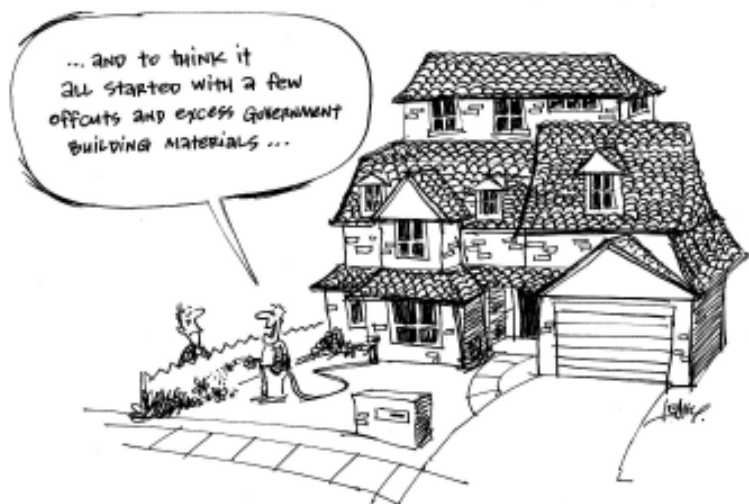


THE PUBLIC SCRAPBOOK

Guidelines for the correct and ethical disposal
of scrap and low-value assets



CRIME AND
MISCONDUCT
COMMISSION



QUEENSLAND

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FOREWORD

The disposal of scrap and low-value items can be seen by some as a trivial issue. Indeed, you may ask why the Crime and Misconduct Commission would be interested in scrap disposal when there are apparently more serious issues to deal with.

The answer is that the disposal of scrap and low-value assets can be a serious issue also. Although low materiality may be involved, when the disposal process is not properly dealt with by public sector agencies, bad practices can quickly lead to misconduct — at great cost to the agency and employee. Where there are poor or inadequate controls, the situation can be exploited for more major corrupt misconduct.

Many complaints received by the CMC deal with misappropriation and theft in the workplace. These guidelines can potentially reduce the costs and stress associated with complaints about and investigation into matters that constitute ‘official misconduct’.

This publication is part of a range of materials produced by the CMC to help agencies deal with the disposal of scrap and low-value assets correctly and ethically.

These resource materials comprise this **comprehensive handbook** primarily aimed at those involved in internal audit, corporate governance and ethics, an abridged booklet for managers and supervisors, plus brief Prevention Guidelines and A Best Practice Checklist (in brochure form) for general use. The case studies, discussion and advice provide practical guidance for those involved in the disposal of scrap materials and low-value assets.

I encourage you to use these materials to help improve understanding within your organisation on correct disposal procedures. In this way, your agency should maximise its returns from the disposal process, and build its capacity to minimise preventable incidents and complaints of official misconduct.



Brendan Butler, SC

Chairperson

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INTRODUCTION

In carrying out their everyday activities, public sector agencies produce many different types of scrap, waste and surplus materials of varying value. The disposal of such items can present a range of corruption risks.

The Crime and Misconduct Commission (CMC) has produced this booklet to help public sector agencies become more aware of those risks, and to improve the understanding of all staff on how to deal appropriately with the disposal of scrap materials and low-value assets.

This booklet includes:

- an overview of the rules that govern the management of scrap items
- case studies from CMC files to illustrate a range of risks and their consequences
- corruption prevention strategies
- a Best Practice Checklist to assist managers and supervisors (pp. 37–43).

Its objective is to reduce the number of incidents concerning the inappropriate disposal of scrap and low-value assets. This should reduce the costs and stress associated with complaints about, and investigations into, matters that constitute ‘official misconduct’ but may involve items of low materiality.

We also aim to encourage the development and implementation of effective internal controls to minimise the risk of major corrupt activities occurring in relation to the disposal of scrap and low-value assets.

Why is scrap disposal an issue?

Many complaints received by the CMC deal with misappropriation and theft in the workplace. A large number of these complaints relate to suspected official misconduct in the disposal of scrap and low-value items. However, when such complaints are investigated by the CMC or the public sector agency concerned, the results are often inconclusive, owing to a lack of substantive evidence.

This lack of substantive evidence is far too often the result of poor procedures and/or security by the agency concerned, which allow an unclear determination of what ‘scrap’ is, unrestricted access to scrap items and low-value assets, unauthorised disposal of material, and even undetected misappropriation of certain items.

When such behaviour is allowed to go unchecked, it sends the wrong message into the workplace, with the potential to foster further corrupt activity. Indeed, the prime purpose for focusing on the inappropriate disposal of scrap and low-value items is not so much for the sake of their value, but because:

- Where there are poor or inadequate controls that allow improper disposal practices, the situation can be exploited for more major corrupt activities involving the theft or misuse of more valuable assets.
- Employees can be confused or even misled by a lack of policy or procedures on the disposal of scrap and low-value assets — not realising that, in ‘innocently’ appropriating items that are perceived to have no value for the agency, what they’re doing is technically criminal. Poor controls over scrap items may even be interpreted by some employees as the agency’s implicit approval for them to take the items for their private use.

While the disposal of ‘scrap’ may appear to be a trivial issue, when it is poorly managed there can be major consequences for both the agency and the employee.

Who owns scrap?

There can be a great deal of confusion in the workplace about the ownership rights of scrap items — particularly if an agency does not appear to ascribe any value to the item. To clarify the issue, here is a simple four-point guide:

1. Assets and materials are purchased by a government agency to be used for the public benefit.
2. Whether expensed as consumables or officially recorded as assets, such items remain the property of the agency (on behalf of the public) throughout the whole cycle from acquisition to disposal.
3. Even at the point of disposal, the agency retains ownership of these items and, as the owner, has the sole right to decide their fate.
4. Depriving the agency of any item it owns, or of any potential benefits derived from that item, is stealing — which amounts to official misconduct and is reportable to the CMC.

Even though an item may be of low materiality, its unauthorised disposal may be seen as theft.

Perceptions about scrap

It is not unusual for some employees to hold the perception that, because an item is not seen to have any value for the agency, or because the agency does not appear to want the item, then taking it is not really stealing. They may not even stop to consider that the unauthorised removal of such an item may constitute wrongdoing.

Indeed, some employees may believe instead that they’re doing the agency a favour by getting rid of the unwanted item, or that they are ‘doing their bit’ for the environment by finding a personal use for an item that would have otherwise been thrown away. Or they may feel they’re doing a good deed for the community by donating the item to a local community group.

Again, there will be employees who are aware that taking scrap items without authorisation is not the right thing to do, but can easily find some way of justifying their action, such as:

‘It’s OK to sell this stuff to mates, because the proceeds go back into the social club for all of us to share.’

‘It’s only just this once — it’s not as if I was ripping off the system by making a habit of it.’

‘Nobody at work will use it, so it’ll only go to waste if I don’t take it to use at home’.

‘My supervisor let me take some offcuts home last time, so he probably won’t mind if I just take this lot.’

‘I won’t bother asking the manager because she’s too busy to worry about small things like this.’

‘Everyone else does it, why shouldn’t I?’

‘There aren’t any rules about what to do with scrap, so I can’t be breaking any.’

Unfortunately, the practice of taking scrap without approval can quickly become entrenched in the workplace culture. It may be tolerated by management because it doesn't appear on the surface to cause any great harm, or because it is seen to provide small 'perks' for employees.

Yet, no matter how small the quantity or value, or whatever the justification used, removing goods without consent or approval amounts to theft, for which an officer may be liable to both disciplinary and criminal action.

Moreover, and of greater concern, the practice can escalate and start to include more valuable items. It can even incorporate fraudulent activity. Through a lack of proper controls, minor 'waste disposal' can easily evolve into major theft.

Why should we be concerned?

Although the CMC has an obligation to investigate complaints, the uncertainty and discomfort that an investigation may cause is often disproportionate to the low materiality involved in petty instances of unauthorised disposal. There are also many occasions where misconduct was not intended, which can also increase the unwarranted stress on those under investigation.

Take, for example, an employee who has held a good job for a number of years without incident. One day he notices a broken wall clock put aside for disposal. The clock was originally worth only \$15, so was not considered worth repairing. The employee takes it home and tinkers with it in his spare time so that it can be used in the family rumpus room. Theft? Technically, yes. Worth creating a great deal of fuss? Realistically, no. This situation may have been prevented with guidelines for the appropriate disposal of scrap clearly communicated to all employees.

This type of misconduct is not to be confused, however, with a more serious complaint such as a pattern of premeditated misappropriation of scrap items, amounting to a significant value over time.

Consider now, for example, a group of employees who deliberately breach procedures and systematically remove scrap items of low value, or create excessive scrap for unauthorised removal, to operate a small private scrap business. In such a case, an investigation and all that that entails is likely to be warranted.

The impact of investigations

Any investigation is accompanied by a degree of stress for all concerned, and can have a disruptive effect on the workplace. It can be particularly upsetting for those under investigation because their job, their reputation and even their relationships at and away from work are potentially at risk.

However, stress can also have a debilitating effect on others in the workplace, such as:

- internal witnesses, who may feel uncomfortable about their role, or fear reprisals
- co-workers, who may fear the investigation process or feel anger towards management for allowing the misconduct and/or investigation to occur
- managers, who may feel a sense of betrayal by the work unit, or guilt for not picking up the problem earlier.

In addition, gossip and innuendo about those who might have been involved may create an atmosphere of distrust in the workplace.

Apart from the associated distress, investigations can be costly and time-consuming — for both the agency concerned and the CMC. Although the CMC endeavours to work with agencies to minimise disruption in the workplace during an investigation, there are other potential costs to the agency involved. These can include:

- increases in stress leave or sick leave and decreases in productivity
- diversion of resources required to manage issues arising from the investigation, impacts on the workplace and any media or union involvement
- implementation of remedial measures to reduce opportunities for corruption.

