



National Anti-Corruption Commission

# Commonwealth Procurement and Contract Management Conference

Combating corruption in  
procurement

[nacc.gov.au](http://nacc.gov.au)

# Scope

- **A predominant theme in referrals**
- **A strategic corruption priority**
- **Case studies**
- **Risk factors and vulnerabilities**
- **Prevention frameworks**

# Corruption in procurement

- Corruption in procurement will often lead to the overpaying of goods and services, at a cost to the taxpayer.
- It can also result in poor outcomes for projects that are awarded to tenderers that were not the most suitable.
- This can have negative impacts on public trust in institutions.

# Themes in public sector corruption

**Procurement**

**Recruitment**

**Public/private  
interface**

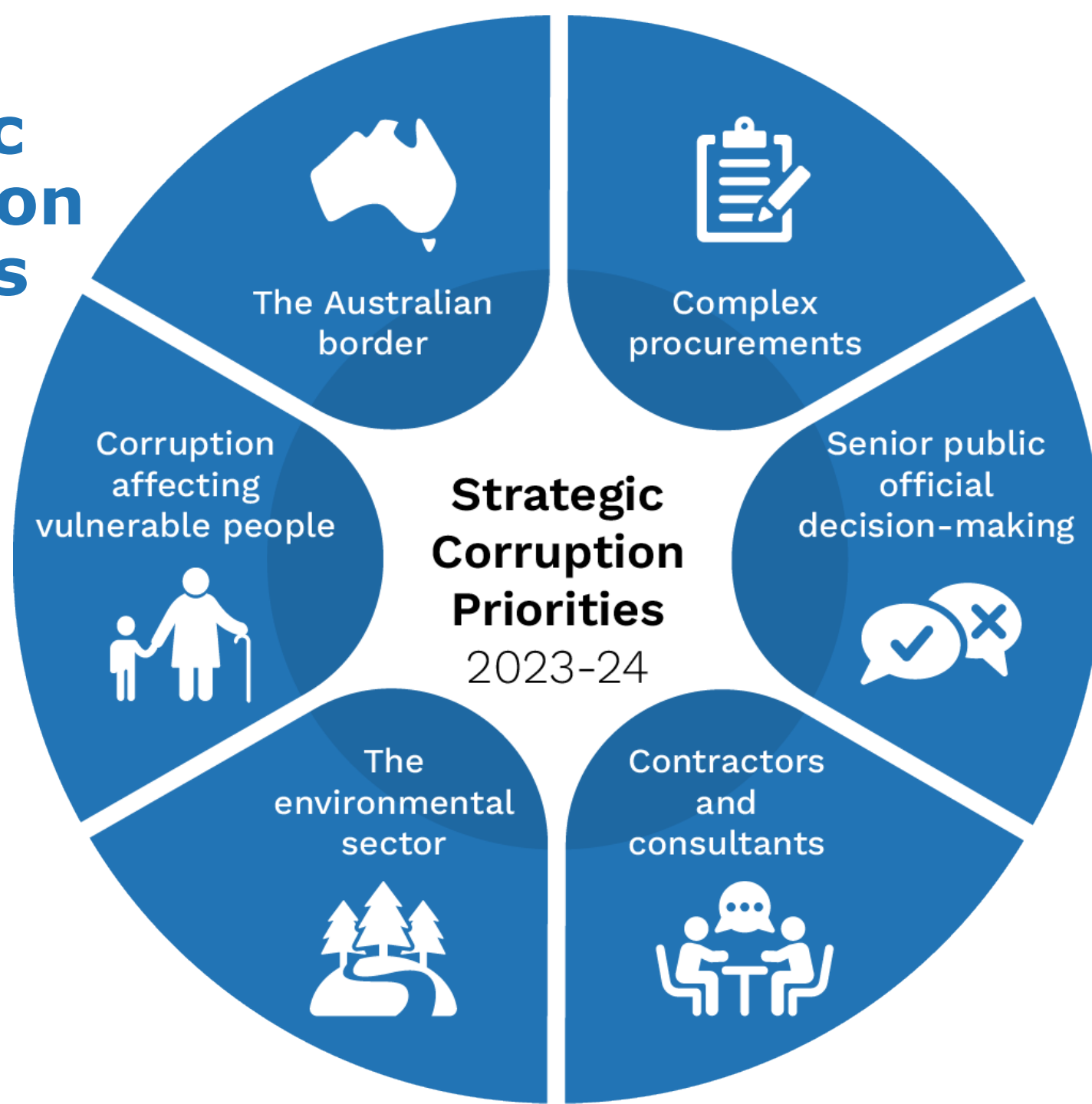
Preferring family,  
friends and  
associates

Use of insider  
information

Compromised  
decision  
making

Conflict of  
interests

# Strategic Corruption Priorities





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# Operation Tardis

**Case study 1**

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# Operation Tardis - scope

- Whether a staff member of the Australian Border Force engaged in corrupt conduct in authorising two milestone payments in December 2015 and July 2016, during the acquisition phase of the Cape Class Patrol Boat project.
- It was suggested that the conditions were not satisfied.

