, TSSP will recommend to PNG agencies that the disciplinary procedures detailed in PNG's *General Order 15 (Discipline)* be strictly followed. These apply to breaches of the PNG *Public Service (Management) Act 1997*, the *Public Finance (Management) Act 1995* and the PNG *Criminal Code and the Summary Offences Acts*. Where such recommendations are made, TSSP will report that fact to AusAID along with details of the actions actually taken.

7. Procedures for fraud and corruption investigation

Internal investigations

Where fraudulent or corrupt practices in relation to TSSP activities are suspected, TSSP will undertake initial investigations to determine what further investigatory actions are required. Where facts are clear and/or undisputed, TSSP will continue the investigations to the point where appropriate action can be initiated and reported. In more complex situations, TSSP will initiate external investigations.

External investigative resources

TSSP will engage external investigation and audit services to investigate fraud or corruption allegations when circumstances suggest that it is appropriate to utilise specialist investigatory resources and/or to provide an additional level of “arms length” independence to establish the facts.

The GoPNG FMM²⁰ makes it very clear that, where criminal action by a member of the PNG Public Service is suspected, the actions to be taken must be considered in consultation within the State Solicitor. TSSP, in conjunction with the agencies concerned, will undertake such consultations with the State Solicitor.

8. Review of fraud and corruption control procedures

TSSP’s Fraud and Corruption Risk Management Committee (FCRMC), comprising the PM, FMS, Public Sector Management Specialist (PSMS), Monitoring and Evaluation Specialist (MES), a nominee of the PSCMIC and a nominee of the PNG DoF, is responsible for reviewing the effectiveness of TSSP’s fraud and corruption control strategies and plans.

The FCRMC will meet annually to review TSSP’s fraud and corruption risk management strategies. It will meet more frequently if incidents occur that indicate that TSSP’s fraud and corruption risk management strategies may need strengthening.

²⁰ GoPNG FMM Part 28, Sections 5 and 6

Annex A

Code of Business Ethics & Conduct for the National Public Service **Ethical Principles of Acceptable Business Conduct**²¹

In fulfilling the purpose of the **Code** to combat corruption, the **Code** requires that at all times each officer shall:

1. *Give loyal service to the State and the Government of the day, without seeking personal favours over and above agreed remuneration and without fearing retribution for lawful actions taken in the interest of the State.*
2. *Uphold all the Laws, Regulations and General Orders which apply to his/her duties and conduct in the Public Service, and inform lawful authorities of wrongdoing by others.*
3. *Strive to achieve excellence in service to the Public Service and the State, and in so doing avoid conflicts of interest, deception, fraud and all other forms of corrupt behaviour for selfish gain, and be open, and transparent in all dealings.*
4. *Deal honestly with all State Institutions, with Government clients, suppliers and consultants, declare all private interests and reject all temptations to pursue private interests at the expense of, or to the detriment of the Public Service and the State.*
5. *Keep separate political views and political associations from Public Service duties and not seek political favours in implementing the policies and plans of the Executive Government.*
6. *Give a full day's work for a full day's pay, and respect and uphold the trust placed in him/her for the proper conduct of public business and for safeguarding and control of public funds and assets, in serving the State's interests.*
7. *Deal with all important Government information entrusted to him/her in confidence and not divulge such information in a manner which will undermine the integrity and security of the Public Service or the State.*
8. *Avoid all behaviour and all situations which may harm the integrity of the Public Service, and in which his/her presence and action may bring his/her name into public disrepute and reflect badly on the Public Service.*
9. *Deal with fellow officers, peers, subordinates and superiors alike, in a just and honest manner, regardless of their gender or their ethnic or regional origins.*
10. *Not associate with or deal with any person who intends to corruptly undermine the integrity of the Public Service, the Executive Government or the State and report such persons to the Ombudsman.*
11. *Abide by the Code of Business Ethics and Conduct attached hereto, in all business and personal dealings, and thereby achieve all of the above objectives in the interest of Papua New Guinea.*

²¹ PNG Code of Business Ethics and Conduct for the National Public Service – June 1 2002 – Section 3

Annex B

Australian Public Service Code of Conduct²²

The Australian Public Service (APS) *Code of Conduct* requires that an employee must:

- behave honestly and with integrity in the course of APS employment;
- act with care and diligence in the course of APS employment;
- when acting in the course of APS employment, treat everyone with respect and courtesy, and without harassment;
- when acting in the course of APS employment, comply with all applicable Australian laws;
- comply with any lawful and reasonable direction given by someone in the employee's Agency who has authority to give the direction;
- maintain appropriate confidentiality about dealings that the employee has with any Minister or Minister's member of staff;
- disclose, and take reasonable steps to avoid, any conflict of interest (real or apparent) in connection with APS employment;
- use Commonwealth resources in a proper manner;
- not provide false or misleading information in response to a request for information that is made for official purposes in connection with the employee's APS employment;
- not make improper use of:
 - a. inside information, or
 - b. the employee's duties, status, power or authority, in order to gain, or seek to gain, a benefit or advantage for the employee or for any other person;
- at all times behave in a way that upholds the APS Values and the integrity and good reputation of the APS;
- while on duty overseas, at all times behave in a way that upholds the good reputation of Australia; and
- comply with any other conduct requirement that is prescribed by the regulations

²² *Public Service Act, 1999* – Commonwealth of Australia – Part 3, Section 13

Annex C

Examples of Fraud and Corruption

The following list is not exhaustive but includes some of the more common examples of fraud and corruption in the public sector:

Theft of assets, such as:

- Equipment
- Consumables or supplies
- Cash
- Information

Unauthorised or illegal use of assets, information or services for private purposes, including:

- Computers, including email and the Internet
- Motor vehicles
- Clerical and other support
- Confidential information
- Equipment, including photocopiers, telephones and fax machines

Abuse of position and power for personal gain, such as:

- Seeking and obtaining bribes or other gifts in exchange for favourable treatment
- Nepotism in staff appointments

Manipulation and misuse of account payments, such as:

- Ordering equipment for private and personal use
- Favours suppliers whose costs are not as competitive as other suppliers

Falsification of records, including:

- Timesheets
- Travel claims
- Purchase orders
- Petty cash vouchers.

Annex C

TSSP Fraud and Corruption Risk Assessment and Risk Management Strategies

Anticipated Risk	Likelihood of Risk ²³	Likely Impact of Risk	Responsibility	Risk Management Strategies
Unpredictable and frequent changes to personnel in PNG's transport sector agencies	M	Agencies' commitment to anti-fraud and corruption strategies weakened	TSSP Specialists	Focus on organisational capacity building; ensure that anti-fraud and corruption prevention strategy document is distributed to agencies; continued mentoring of agency staff
Adherence to GoPNG systems and procedures poor	H	Probability of fraudulent & corrupt activities increased; probability of such activities being detected reduced	TSSP Specialists & Technical Advisers	Focus on capacity building with emphasis on systems and procedures; initiate or advise strict application of sanctions when fraudulent & corrupt activities are detected
Political interference and/or instability leading to non-transparent tendering and/or decisions about which infrastructure maintenance activities to support	M-H	Inefficient use of program resources; diversion of effort to lower priorities; fragmented program	TSCMIC, SPA, TSSP Specialists	TA support to strengthen tendering systems; communications program to inform senior public servants and politicians about TSSP and the criteria for prioritizing activities

²³ L = Low, M = Medium, H = High

Anticipated Risk	Likelihood of Risk²³	Likely Impact of Risk	Responsibility	Risk Management Strategies
Poor financial management	H	Non-accountable use of funds; financial losses; reduced program outcomes	FMS	Training of local personnel; documented guidelines for use and access of funds; strict application of available sanctions
Fraudulent and corrupt use of trust funds	H	Non-accountable use of funds; financial losses; reduced program outcomes	FMS	TA assistance to strengthen internal audit capacity within agencies; financial management capacity building; TSSP monitoring of transactions to detect non-adherence to documented procedures or evidence of fraud &/or corruption; strict application of available sanctions
Non-transparent decision-making	H	Sub-optimal decision-making; loss in confidence in TSSP among stakeholders; financial losses; reduced program outcomes	TSSP Specialists; FMS	Capacity building; documented guidelines re decision-making transparency
Failure to declare conflicts of interest	M-H	Sub-optimal decision-making; inefficient use of program resources; reduced program outcomes; loss in confidence in TSSP among stakeholders	TSSP Technical Specialists	Monitoring adherence to documented procurement & contracting procedures; procurement & contracting capacity building; strict application of available sanctions

Anticipated Risk	Likelihood of Risk²³	Likely Impact of Risk	Responsibility	Risk Management Strategies

Annex D

A Policy for Australian Development Assistance on Anti-Corruption

Section 6 - What Australia Will Do

Australia's anti-corruption for development policy provides a framework to guide Australia's approach to anti-corruption activities in the Asia-Pacific region. Australia's approach to tackling corruption will be based on an understanding of what drives corruption and on best practice approaches to combating corruption.