In other words, the ‘cure’ of an investigation can be a great deal more costly for an agency than its prevention through instituting good disposal practices in the first place.

High costs of unauthorised disposal

Even if there is no investigation, there is the likelihood that the unauthorised disposal or misappropriation of scrap items and low-value assets may incur real losses for an agency.

For example, on any project a higher activity cost is incurred where materials costed to the project are wasted and disposed of without proper authorisation. In an environment where public sector agencies are increasingly expected to do more with less, this can affect output in other areas.

There are also lost opportunities for agencies to recoup any residual value of items and materials earmarked for disposal. For example, some items may be able to be:

- traded in, to reduce the purchase price of their replacement
- used profitably elsewhere — for example, in another area of the agency, or in a different type of job or process
- sold on, either by public tender or to a scrap dealer
- recycled, through technologies that continue to become more efficient and allow more and more diverse items to be reclaimed, reprocessed and recycled for other uses
- used for spare parts where considered economical
- traded as unwanted by-products with another agency that can use them.

As part of the public trust, it is the responsibility of an agency to obtain reasonable value for money and best overall use of property when disposing of assets and resources.

A breeding ground for corruption

When the unauthorised removal of scrap and low-value assets goes undetected in the workplace, or is even tolerated, there is little incentive for employees to discontinue the practice. It can become an entrenched habit, where employees may begin to consider that they have a ‘right’ to dispose of scrap items as they see fit. It can also lead to the unauthorised borrowing of other items and materials for personal use, or to allowing others to remove equipment and/or materials.

More insidiously, the unauthorised removal of scrap and low-value assets can lead to far more serious and premeditated actions. If unchecked by supervision or internal controls, employees may become bolder, looking for more rewarding targets or seeking greater challenges in ‘beating the system’. They can easily move on to pilfering and larger-scale theft of items not designated for disposal.

Or they may find opportunities for fraudulent activity to support the unauthorised removal of scrap and low-value assets, such as:

- improperly writing off assets
- deliberately diminishing the value of an asset (for example, removing working parts or creating superficial damage) so that it may be written off as scrap
- ordering excess quantities to requirements, or producing excess quantities, to deliberately create an unwanted surplus.

The onus remains on public sector agencies to ensure that their procedures and supervisory practices provide adequate safeguards on the control, management and disposal of public property, and adequate safeguards against corruption.

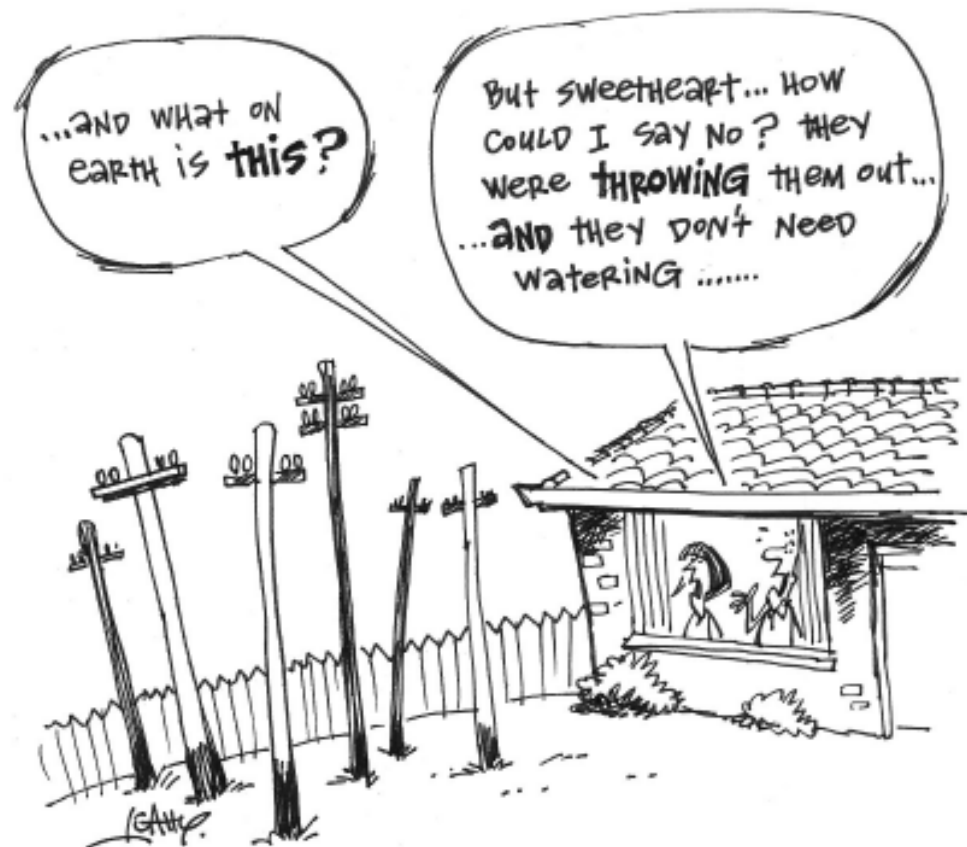
What is scrap?

The list overleaf is not exhaustive, but may provide an insight into the many types of items that can be designated as 'low value' or 'scrap' when being earmarked for disposal. It is worth remembering that 'scrap' is a term often used to refer to surplus as well as waste materials.

While this list may not seem very appealing to some, the old adage 'one person's trash is another person's treasure' still holds true. Scrap items are taken (misappropriated) from the workplace because they are perceived by the individual to have some intrinsic value. If any value can be seen in scrap items, then the items are a potential source of revenue to the agency that owns them.

The challenge for public sector agencies is to control, and make the most efficient and effective use of, scrap and low-value assets to:

- help reduce the number of preventable incidents and complaints
- reduce the associated costs and disruption for all concerned
- prevent opportunities for major corruption.



TYPE OF ITEM	EXAMPLES
Consumable materials that are used in a process	sand, gravel, cement, chemicals, paint, ink, insecticides, turf, hardware items
Offcut materials	lengths of pipe, electrical cables, metal sheets or rods, aluminium, timber
Surplus materials that have been costed to, but not used on, a project	timber, plumbing fittings, blank videotapes
Waste products able to be recycled	detergents, fuels, oils, lubricants and solvents
Recyclable metals	scrap metals, steel posts, plumbing brass, aluminium street signs
Packaging and storage items	reusable plastic and metal containers
Materials subject to deterioration that are regularly replaced to maintain safety or quality standards	railway sleepers, telegraph poles, paving stones, vehicle tyres
Perishable items that have exceeded their use-by date	foodstuffs, pharmaceuticals
Items deemed to be obsolete owing to advances in new technology	mobile phones, video equipment, IT equipment
Items in perfect condition, but deemed unusable by circumstance	out-of-date promotional items, presentation folders, publications, stationery
Damaged, inefficient or non-working items considered to be uneconomical to repair	office furniture, IT equipment, office fittings
Seconds produced as part of a process	fittings made to incorrect measurements, books with printing errors, items made from flawed materials
Attractive items of such low value that they're not controlled on asset registers	cameras, calculators, electrical hand tools, musical equipment, minor surgical implements, teaching aids
Assets that were originally of high value, but have diminished in value with use	computers, printers, office machines, audiovisual equipment, refrigerators, microwave ovens

WHAT ARE THE RULES?

In the public sector there are formal rules governing the disposal of scrap and low-value assets. These rules are found within the following legislation, which provides guidance on:

- the appropriate management of public assets and resources
- the responsibilities of public sector agencies and their employees
- the reporting and investigation of alleged and suspected offences related to the improper disposal of materials.

This list below provides an overview only of these rules. The appendices give more detailed guidance — appendix A by legislation and appendix B by issue.

LEGISLATION	WHAT IT COVERS
<i>Criminal Code Act 1899</i>	indictable offences and their penalties, which might be committed in the course of improper or fraudulent disposal of scrap and low-value assets; defines those who may be deemed guilty of an indictable offence
<i>Financial Administration and Audit Act 1977</i>	the responsibilities of public sector agencies in the efficient, effective and economic management and safeguarding of their assets and resources
<i>Financial Management Standard 1997</i>	the responsibilities of public sector agencies in agency management, strategic planning and the development of internal controls over the management (including disposal) of assets and resources
<i>Local Government Finance Standard 1994</i>	the responsibilities of local governments in identifying, recording and controlling all revenue, expenses, assets, liabilities and equity
<i>Local Government Act 1993</i>	the responsibilities of local governments in agency management and the development of internal controls, systems and procedures; the workplace conduct requirements of local government employees
<i>Public Service Act 1996</i>	the responsibilities of public sector agencies in resource management; the responsibilities of public sector employees in workplace conduct; defines ‘misconduct’
<i>Public Sector Ethics Act 1994</i>	the public sector ethics principles and obligations; the requirements for the development and implementation of agency-specific codes of conduct; the ethical obligations of employees
<i>Crime and Misconduct Act 2001</i>	the responsibilities of the CMC and public sector agencies; the process for making a complaint about suspected official misconduct; defines ‘official misconduct’
<i>Whistleblowers Protection Act 1994</i>	the types of public interest disclosures (PIDs) that may be made; the process for making a PID; the responsibilities of agencies in receiving a PID and in protecting employees from reprisal action; the responsibilities of the CMC to investigate any PID or reprisal made

RISK FACTORS AND CASE STUDIES

Risk factors

To help us understand the pitfalls surrounding the inappropriate disposal of scrap materials and low-value assets, it is useful to look at the main risk factors that may allow misconduct to occur. These risk factors are often interrelated, and combinations of them are commonly found where corruption and misconduct occur. The main risk areas and risk factors have been detailed below.