# Operation Tardis - findings

- The investigation found **no corrupt conduct**, but identified a number of issues with the decision-making process undertaken in authorising the payments which created corruption vulnerabilities:
  - Inadequate records had been kept by the ABF staff member to explain their rationale for authorising them.
  - Governance structures of the project had fallen away during the process.
  - Legal advice was not followed.



# Operation Tardis - recommendations

- Review records management policy/procedures
- Review contract management process & ensure effective controls
- Review processes to ensure compliance with PGPA Rules and other obligations for high value contract management projects.
- Ensure employees in contract management know legislative obligations.



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# Operation Turnover

Case study 2

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# Operation Turnover - facts

- Joint investigation by the QLD CCC, Queensland Fire and Emergency Services (QFES) and Queensland Police into a former senior QFES employee.
- The employee had obtained secured secondary employment as a contractor with two companies tendering for QFES work and provided significant assistance preparing their tender documents, earning close to \$200,000.

# Operation Turnover - outcome

- The employee had engaged in multiple types of misconduct including fraudulent procurement, improper disclosure of confidential information, and undeclared secondary employment.
- The employee pleaded guilty to four counts of official corruption and was sentenced to three years imprisonment.
- The investigation resulted in multiple recommendations to the QFES relating to secondary employment, conflicts of interest management and governance.



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# Operation Daintree

Case study 3

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# Operation Daintree - facts

- IBAC investigation of procurement and management of a \$1.2m contract to provide training services for health workers.
- A training provider received assistance from ministerial advisors to propose delivering training to health workers.
- Involvement of ministerial advisors led Department staff to believe the government wanted the training provider appointed.
- Despite concerns about the capacity of the provider, was a non-competitive procurement process which approached only the provider.
- After concerns about delivery were raised, intervention from ministerial advisors dissuaded department from terminating.

# Operation Daintree – outcome

- The evidence fell short of 'corrupt conduct' but revealed breaches of duties and improper influence and misconduct by ministers, ministerial advisors and senior public servants.
- Key recommendations included:
  - Amendments to the Ministerial Code of Conduct to ensure consistent understanding of ministerial responsibility
  - Revised guidance to ministerial staff and public servants on their respective roles



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# WA CCC matter

Case study 4

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## Geraldton Port

- In 2021 the Mid West Ports Authority executed a contract for the provision of security services with a total value of more than \$2.8 million to the incumbent contractor, a company owned by the city's former mayor, despite it ranking second on the qualitative criteria for assessment.
- The investigation could not identify a legitimate justification for why the tender was not awarded to the highest scoring applicant.

# Geraldton Port – risks identified

The Commission did not form an opinion of serious misconduct, but identified three crucial deviations from standard procurement process which represented serious misconduct risks:

- Failure to follow internal guidance;
- A presentation to the Executive which included misleading and inaccurate statements that appeared to favour awarding the contract to the incumbent;
- A failure to adequately record key information and decisions during the tender process.



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# Operation Pelican

**Case study 5**

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# Operation Pelican

Operation Pelican involved an Executive Procurement Manager overseeing a multi-million contract for facility development for a Commonwealth entity approached the Managing Director of one of the tenderers and asking for 5% of the contract value in return for an assurance the company would be awarded the contract.



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# **Key takeaways**

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# Procurement risks

- Failure to follow applicable processes
- Inadequate documentation of decisions and reasons
- Influence of associates, including existing connections and external actors
- Limited tender processes
- Misuse of inside information

# Risk profiles

Entities are at a greater risk when they:

- Have a close relationship with industry
- Oversee very large and or very high value projects
- Have issues with governance, oversight, record-keeping and reporting

# Conclusion: mere compliance is not enough

- The rules are intended to support value for money
- But there is still an overriding ethical obligation.
- Availability of a limited tender process does not permit preference of friends and associates.





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