Under the policy, Australia will focus on three mutually reinforcing elements:

- building constituencies for anti-corruption reform
- reducing opportunities for corruption, and
- changing incentives for corrupt behaviour.

To improve governance and reduce corruption, Australia will continue to build on existing programs, by supporting the law and justice sector and encouraging better economic and financial management. We will address weaknesses in oversight and accountability processes and institutions, and help strengthen local demand for change.

In view of the complexity and political sensitivity of corruption, Australia's assistance will include some exploratory and experimental approaches, as well as research to support a better understanding of, and innovative responses to, corruption.

Building Constituencies for Anti-Corruption Reform

Fostering integrity and accountability in leaders helps to promote anti-corruption reform in the longer term. This requires a large-scale and sustained commitment to formal and informal education – training the young men and women who will be society's future politicians, judges, prosecutors, police officers, civil servants, regulators, entrepreneurs, and labour and community leaders. Supporting gender equity in leadership positions will contribute to a more just society and lower tolerance for corruption. Strengthening institutions and groups that support good leadership is also important, as are initiatives that encourage public office-holders to model ethical work practices and behaviour.

A demand for change from local leaders and communities is critical to addressing corruption. Key to encouraging this demand is support for the collection, dissemination and understanding of information about the costs of corruption – for society as a whole, and for specific sectors and communities, including women. Disseminating information on the success of anti-corruption measures is important as a means of building and maintaining reform momentum.

Reducing Opportunities for Corruption

Poor political governance provides greater scope for corrupt behaviour. Weak political institutions and processes can facilitate the capture of decision-making processes. Support for initiatives that bolster transparency and accountability are often necessary in promoting long-term change.

Improved transparency in public sector processes can strengthen the capacity of government and civil society to monitor expenditure and control financial flows. Helping to improve budget processes, government financial management, and procurement systems has far-reaching implications for improved transparency, accountability, and work practices – it makes corrupt activities more difficult to undertake, and easier to identify and scrutinise domestically.

Helping partners to put in place clear, appropriate and functioning legislative and regulatory frameworks and standard administrative practices is important in reducing opportunities for corruption. Such frameworks are needed to govern financial management, budget processes, the granting of licenses and contracts, auditing, and reporting processes. Implementation should focus not only on establishing new practices but also on using the viable frameworks and practices that already exist and are ignored, unknown or poorly understood.

Promoting competitive markets is another important strategy. Structural reforms to achieve this may include corporatising and, in some cases, privatising state-owned enterprises. Where monopolies are difficult to avoid (for example, because of infrastructure requirements), appropriate regulatory frameworks are needed.

Changing Incentives for Corrupt Behaviour

Negative incentives. Negative incentives, or sanctions, can dissuade leaders, public officials, private sector actors, and others from engaging in corrupt practices. Making them work requires technical expertise in collecting relevant financial and other data, and disclosure of enough appropriate information to allow for public scrutiny. Australia's aid program already provides significant assistance in the law and justice sectors of many partner countries in the region. A strengthened focus on supporting accountability and law and justice institutions, backed up by timely investigation and enforcement, is essential.

Positive incentives. The cumulative effects of poor salaries, poor linkages between merit and promotion, and otherwise uncertain career development prospects, can foster corruption among public officials. A professional, apolitical, merit-based, and non-discriminatory public service plays a major role in transparent and accountable government. Public sector reform, including improved internal governance arrangements, can provide positive incentives for behavioural change. Again, a long-term commitment to reform is required, with a focus on simplifying procedures and regulations, strengthening non-discriminatory and merit-based appointment and remuneration systems, minimising discretionary powers of decision-makers, and fostering a commitment to values or codes of ethics.

Private sector reform can provide incentives for increased accountability and transparency. Companies with reputations for ethical conduct are more likely to engage in business practices that are sustainable, and encourage reform in both the private and public sectors. A level playing field is also in the interests of a healthy and sustainable private sector.

Providing performance-based development assistance can support and recognise a government's commitment to improved governance. Incentive payments are a means of

providing rewards for improvements, but care needs to be taken to ensure that performance payments are used only where:

- there is a strong existing commitment to a program of action
- the program of action is within the control of the incentives partner, and
- performance is able to be measured accurately via jointly agreed, government-owned data sources.