RISK AREAS	RISK FACTORS
Recognition of materials and assets as having value	<ul style="list-style-type: none"> • Failure to recognise the value in scrap materials • Failure to recognise that by-product materials have value in their own right • Failure to recognise that used or surplus low-value assets retain value
Clarity of policies and procedures	<ul style="list-style-type: none"> • A lack of clear policies on the disposal of low-value assets after their replacement • A lack of clear policies and procedures during a transition period • The promulgation of unclear policies and procedures
Adequacy and effectiveness of internal controls	<ul style="list-style-type: none"> • Inadequate procedures, controls and storage arrangements • Weaknesses in inventory controls over spares and parts that are able to be refurbished for continued use • Lack of security and vigilance over used assets and scrap that still retain some value
Transparency and effectiveness of procurement activities	<ul style="list-style-type: none"> • Ordering or purchasing supplies at quantities that exceed need • Contracts with dealers for scrap disposal that are ambiguous and/or not properly managed • Corruption of procurement procedures, which allows the removal of waste for private purposes
Accountability of management practices	<ul style="list-style-type: none"> • Ad hoc and unauthorised changes made to normal job procedures • Misappropriation tolerated because 'it's always been the practice' • Lack of action on risks identified in audits
Integrity of management and staff attitudes	<ul style="list-style-type: none"> • Extra scrap generated when proceeds are seen as 'going to a good cause' • Lack of staff commitment to policies and procedures on the appropriate disposal of materials • Manipulation or circumvention of procedures by staff with corrupt intent

Each of these risk factors is illustrated on the following pages by typical case examples taken mostly from CMC files. The case studies demonstrate how the recognition and identification of risk factors will help pinpoint the type of management action that is best taken to prevent misconduct in the disposal of scrap materials and low-value assets.

Case studies

RISK AREA: RECOGNITION OF MATERIALS AND ASSETS AS HAVING VALUE

Risk factor 1: Failure to recognise the value in scrap materials

All in the family

Three members of the same family who were all employed by the same local authority operated a small scrap business from home, selling scrap that they illegitimately removed from the council's recycling area. They used a council vehicle during and after work hours to remove the scrap materials to their home address for storage and sorting, even though this practice also constituted a health risk. The scrap materials were then sold on to a scrap merchant on a regular basis.

While the council had released statements about accountability and the treatment of scrap, the materials were not clearly defined by the council for commercial recycling, and there were no clear instructions in place for their disposal. Even though valuable material was stockpiled, more often than not it was mixed with non-valuable scrap and generally disposed of as landfill by the council.

One of the officers was dismissed from the local authority and disciplinary action was taken against the other two. All three officers were also formally charged with misappropriation and were committed for trial. However, the matter was not taken to trial owing to a lack of substantive evidence.

Perks of the job

As a long-entrenched practice, employees of an agency's works area regularly took and sold aluminium offcuts and scrap from work sites where buildings were being refurbished. While the refurbishment jobs were not a dominant activity of the agency's business, the practice had developed over some years. Most of the proceeds from these aluminium sales were put into the employees' Christmas party account.

The practice was generally considered to be an acceptable perk of the private building industry, and the employees involved had been unaware that their actions infringed public accountability standards. The agency concerned had no clear guidelines on handling this scrap material.

No disciplinary action was taken against the employees, who willingly offered to repay all monies received from their aluminium sales.

Sleepers for beer

A number of railway workers regularly exchanged old stockpiled railway sleepers for cartons of beer. The practice had begun as a favour for a 'mate' who had shown his gratitude, and grew into a regular method of procuring alcohol.

continued overleaf

The agency, at that time, had no clear policies or procedures on the disposal of old sleepers; whenever sections of railway track were replaced, the numbers of sleepers put into disuse were not recorded.

While old sleepers were sold randomly by the agency to interested parties when the opportunity arose, railway gangers were usually left in a position to operate on their own initiative and understanding of a given situation. Accordingly, most sleepers were burned on site rather than being recycled, because they were not generally considered to have any commercial value.

There was insufficient evidence to substantiate misconduct by the employees concerned, owing to the agency's complete lack of guidelines on disposing of used sleepers. Nonetheless, the agency still suffered the cost and disruption of an investigation.

In each of the above three cases, the material was still the property of the agency concerned, but the non-recognition of its value by the organisation had resulted in a void in procedures for its correct disposal. The very fact that staff saw value in the items and alternative uses should have caused management to rethink the organisation's disposal policies and identify any items that had a market value.

Risk factor 2: Failure to recognise that by-product materials have value in their own right

Extracting his own reward

A local authority works overseer supervised the screening of gravel at extraction sites where fine gravel was produced for road works. The process resulted in larger gravel as a by-product, which was left on site. Using council equipment, the overseer later collected this oversized gravel without permission and sold it to landscape firms. Neither the council nor extraction site landowners received any money from the sale of the oversized gravel.

The overseer kept the proceeds from these sales for himself through a fictitious company he had created. He used the ruse that proceeds were for staff social activities when he cashed cheques made out to the local authority at the local pub. The overseer was able to maintain his activities through the reluctance of his colleagues and customers to 'dob in a mate'.

The overseer was convicted and required to pay almost \$3000 in restitution and fines. He was also dismissed from the local authority after a long career.

Failure to identify by-product materials that have value when put to other use or sold on creates opportunities for corrupt behaviour. The local authority had not recognised the oversized gravel as by-product material that had value in its own right. It was paying for all the gravel extracted, but gaining benefit only from the part of the product screened to the required size.

Risk factor 3: Failure to recognise that used or surplus low-value assets retain value

Treading on dangerous ground

A fitter with a regional agency alleged that over a substantial period his supervisor had been misappropriating used tyres belonging to the agency.

The fitter claimed that when tyres on agency vehicles and trailers were regularly replaced at a local service station, his supervisor would appropriate the used tyres and sell them on for personal profit. The supervisor directed a large amount of agency work and personal work to this local service station and was on good terms with its manager. On a particular occasion, the supervisor was alleged to have swapped a number of second-hand Toyota Landcruiser tyres for a vehicle from a local wrecking firm.

It was considered that in the absence of any records maintained by the agency with regard to used tyres, ownership of any tyres that might be suspected to have been misappropriated would be extremely difficult to establish. As the investigation did not reveal any information to substantiate the allegations made, no further action was taken.

Although there was no clear evidence of wrongdoing, this case highlights the potential for corrupt behaviour if low-value assets are not recognised as having value. The agency concerned had not seen used tyres as assets with value that could be recouped, either as a trade-in on new tyres at the time of replacement or as items that could be sold on to interested parties. Instead, they were treated the same as consumable items used in the field, which were not required to be returned to the agency depot. Accordingly, there was no set policy or procedure for dealing with them appropriately.



RISK AREA: CLARITY OF POLICIES AND PROCEDURES

Risk factor 4: A lack of clear policies on the disposal of low-value assets after their replacement

The missing photocopier

A five-year-old photocopier 'went missing' from a north Queensland agency office soon after it was replaced by a new model. It was later discovered being used by a local sporting group, to which it had been donated by an agency employee without authorisation. The disposal was not recorded in the assets register. Subsequently valued at \$250, the old photocopier was still in a serviceable condition. It was recovered from the local sporting group and reallocated for use in another area of the agency where the quality of photocopies was not considered to be important.

There was a perception by the officer concerned that supporting a community group was 'just cause' for the unauthorised donation, and so he did not see that he had done anything wrong. Indeed, the regional manager of the agency office later stated that the donation would have been approved if it had been formally requested. Given that there were no clear policies or procedures to guide staff, the officer was cautioned rather than punished for his misconduct.

No matter how altruistic, motives in determining disposal can not be used as a rationale to circumvent or replace correct policy and procedure. Many agencies have standing policies and procedures that allow support to be given to community groups by providing second-hand equipment. Such donations are usually made, with appropriate controls in place, only when the equipment cannot be traded in, or reallocated to meet other government needs. In the above case, the agency concerned did not have a clear policy on the disposal of low-value assets after their replacement. Accordingly, at the time of its replacement, the old photocopier's residual value had not been assessed (in terms of its reallocation within the agency or as a trade-in item) and an opportunity was lost to recoup the value it would have attracted as a trade-in on the new model.

Tender treatment for workshop

An old mechanical workshop being disposed of by a large local authority was sold to a staff mechanic for his private use. Although the workshop, which included an old shed and large gantry crane, was believed to be valued at more than \$40 000, the mechanic paid only \$8000.

An anonymous complaint alleged that an employee had obtained the asset through an unfair process – that is, that the workshop was sold at a grossly devalued price without going to tender.

An investigation found that disposal of the workshop had been publicly advertised and offered at no cost to any interested community groups, as council inquiries to industry indicated that the gantry crane was no longer supported for parts or service and had little commercial value with dealers in second-hand equipment.

When no interest was shown by community groups, the workshop was offered to interested persons by public tender, with the best bid offered

by the staff mechanic. All bids went through the council's correct tendering system, and all actions were carried out in a transparent and lawful manner. Consequently, the allegation of impropriety was unfounded.

In this instance, policies and procedures for the correct disposal of unwanted assets were in place and had been followed correctly. The shed had been sold through a public tender process and the best price possible had been obtained. Although this case is an example of proper process being followed, it highlights the potential for misconduct if policies and procedures are not in place, or are not followed.

Risk factor 5: A lack of clear policies during a transition period

Rules for 'some'

During the closure of a local authority works depot, a group of employees removed, for their own private use, several trailer loads of low-value assets and scrap materials that had been earmarked for disposal. Items included old tools and defunct fixtures and fittings.

The group was being transferred to another depot within the same local authority as part of a restructuring process. Before the restructure, each depot had been operating with its own set of procedures for the management and disposal of scrap and low-value assets, and, during the transition period, no firm system was put in place to guide employees. Familiar with the loose disposal procedures at their old depot, the employees believed that they were entitled to remove items earmarked for disposal from the new depot as well as the items generated by the closure of the old depot.

While the employees were clearly in breach of procedures governing disposal at the new depot, they claimed that they had been unaware of these requirements. As a result, they were only cautioned as part of a disciplinary process and, owing to the low values involved, no criminal charges were brought against them.

When agencies restructure or amalgamate, it is important to ensure that firm systems remain in place during any transition period and that clear guidelines are promulgated to all affected employees. Failure to do so provides opportunities for those with corrupt intent to take advantage of unclear or ambiguous policies and procedures.

Risk factor 6: The promulgation of unclear policies and procedures

Something borrowed

To complement a borrowing scheme that was extended to community groups and organisations as well as to its employees, a local authority established an internal policy on the use of assets and materials, which stated:

Officers must not use or convert property or facilities for private purposes unless such use is authorised and any appropriate payment is made to council.

continued overleaf

Conscious of this policy, a storeman with the local authority borrowed old gardening tools for his personal use for a couple of months, first seeking permission from his supervisor to do so. With oral permission only, he also took home an item of equipment, which was to be dumped, to repair for his own use. No recompense was made to council by him, nor was it requested by the overseer on behalf of the local authority.

While these items were determined to be lawfully in his possession, the taking and holding onto equipment such as the tools that had value for ongoing service, or appropriating equipment that had value as a trade-in or scrap, was not in the spirit of the council's stated policy.

Nearing retirement, the storeman was described by his overseer as an extremely honest and diligent employee. Notwithstanding his exemplary record, however, the storeman was the subject of a formal complaint. Upon investigation, he was not considered guilty of any dishonesty or attempted misappropriation and no disciplinary action was taken against him.

Although the policy established by the local authority was a good one, it was not backed by clear procedures and delegations to authorise private use of the council's property. There were no guidelines concerning the circumstances in which council property might be borrowed or the conditions of such borrowing. Nor were there any clear definitions of the type of property or facilities that could be borrowed or what items might attract a fee.

Moreover, by being open to varying interpretations by managers and staff, and allowing wide discretion in its application, the policy increased the risks of improper behaviour by those who might seek to take corrupt advantage of its shortcomings.



RISK AREA: ADEQUACY AND EFFECTIVENESS OF INTERNAL CONTROLS

Risk factor 7: Inadequate procedures, controls and storage arrangements

Sorting out required

Employees of a local authority works depot were alleged to be privately disposing of scrap metals for personal gain and allowing dealers to underpay for scrap obtained from the depot.

The depot comprised several workshops and warehouses in different locations with each operating relatively independently. Scrap and unused materials were dumped by employees in several areas surrounding each of these dispersed buildings, many of which were poorly secured. None of the areas was signposted or designated for particular types of scrap, and there were no procedures for sorting and identifying types of materials or estimating their potential value.

As a result, high-value scrap such as aluminium and brass tended to 'disappear' or was put in the same disposal bins as low-value scrap, where it was sold as 'mixed' scrap to a metal recycling firm for only a tenth of its real value. (As standard practice, whenever a 'brass or aluminium' disposal bin is contaminated with some other metal, it is automatically weighed and paid at the significantly reduced rate.) In addition, weighing details and payments were inadequately monitored or recorded by depot staff.

An investigation and subsequent internal audit revealed major weaknesses in the depot's management of scrap and waste materials, including its record-keeping system. The processes and controls at the depot were in such a poor state that complaints of misconduct could not be adequately investigated or substantiated.

This is a real worst-case scenario, where risks were at a very high level. As can be seen, inadequate procedures and controls not only increase the risk of misconduct, but also inhibit the detection of any such practices. In the above case, a full risk review was subsequently undertaken, with the local government concerned implementing a range of policies, procedures and controls to minimise the potential exposure to risk.

Risk factor 8: Weaknesses in inventory controls over spares and parts that are able to be refurbished for continued use

Heard at second hand

During an internal audit of a local authority depot, an electrician employed at the depot described how it was possible for second-hand parts to be used on certain jobs for which new parts had been ordered. The cost of new parts would be charged to the job, but second-hand parts installed, with the new parts taken by employees for private use. Electrical and plumbing parts were prime targets for this practice.

continued overleaf

Different inventory management systems and procedures were used in each of the depot's separate warehouses and workshops. In some of the workshops, secondary storage areas for used parts and equipment were separate from the main inventory store, and consequently there was no inventory control over the used parts stored in these areas.

While not the subject of a complaint or an investigation, this revelation indicated that circumstances existed at the depot that opened up opportunities for misconduct.

This situation arises when used items are returned to holding yards or miscellaneous stores and not recorded as having being returned. Such items may be refurbished and substituted for new parts that have been purchased for a particular job, thus providing an opportunity for the new parts to be misused or misappropriated. The weakness in inventory controls also allows the situation to be exploited further, where new items may be deliberately ordered for corrupt misuse or misappropriation.

Risk factor 9: Lack of security and vigilance over used assets and scrap that still retain some value

Sending wrong signals

A signal worker used work equipment during working hours to cut up old telegraph poles stockpiled in an open rail depot, which he removed for private use as firewood.

The telegraph poles had been replaced by new ones in various agency locations, and the signal worker claimed that he thought that they were rubbish and of no value. Employees had not received any instructions on the removal of materials from the yard, and there was no system operating for them to purchase unwanted materials for private use.

Because of a lack of security over the stockpiled telegraph poles and a lack of supervision of the work the signal worker was supposed to be doing, he was able to cut up and remove the old telegraph poles without challenge.

He was cautioned about the removal of the property, within a formal disciplinary process. The agency concerned later implemented procedures for employees to submit a quotation for the purchase of property that was of no further use to the agency, and instructed all staff not to remove agency property without proper authorisation.

A lack of security over assets and scrap with some value, coupled with opportunities to access these items, increases the risk of employee misconduct and corrupt behaviour. Although the agency concerned may have realised that the old telegraph poles had some residual value, it neglected to ensure that these materials were secure. There were also poor controls over the work equipment used to cut up and remove the telegraph poles and a lack of work supervision, which allowed the employee the time and opportunity to undertake this enterprise.

RISK AREA: TRANSPARENCY AND EFFECTIVENESS OF PROCUREMENT ACTIVITIES

Risk factor 10: Ordering or purchasing supplies at quantities that exceed need

Kickbacks kicker

An electrician in a large department habitually overordered electrical materials required for particular projects. It was alleged that he would then return the excess materials to the supplier and convert the credit received into purchases of tools and materials for his own private contracting work. For example, on an agency project requiring materials to the value of \$2000, he would formally estimate and order materials to the value of \$2500, then return and obtain personal credit for materials worth \$500.

Over a number of years, the electrician conducted a significant amount of business with this supplier in return for special discounts, services and payments. As a senior officer, he had control over all steps in the estimating and purchasing cycle, and was in a position to obtain these kickbacks from the supplier by providing preferential and favourable treatment.

An investigation found that the allegations against the electrician could not be substantiated. He was counselled on correct purchasing procedures and records maintenance, but no criminal proceedings or other disciplinary actions were taken.

The above case highlights the risks that can occur where poor controls do not allow proper reconciliation of project commitments with actual expenses incurred. There were serious weaknesses in the agency's controls over the estimating and costing of projects, and in its controls over tendering and purchasing procedures (including the lack of proper segregation of duties), which allowed the potential for a corrupt arrangement to be established between officer and supplier.

Turfing out surplus

The overseer of a water maintenance and construction gang with a local authority was alleged to regularly overorder turf for council work, then misappropriate it for private use.

On a number of occasions, turf would be delivered to a job for which no turf was required and then removed to another location, or delivered directly to a location at which no work was being done. On other occasions, the supervisor arranged to collect unused or leftover turf from legitimate job sites for use on other 'jobs' unknown to his work gang.

It was accepted practice that unused turf would be treated as a waste material to be dumped, because of its limited life span. No records were made of surplus turf, and this situation allowed opportunities for 'unwanted' turf to disappear with little physical trace.

An investigation highlighted deficiencies in the depot's record-keeping system. Owing to a lack of documentation and other evidence, the allegation could not be further investigated or any employee found guilty of misconduct. The local authority arranged a formal review of the depot's record-keeping system to improve internal controls and accountability.

Overestimating materials for jobs carries the risk of creating an excess supply that may be wasted or misappropriated. There is also the risk of deliberately creating an excess for corrupt purposes. In addition, excess materials may be created when materials are delivered to the wrong job site — through either incompetent or corrupt work practices. In the above case, the depot did not have a procedure operating for the reporting and recording of surplus or non-required materials, which led to a lack of control over short-lived materials such as turf.

Risk factor 11: Contracts with dealers for scrap disposal that are ambiguous and/or not properly managed

Suspicious dealings

At a local authority works depot, various arrangements and contracts with dealers in scrap metal were unclear and poorly managed, providing opportunities for depot employees to pilfer scrap metals or to enter into corrupt arrangements with scrap dealers.

It had become standard practice at the depot that dealers would be contacted by unauthorised employees from individual depot units to arrange collection of filled metal recycling bins. There was no independent check of the number of bins collected, the nature of metal content or weight of scrap metal collected. Official weighbridge tickets were generally not issued as some dealers did not pay the service fee.

Payment by dealers for scrap metal was made on an ad hoc basis, rather than within the time frames specified under the terms of their contracts, and a number of payments were made in cash directly to individual depot units. Scrap dealers were also able to nominate, without checks or challenge, the number of full bins for which they claimed payment.

The contract management and controls at the depot were in such a poor state that complaints of misconduct could not be adequately investigated or substantiated. However, following a tightening of controls and implementation of formal work procedures by the local authority, the average number of bin collections and commensurate payments recorded have since trebled.

Contracts that are ambiguously written or poorly managed allow ad hoc procedures for the disposal of scrap, which in turn provide opportunities for misconduct and corrupt activity to flourish. Through lack of coordination and control, the depot supervisors above had little knowledge of collections or payments made by the dealers involved. Because employees and dealers had been able to take advantage of the situation for private gain, the local authority was not able to maximise its returns on the recycling of scrap metal.

Risk factor 12: Corruption of procurement procedures, which allows the removal of waste for private purposes

Oiling the palm

When a large department called for tenders for the disposal of waste and surplus oil, a senior officer corrupted procurement processes to set up an improper arrangement between himself and an oil dealer. He first amended the dealer's tender documents to offer a competitive high price, then replaced the lower rate when setting up the disposal contract between the dealer and the department.

During the two-year contract period, the dealer obtained from the department a large volume of high-grade 'surplus' oil at a deflated contract price of 25c per litre. The dealer also obtained a further large volume of this 'surplus' oil, which was invoiced as low-grade 'waste' oil valued at only 3c per litre.

The departmental officer was paid secret commissions by the oil dealer for his part in both arrangements, which involved the corrupt disposal of public resources worth more than \$150 000.

The officer gave evidence in an initial private hearing into the matter, but took his own life before criminal or disciplinary action could be taken against him. Charges of corrupt conduct were brought against the dealer. The exposure of corruption and the death of the senior employee were devastating to the department concerned.

Source: Independent Commission Against Corruption 1998, *Investigation into the disposal of waste and surplus assets in Transgrid, Pacific Power and Integral Energy*, ICAC, Sydney.

In the above case, shortcomings in the department's systems and procedures gave the senior officer responsible the capacity to interfere with the procurement process. Moreover, through the department's failure to separate duties pertaining to the procurement process, the officer was also closely involved in both the letting of contracts for waste disposal and the invoicing process in relation to those contracts.



RISK AREA: ACCOUNTABILITY OF MANAGEMENT PRACTICES

Risk factor 13: Ad hoc and unauthorised changes made to normal job procedures

Scars from scalping

During a road-profiling project, a local authority roadworks employee circumvented normal procedures to misappropriate road base materials worth \$3000 and sell them for personal gain. The employee had been involved in a bitumen scalping process that resulted in two grades of waste material. The first-grade material was almost 100 per cent asphalt, worth up to \$30 per tonne, and recyclable for further roadworks use. By contrast, the second-grade material contained little asphalt and a large proportion of contaminants, was of little value and usually used as landfill.

The road-profiling work procedures allowed for different drop-off points for first-grade and second-grade materials. The same official recycling site was always used to drop off the high-grade material, while the second-grade material was usually taken to designated landfill sites. The procedures were well understood by all staff, and any changes to the drop-off points were to be authorised only by the job site manager.

When the job site manager was absent, supervising other concurrent jobs, the roadworks employee directed 100 tonnes of high-grade material to be taken to an unauthorised landfill site. He had no authority to do so, and this material later 'disappeared' from the unofficial site.

The roadworks employee was convicted and fined \$1000 and dismissed from his job of eight years. The local authority took steps to recover the \$3000 at which the missing material had been valued.

Although the local government had correct procedures for the disposal of waste road-base materials, which were well understood and had become standard practice, employees chose to 'turn a blind eye' to what should have been recognised as a deliberate breach of these procedures. The difference between the black first-grade material and lighter-coloured second-grade material was easily discernible to even the inexperienced eye, yet the unofficial instructions had not been questioned or verified by other roadworks employees.

Risk factor 14: Misappropriation tolerated because 'it's always been the practice'

When practice isn't perfect

A group of maintenance workers in a regional agency had been regularly removing and selling scrap metals from work sites. The cash they received from scrap metal dealers was diverted into social club funds and the purchase of beer for the work group. These activities had been known to regional management, but allowed to continue because it was a long-standing practice and seen to benefit all staff at the regional office. This practice had been continuing for more than 10 years, with the total value running into many thousands of dollars. No revenue from the scrap sales had ever been received by the agency concerned.

Although the matter was referred to police for criminal investigation, culpability for the scrap metal sales was difficult to establish, owing to the activity's widespread and long-term accepted practice.

Just because a practice has continued for a long time does not mean that it is ethical or should be tolerated by management. Any value obtained from the sale of scrap or surplus items rightly belongs to the agency concerned. In the above case, the value derived from scrap metal sales had been improperly diverted from the agency to staff who obtained a personal benefit via the social club.

The absence of guidelines, or inadequate guidelines, for the disposal of scrap is probably the major reason for the continuation and historical acceptance of the practice of taking scrap for personal use or gain. While this practice usually starts with minor items and low volumes, which poor management may wrongly tolerate, some offenders take the opportunity to capitalise on weaknesses in controls and expand their activities to taking more valuable items.

Risk factor 15: Lack of action on risks identified in audits

When management is diverted also

A group of local authority employees was in the habit of diverting leftover materials from council projects to use in private jobs for their mates and local neighbours. It was an accepted practice within the work team and tolerated by management. Yet over time, and at the expense of the council and its community, the value gained by the employees and their private clients from use of these leftover materials had become significant.

This misappropriation of scrap materials had been exposed in an internal audit report, but recommendations for control had never been implemented. It had been considered by management that any disruption to the existing workplace culture may have created larger problems for the council.

Because the practice had been unofficially sanctioned for many years by management, no disciplinary action was taken against the employees. Once made aware of the real value of lost revenue to council from the disposal of such scrap, management promptly implemented the control measures recommended by the internal audit report.

No matter how insignificant an issue may appear, agencies have a responsibility to safeguard public assets and to take steps to prevent misconduct. In many investigations into misappropriation of low-value assets and scrap materials, it has been found that this issue had been raised previously in an internal audit report. In many of these cases, action had not been taken by management to remedy the situation. Often there is a perception that the issue is too minor to worry about or that the practice has continued for a long time without causing any significant problem. However, if left unchecked, this practice can often lead to the misappropriation of more valuable items — either through their outright theft or through fraudulent activity.



RISK AREA: INTEGRITY OF MANAGEMENT AND STAFF ATTITUDES

Risk factor 16: Extra scrap generated when proceeds are seen as 'going to a good cause'

Sharing the proceeds

Employees with the engineering section of a public hospital had a long-standing practice of removing and selling scrap metals, with proceeds put into the staff social club account for the purchase of alcohol. The scrap metals were mostly copper and brass from plumbing works, and the value of sales amounted to more than \$400 on some occasions.

This practice was supported by other employees at the hospital, because the benefits were being shared by all, not just a few. Moreover, agency scrap-metal stockpiles were boosted by employee contributions of personal scrap and scrap metals from other sources, to help build up social club funds.

An investigation into allegations of misappropriation was hampered by difficulties in differentiating between publicly funded and privately funded scrap metals, as well as by the widespread nature of the activity. Given such difficulties in obtaining firm evidence, no charges were able to be brought against any hospital employees. The matter was handed back to the agency for implementation of policies and guidelines.

Some work groups mistakenly consider proceeds from scrap sales as unplanned revenue that the agency concerned wouldn't miss — that is, an 'extra' that can be diverted into 'a good cause', such as benefits for staff. Yet even if benefits are shared by all rather than by just a few, the practice still amounts to misappropriation if scrap materials are the property of the agency concerned. In the above case, the lines were blurred by the inclusion of scrap materials from other sources.

As the owner of agency scrap materials and any proceeds from their sale, an agency may indeed make a legitimate decision to allow the proceeds from scrap sales to benefit the staff social club. However, to reduce the risk of employees deliberately generating scrap to boost social club revenue, firm controls and a formal process for the authorised diversion of funds are essential.

Risk factor 17: Lack of staff commitment to policies and procedures on the appropriate disposal of materials

Signs of discontent

During an inspection of a council dump, a local authority official observed that materials recovered by the private contractor managing the dump included council signs made of high-value aluminium with steel posts.

The signs had been dumped as general scrap by council employees, who did not see a need to recover items of value, even though there were policies and procedures at their work depot to cover the correct disposal of such material. Metal scrap bins had been made available by the council for this purpose. However, the bins were not prominently positioned at the work depot; they were, in fact, fenced and locked off from the rest of the compound.

The employees, including supervisors, were not committed to the recycling process, as the council had recently introduced a new scheme that prevented them from retaining cash from scrap metals sales to fund their staff Christmas party. This had formerly been a well-established practice at the depot, which employees had been contributing to enthusiastically.

The private contractor managing the public dump had been granted scavenging rights over scrap metals and other materials that were dumped, and had set up a second-hand trading yard with much material that had been reclaimed from the dump. As a result, any benefit from the disposal of the valuable aluminium signs was gained by his firm, rather than by the local authority.

When policies and procedures are established by an agency, employees are expected to abide by them for the benefit of the agency and the community it serves. In the above case, employees wrongly exhibited a lack of commitment to policies and procedures because they were not receiving a personal benefit to which they mistakenly felt entitled.

Because the council signs and posts had value, they should have been properly disposed of in the depot's metal scrap bins, which should have been conveniently located for this purpose. The express purpose of establishing these scrap bins was to allow the local authority to collect the revenue that was its due from the sale of scrap metal to scrap dealers.

Risk factor 18: Manipulation or circumvention of procedures by staff with corrupt intent

Write off course

A senior officer in a large department improperly wrote off three six-month old laptop computers valued at \$3000 each, and sold them to a work colleague for \$50 each. The computers had been purchased almost new by the department only four weeks earlier, and were complete with CD-ROM, colour screens and speakers.

The computers had been obtained by the department specifically to be plugged into, and assist with, the operation of large machinery that generated its own power supply. It was discovered, however, that this secondary power supply was not compatible with the computers.

Even though the computers were fully functional if powered independently and could have been used without any problems in other areas of the department, they were written off by the senior officer as uneconomical to repair. He then sold the computers by private tender to a work colleague who used his own position to obtain the equipment at a grossly undervalued price. Nobody else within the department had been aware that the computers were being offered for sale.

After a complaint was lodged by a group of departmental employees, the matter was formally investigated then referred back to the department for disciplinary action to be taken against the two officers concerned, one of whom had been with the agency for more than 20 years. The three computers were also reclaimed by the department so that they could be properly used for departmental purposes.

If employees are responsible for making decisions on the valuation or viability of equipment, then participate in a tendering process related to that equipment, they risk placing themselves in a position where they may have, or appear to have, a conflict of interest. In the above case, the agency's established disposal and tendering procedures were manipulated for private gain by two officers who failed to recognise a conflict of interest in their actions. The valuation of the equipment relied on the subjective opinion of the person who authorised the sale and who then failed to carry out a formal open tendering process.

Questionable working order

A mechanic employed by a local authority was alleged to have deliberately made a large number of plant and equipment items inoperable, so that they would be written off as uneconomical to repair, then sold off as damaged equipment in the council's annual surplus goods and equipment sale.

Such items, which included chainsaws, mowers and weeders, were sold by the council by public tender, with some council employees securing items for as little as \$1. One of the mechanic's work colleagues had obtained many of these items in this manner, which he then repaired and advertised in the local paper for near new cost. It was claimed that council employees had not reported the mechanic's actions, because they had been taking advantage of this practice to obtain cheap equipment.

As this type of problem had occurred in the past, the council had earlier reviewed its tendering procedures to ensure a transparent process was followed in the disposal of equipment. This process included an independent inspection of equipment before its listing for sale, and authorisation of the list of items for sale.

There was, however, no independent check or assessment of the items before they were pronounced as uneconomical to repair and cannibalised for parts. (Because new spare parts had become expensive, the mechanic was in the habit of using working parts from two or three old items in a bad state of repair, to put together one item that was worth while keeping for council use.)

This practice of removing working parts from defunct equipment, together with the exceptionally low tenders received by the council for many of the items sold, had helped to give rise to the allegations that the mechanic was deliberately making items inoperable. An investigation into the matter found that there was no evidence of misconduct.

Where appropriate procedures and controls are in place, opportunities for employee collusion to defraud an agency are greatly reduced. In the case above, the local authority had introduced comprehensive guidelines for the disposal of surplus or obsolete equipment by tender, which had been correctly followed. The local authority had neglected, however, to introduce controls such as regular and random independent checks, to ensure transparency in the assessment of the viability of equipment, before items were cannibalised for parts or written off.

Not really connecting

An electrician employed by a large agency misappropriated two lengths of damaged underground cabling from his workplace to connect power to an acreage block for a friend in his spare time.

The electrician had attempted to obtain the cabling legitimately from scrap stores and dealers, but these sources could only supply him with lengths of cabling that were too short for the job. Frustrated at his inability to obtain the correct length of underground cabling elsewhere, the electrician kept back two lengths of fire-damaged underground cabling that he had replaced on an agency project. The scrap value of the cabling was estimated at \$80.

The electrician was aware of the agency's policy and procedures for the disposal of damaged cabling and for legitimately obtaining functional cabling, but chose to ignore them as his friend was impatient to move into his new acreage home.

The impropriety was discovered when the friend reported an electrical supply fault to the agency some months later, and the damaged underground cabling was duly discovered. The electrician was pinpointed as the culprit, as there was a record of his having bought overhead cabling for the job from agency stores, but no record of complementary underground cabling being obtained.

The electrician had been a model employee who greatly regretted his actions. He admitted the theft and made restitution of \$80 to the agency, which represented the value of the cabling. Although the agency concerned had initially determined to dismiss the electrician, in view of his good work record, he was instead demoted from his normal position for a probationary period.

The agency in the above case was doing all the right things. It did have a policy and procedures for staff to follow if they wished to purchase scrap and it had inventory controls that allowed any discrepancies in normal procedures to be picked up. In his frustration and anxiety to finish his mate's job, the electrician chose to ignore these procedures and, in doing so, he put his employment with the agency in jeopardy.

Dumping on the system

A local authority received an anonymous tip-off that an employee, a weighbridge operator at the council's industrial dump, was receiving corrupt payments from skip truck operators in return for allowing them to dump unauthorised waste and for neglecting to record or monitor their trucks as they entered the site.

Because the commercial waste firms involved were normally invoiced directly by the council for any dumping fees they incurred, the weighbridge operator was not authorised to collect any payment from skip truck operators. He was, however, allegedly observed receiving cash from skip truck operators, and was heard boasting about the amount of money he had been diverting from the local authority. He also appeared to be living well beyond his means.

continued overleaf

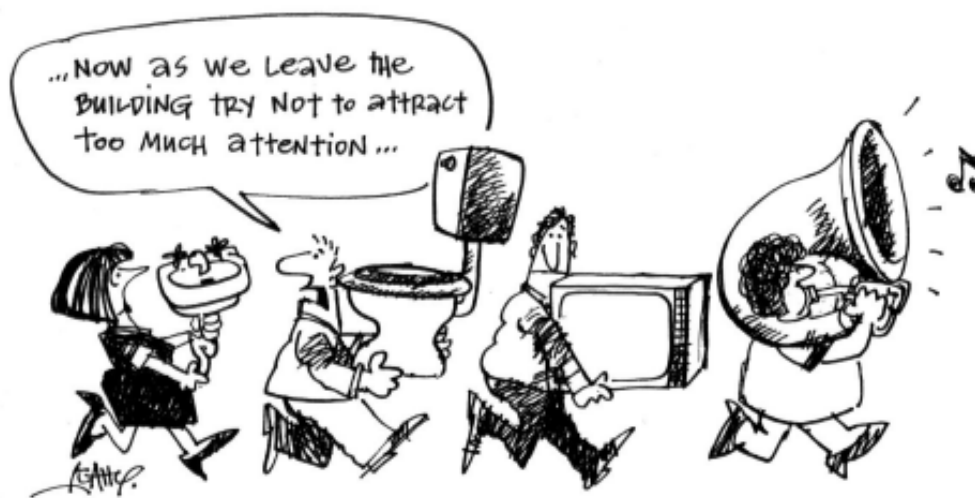
Yet the system at the refuse tip was such that the council could easily have been defrauded of tip charges by commercial waste firms, with or without the collusion of on-site staff. Recording of the correct weight and type of waste material depended upon the integrity and diligence of the weighbridge operator, access to the tipping site was poorly controlled, and the method of receipting did not allow meaningful analysis. The remote location of the industrial dump made monitoring of the site for corrupt activity difficult.

The potential savings for the commercial waste firms and resultant cost to the council in terms of lost revenue were considered to be in the order of hundreds of thousands of dollars.

Owing to the anonymity of the complainant and the paucity of evidence, the allegation of corrupt activity could not be productively investigated. The council undertook to put appropriate controls and monitoring procedures in place to detect and guard against any future impropriety.

To maintain the full management and control of a waste-handling facility, it is necessary to ensure that all vehicles entering and leaving are identified and recorded with their correct loads. In the above case, existing systems were inadequate to prevent manipulation of the fee-assessment process, and created opportunities for corrupt conduct to flourish.

There are also serious environmental concerns, as uncontrolled or unrecorded entry does not allow the amount or type of waste dumped to be properly accounted for. Not only will this frustrate attempts to estimate the life of a waste disposal site accurately, but it may also give rise to public health and safety concerns.



WHAT CAN YOU DO?

As the case studies in the previous section have indicated, the improper disposal of scrap materials and low-value assets may be the result of deliberate misconduct or simply occur through employee ignorance or confusion. Indeed, a great deal of the improper conduct had arisen, or was allowed to continue, because of a perception in the workplace that there was nothing wrong.

When there are no clear frameworks applied to guide employees in the appropriate management and disposal of scrap and low-value assets, it is natural for them to rationalise and justify their own actions to a point where they may start to believe that their attitude and behaviour are acceptable.

So what can agencies do to resolve these issues?

Remedial action involves addressing organisational features that allow misconduct and corruption to occur, or to go unnoticed or unreported. These features include perceptions and attitudes that arise from an organisation's culture or shared values. They also include the administrative frameworks, policies, systems and procedures that govern everyday workplace activity.

In broad terms, strategies to ensure the appropriate disposal of scrap materials and low-value assets should include:

- 1. Strong ethical leadership from the top of the organisation that is upheld by all levels of management.**
- 2. Clear frameworks for workplace behaviour and work practice standards that are communicated to, and fully understood and accepted by, all employees.**
- 3. Strategic planning to ensure the effective and economical management of public resources.**
- 4. Clear and unambiguous policies on the management of scrap materials and low-value assets, backed by practical and efficient work procedures to provide guidance for employees in carrying out their official duties.**
- 5. An effective internal control structure and cost-effective internal controls over scrap materials and low-value assets.**

These strategies are expanded upon on the following pages to help public sector agencies develop and implement systems of management control that will prevent misconduct and corruption, and decrease the likelihood of error and waste.

Disposal strategies

STRATEGY 1:

Strong ethical leadership from the top of the organisation that is upheld by all levels of management.

Official policies specify what management wants to happen. Corporate culture determines what actually happens and which rules will be obeyed, bent or ignored.¹

¹ Committee of Sponsoring Organisations for the Treadway Commission 1992, *Internal Control – Integrated Framework*, Jersey City, AICPA, p. 19.

A strong ethical culture that runs throughout the organisation is crucial to the performance and accountability of a public sector agency and to the well-being of the community it serves. The tone of an organisation is set at the top, with the Chief Executive Officer and senior management leading by genuine example — that is, ‘walking the talk’.

In fact, managers at all levels need to be aware that their own behaviour and expectations are critical to the success of building a desired ethical culture for the agency. By consistently acting and being seen to act with integrity in their own day-to-day actions, communications and decisions, managers send important signals and messages to employees about what is, and what is not, acceptable behaviour in the public sector.

STRATEGY 2:

Clear frameworks for workplace behaviour and work practice standards that are communicated to, and fully understood and accepted by, all employees.

Because of its accountability to the public, every public sector agency has a responsibility to develop clear frameworks for workplace behaviour and work practice standards. These frameworks should include the implementation of an agency-wide corruption prevention strategy to prevent and deal with corruption and other unethical conduct within the organisation.

Key activities should include the development of:

- an agency-specific code of conduct that adequately covers the types of situations that may arise in the disposal of scrap materials and low-value assets, and provides a framework for ethical decision making
- formal reporting procedures that allow concerned employees to report corruption and misconduct with confidence, and provide guidance on both internal reporting and external reporting to the CMC or other defined bodies
- a protected disclosures policy that provides agency protection against reprisal action for employees who make genuine complaints about corruption and official misconduct.

Even where an agency believes the risk of corruption to be low, a proactive approach to corruption prevention is more cost-efficient than the complex reactive measures required when misconduct and corruption are discovered.

For comprehensive advice on developing an integrated corruption prevention strategy, please refer to the CMC publications on this topic and to the corruption prevention advisory area of the CMC’s website (www.cmc.qld.gov.au).

STRATEGY 3:

Strategic planning to ensure the effective and economical management of public resources.

Sound administrative frameworks are also vital elements in the appropriate management and disposal of scrap materials and low-value assets.

Strategic planning. Decisions about the disposal of scrap materials and low-value assets should be integrated in strategic planning processes. There should be provision made in an assets strategic plan for the development of strategies for disposing of surplus and unwanted items.

These strategies should be linked to a disposal plan that establishes the rationale for, the anticipated time and method of, and expected proceeds from, the disposal

of specified types of scrap materials and low-value assets. The disposal plan should be reviewed regularly, as part of an ongoing evaluation of disposal performance, taking account of the current market value and physical condition of known scrap materials and low-value assets.

Risk management. As an important part of the planning process, risk management is a tool for identifying opportunities as well as for avoiding losses. It is also a tool for developing and maintaining cost-effective controls through its processes of identification, analysis, assessment, treatment, monitoring and review.

An agency's integrated corruption prevention strategy should include a systematic and coordinated application of a risk management process, particularly in the identification and treatment of all risks.

As we have seen in the preceding case studies, risk management is essential in the management and disposal of scrap materials and low-value assets. Agencies need to identify, as a risk factor, all types of items that have some residual value and/or could be profitably used. In addition, work practices and security measures should be reviewed regularly, with work areas, work practices and items prone to greater risks reviewed more frequently.

Through good risk management and risk assessment processes, agencies are able to identify potential targets, develop appropriate controls over access and opportunity, and develop action plans to minimise potential causes and triggers of misconduct.

STRATEGY 4:

Clear and unambiguous policies on the management of scrap materials and low-value assets, backed by practical and efficient work procedures to provide guidance for employees in carrying out their official duties.

Studies in crime prevention have found that theft in the workplace was higher in organisations that did not have clearly defined and well-communicated policies concerning the disposal of surplus and scrap.²

It should be noted that a lack of documented procedural policy and guidelines:

- allows opportunities for 'at risk' or corrupt practices to develop (where flexible or discretionary procedures are followed rather than standard approved procedures)
- encourages shortcuts that may ignore any legislative safeguards
- creates greater potential for security breaches
- creates situations that, when misconduct occurs, allow suspicion to fall upon any staff member (which may not be able to be satisfactorily resolved)
- can prevent disciplinary action being taken against those guilty of misconduct, on the basis of 'ignorance'.

Policies for the disposal of scrap materials and low-value assets should be clear and unambiguous. They should clearly assign roles and responsibilities that are aligned with delegated authority and cover all aspects of the disposal process including:

- identification of scrap materials and low-value assets
- management of items earmarked for disposal
- borrowing conditions, if applicable

² Brown, R 1998, 'Crime prevention in the workplace: crime is a symptom, bad management is the disease' in *Preventing Property Crime*, ed. D. Challinger, AIC, Canberra.

- methods of disposal
- environmental issues
- allocation of funds derived from the disposal process.

Disposal policies must be backed by clear and practical procedures and guidelines that are consistently applied across the organisation and that set out a formal approval process for the authorised disposal of scrap materials and low-value assets.

Agencies should not attempt to tie up their processes in red tape, however, as highly complex and detailed instructions may tend to confuse employees rather than improve work practices.

Moreover, all disposal policies and procedures should be systematically and periodically reviewed, particularly during organisational restructure or amalgamation, to ensure that they continue to be relevant and don't present conflicting positions.

Yet no matter how good such policies and procedures are, they will not be effective unless they are clearly communicated to, and followed by, employees.

Good communication includes keeping employees promptly informed of any changes or updates, and any other issues affecting the treatment of scrap materials and low-value assets. Effective implementation includes embedding the policies and procedures into actual work practices and maintaining accountability and ethical standards of behaviour at all levels.

STRATEGY 5:

An effective internal control structure and cost-effective internal controls over scrap materials and low-value assets.

Corruption and misconduct impede organisational performance, waste scarce public resources and damage the reputation of the public sector agency concerned and government in general. They flourish in an atmosphere of management and supervisory neglect or where controls are inadequate.

Internal control structure. As an important element of good corporate governance, an effective internal control structure is essential for all public sector agencies in managing public resources effectively, efficiently and economically. Within this structure, there are key elements that have a direct impact on the disposal of scrap materials and low-value assets, which agencies need to put in place. These include:

- maintaining an effective internal audit function
- placing physical controls over access to, and use of, materials, assets and records
- assigning responsibility for authorising transactions and activities to appropriate employees
- ensuring there is a proper segregation of duties between all employees
- establishing and maintaining an information system, linked to the agency's asset register, that provides reliable, relevant and timely data with which to make informed decisions on the management and disposal of scrap and low-value assets
- implementing a system for properly reconciling project commitments with actual expenses incurred
- implementing a system for recording, and maintaining inventory controls over, consumable materials used on jobs and projects
- employing systems for verifying the existence of materials and assets against

recorded information, promptly detecting irregularities or errors and following up on discrepancies

- developing a physical asset maintenance system and regular systematic review process which allow assets that warrant retirement or disposal to be identified
- linking this physical asset maintenance system and review process to a formal system for the disposal of surplus and unwanted assets
- ensuring that systems for materials and assets provide for the manner of disposal, threshold amounts for each method of disposal, the assignment of authority to those authorising disposal and allocation of responsibility to those undertaking disposal duties.

In meeting their program objectives, managers are accountable for all decisions they take in the use of their resources, which includes the disposal process. Accountability involves ensuring that systems, procedures and controls are as resistant to corruption as possible, with scrap materials and low-value assets identified and controlled to ensure that they are properly safeguarded right up to their disposal.

Internal controls. In developing internal controls over scrap materials and low-value assets, it is important to understand first how corruption and misconduct happen. It can be summed up in the following simple equation:

$$\text{CORRUPTION} = \text{TARGET} + \text{ACCESS} + \text{OPPORTUNITY} + \text{MOTIVE}$$

The risk of corruption and misconduct arises when the factors in this equation are all present. Each of these factors needs to be identified in the work environment, and steps taken to remove them from the equation or to minimise their impact.

TARGET

Because of their perceived low value, scrap materials and low-value assets are often not recognised and properly identified as potential targets for corruption and misconduct.

ACCESS

Employees are often allowed greater ease of access, and/or access to a wider range of materials, than they really require to carry out their duties.

OPPORTUNITY

Careless or inappropriate work practices or procedures, or poor supervision, can allow opportunities for misconduct to flourish for employees with corrupt intent.

MOTIVE

Motives for the illegitimate disposal of scrap materials and low-value assets can be many and varied, and are limited only by the imagination, personal circumstances and ethics of employees.

In other words, agencies need to be able to identify potential targets, develop appropriate controls over access and opportunity, and take steps to minimise factors that may provoke misconduct.

Identifying and assessing scrap materials and low-value assets. As we have seen earlier, effective risk management is a prime method for identifying the types of scrap materials and low-value assets that could be potential targets for corruption and misconduct. Once identified, individual items should be assessed as to their ongoing viability, with decisions to dispose of them subject to the following considerations:

- Assessment should be based on objective, economic criteria that have been set out in formal guidelines and made available to employees with the responsibility for assessment.
- An estimated market value (and trade-in value where appropriate) should be placed on items earmarked for disposal, by an experienced person with knowledge of the type of materials or assets and current market trends. By establishing this value benchmark, an agency can ensure that it doesn't miss out on opportunities to maximise its net return from the selected method of disposal.
- Independent and random checks on the assessment process and on items identified for disposal should be made regularly. These checks help to prevent high-value assets being made to appear non-operational or of low value in order to be written off for quick disposal, then privately rehabilitated for personal use.
- Any employees responsible for assessing the viability or market value of items should not be assigned responsibility for other elements of the disposal process, to prevent any opportunities for collusion to dispose of them improperly.
- The person responsible for authorising the disposal of unwanted items must have the delegated authority to do so.
- All decisions to dispose of these items need to be fully documented and open to scrutiny.

Determining the method of disposal. All agencies should have an approved procedure for the inspection, certification and agreement on the methods selected for the disposal of scrap materials and low-value assets.

When the decision has been taken to dispose of such items, it is essential to evaluate the many alternatives for disposal in cost-benefit terms and select a method that provides the best net return to the agency and best overall use of public property, within a framework of fair trading. If an item is of value and could be used profitably in some form, it is clearly poor management practice to label it as 'waste' and simply dump it.

Methods of disposal that might be considered include:

- trade-in on a replacement item, where the supplier offers a fair value for the used asset
- relocation to another area of the organisation or to another agency
- reallocation to another project or job
- public auction, where it is considered practical and economical
- inviting public tenders
- inviting offers from employees, where inviting public offers is not cost-effective
- using for spare parts, where considered economical and practical
- commercial recycling
- donation to a recognised charity or community organisation
- dumping.

The evaluation of disposal methods should take into consideration the potential market, trade-in or other intrinsic value, the location and volume of items to be disposed of, their ability to support other government programs, and any environmental implications. Disposal methods that are selected regularly should also be evaluated by the agency in terms of their overall performance, including the actual timing involved and proceeds received.

As in the assessment process, the person responsible for authorising the method of disposal must have the delegated authority to do so, and all decisions on the method selected should be fully documented and open to scrutiny.

Managing items earmarked for disposal. Scrap materials and low-value assets must be controlled to ensure that they are properly safeguarded right up to their disposal.

Once earmarked for disposal, these items should be removed from operations. Where possible, they should be placed in secure storage, with responsibility for their safe custody assigned to an appropriate employee who is not involved in their sale or ultimate disposition.

Scrap materials should be sorted to ensure that valuable materials are not mixed with, or contaminated by, non-valuable ones. This is particularly important in the case of recyclable materials, which need to be clearly defined. For example, uncontaminated bins of aluminium or brass scrap can attract 10 times the value of bins containing mixed metal scrap.

Agencies also need to exercise environmentally responsible care in the management of hazardous or potentially pollutant materials. The management of their disposal requires in-house expertise, or, if not available, the services of a competent professional disposal agent.

A system for recording and monitoring scrap materials and low-value assets set aside for disposal should be in place and documented in formal disposal guidelines.

Recording disposals. To meet internal administrative and reporting requirements, all disposals must be recorded and accounted for. Any assets or material losses should be formally written off, with asset registers or other applicable registers or inventories amended accordingly.

The recording of disposals does not have to be a cumbersome process, however. Often it may be sufficient to note the disposal of materials (for example, consumables that are not cost-effective to return to the depot) on the appropriate worksheet. The key is to ensure that the disposal is determined by a person with delegated authority to do so, and noted to ensure transparency and an audit trail.

When recording procedures are simple and easy to follow, there is a greater likelihood that they will be adhered to.

Controlling the disposal process. Ideally, the disposal process should be well coordinated to maintain control, streamline activities and maximise net returns to the agency. Where necessary, employees involved in the disposal process should be given relevant training.

Responsibility for each element of the disposal process should be assigned to different employees in the organisation to maintain a clear separation of duties.

Where practicable, employees in more sensitive jobs regarding the handling of scrap materials and low-value assets should be rotated regularly. Apart from preventing any improper practices from developing or becoming entrenched, the rotation of employees will also allow a greater number of employees to gain a better understanding of correct management and disposal processes.

While agency size or activity may mitigate against the full implementation of these control mechanisms, all agencies should ensure that employees involved in the disposal process disclose any conflicts of interest that might arise in relation to scrap materials and low-value assets.

Risks of individual disposal methods. Individual disposal methods have their own particular risks and pitfalls, which will be covered more comprehensively in the next section: Best Practice Checklist. However, key issues that agencies need to be aware of include the following:

- When trading in a low-value asset on a replacement item, the best net deal should be sought, ensuring that the trade-in price offered represents fair value that could not be obtained by any other disposal method. The person approving the trade-in and purchase transaction must have the delegated authority to make purchases to the gross value of the transaction.
- Lists of unwanted materials should be circulated to all other areas of the organisation and/or to other government agencies to increase opportunities for utilisation. Any negotiations need to be carried out at an appropriate level, with the principal contact having the delegated authority to enter into an agreed arrangement.
- Sales of scrap materials and low-value assets by public tender or public auction must be conducted in a fair, open and transparent manner, following correct tendering procedures and expending resources relative to the value expected to be recouped. All items sold and the proceeds of sales must be properly accounted for.
- Invitations to offer that exclude the public and are issued to employees only should be restricted to items of low value that need to be disposed of quickly and that are not cost-effective to put to public tender. All employees must be given an opportunity to bid in a transparent process that follows correct tendering procedures.
- Unwanted items that are cannibalised for spare parts should be certified as unable to be used, refurbished or sold on. Recovering and refurbishing spare parts need to be cost-effective activities, and any spare parts recovered in this manner should be brought under effective inventory controls.
- Recyclable materials need to be sorted into designated bins or storage areas to avoid contamination, and regularly subjected to random checks. Weighing details, the number of bins collected, the nature of their content and payments made by recycling contractors and scrap dealers should be properly monitored and recorded.
- Donations of unwanted items to charity or community groups should be governed by appropriate policies, guidelines and controls, and provide for equitable treatment of organisations to avoid claims of bias. Approvals of recipient nominations and donations must be made by a person with delegated authority.
- Dumping of scrap materials and low-value assets that are unlikely to realise an economic return should be done in a manner that is not wasteful, hazardous or environmentally undesirable. Disposal by dumping must be documented and certified by an authorised officer.

Regardless of which method is selected for the disposal of scrap materials and low-value assets, throughout the disposal process all decisions and the reasons for taking them, and by whom they were taken, must be documented to ensure accountability and an audit trail.

CONCLUSION

New technologies have allowed more items to be reclaimed, refurbished or recycled for other uses. This, in turn, has increased the potential value of a large number of scrap materials and low-value assets, and public sector agencies are beginning to see returns from positive action in the management and disposal of such items. Indeed, when improper disposal occurs — either through deliberate misconduct or employee ignorance or confusion — the agency concerned will not obtain the best value for money and may even suffer quite severe losses and damages.

While there are many scrap items and low-value assets that have little or no intrinsic value for an organisation, their proper management and disposal are still important to:

- help reduce the number of preventable incidents and complaints of official misconduct
- reduce the associated costs and disruption for all concerned
- prevent opportunities for major corruption to follow on from ‘minor’ misappropriation.

It is, after all, the responsibility of all public sector agencies to implement strategies that safeguard public resources, prevent misconduct and corruption, and decrease the likelihood of error and waste.

The next section provides a Best Practice Checklist to help managers and supervisors:

- think through the necessary steps their agency may need to take to make the best use of scrap materials and low-value assets, and
- improve the understanding of all employees in how to deal with the disposal of these items correctly and ethically.

We have also included, on the inside back cover, a Disposal Process Chart for quick reference to the processes, required actions and risk areas involved in the disposal of scrap materials and low-value assets. The chart may be used by agencies as a resource for reproduction and dissemination within their organisation.



A BEST PRACTICE CHECKLIST

For reducing opportunities for corruption in the disposal of scrap and low-value assets

A IMPLEMENTING A GOOD FRAMEWORK

1. BUILDING AN ETHICAL CULTURE

- Does the organisation have an agency-specific code of conduct based on the five principles from the *Public Sector Ethics Act 1994* — respect for the law and system of government, respect for persons, integrity, diligence, and economy and efficiency?
- Does the code of conduct adequately cover situations that may arise in asset disposal?
- Have all employees been given access to, and education and training in, public sector ethics and the code of conduct?
- Is ethical behaviour encouraged and modelled by senior and middle management?
- Does the organisation have an effective internal reporting system that encourages employees to come forward when they suspect corrupt conduct, maladministration or substantial waste?
- Does the organisation support employees who report corruption and other forms of misconduct?

2. IMPLEMENTING AN INTERNAL CONTROL STRUCTURE

- Does the organisation have an effective internal control structure to ensure the effective, efficient and economical management of its public resources?
- Are there physical controls over access to, and use of, materials, assets and records?
- Is the responsibility for authorising transactions and activities assigned to appropriate employees?
- Does the internal control structure use a system that provides reliable, relevant and up-to-date information with which to make informed decisions on the management and disposal of scrap and low-value assets?
- Are there systems used for verifying materials and assets against recorded information, promptly detecting irregularities or errors and following up on discrepancies?
- Is there a physical asset maintenance system and a regular systematic review

process that, together, allow assets warranting retirement or disposal to be identified?

- Are these linked to a system for the disposal of surplus and unwanted assets?

3. MANAGING RISK

- Is there a commitment by senior management to risk management? Is risk management part of the organisation's strategic and business planning processes?
- Does the organisation have a risk management policy, risk management plans and risk registers?
- Is the policy supported by a systematic and coordinated risk management program to identify and manage all risks?
- Does the risk management program comply with AS/NZS4360:1995 Risk Management?
- Does the risk management framework include the development and implementation of a corruption prevention policy and control plan to address areas where there is a potential for corruption?
- Does this framework include the development and implementation of a fraud prevention policy and control plan to address areas where there is a potential for fraud?
- Have key risks been evaluated, prioritised and assessed?
- Are risk management practices regularly monitored and reviewed, and plans regularly updated?
- If risks are identified in an internal or external audit report, is action promptly taken by management to implement the report's recommendations?

4. ASSESSING RISKS

- Have all items of value within the organisation been identified as at risk?
- Do such items include the following:
 - consumable materials that are used in a process?
 - offcut materials?
 - surplus materials that have been costed to, but not used on, a project?
 - waste products able to be recycled?

- recyclable metals?
 - reusable packaging and storage items?
 - materials subject to deterioration that are regularly replaced to maintain safety or quality standards?
 - perishable items that have exceeded their use-by date?
 - items deemed to be obsolete owing to advances in new technology?
 - items in perfect condition, but deemed unusable by circumstance?
 - damaged, inefficient or non-working items considered to be beyond economical repair?
 - seconds produced as part of a process?
 - attractive items of such low value that they're not controlled on asset registers?
 - assets that were originally of high value but have diminished in value with use?
- Are existing and alternative control mechanisms for risk management reviewed regularly (including staff training, work practices and security measures)?
 - Are work areas, practices and items that are prone to greater risks reviewed more frequently?

5. STRATEGIC PLANNING FOR DISPOSAL

- Does the organisation's strategic plan for assets provide for the development of strategies for disposing of surplus assets?
- Is there a disposal plan in operation that establishes for specified types of scrap materials and low-value assets the:
 - rationale for disposal?
 - anticipated time of disposal?
 - proposed method of disposal?
 - expected proceeds on disposal?
- Is this plan reviewed and refined regularly to take account of the current market and physical condition of identified scrap materials and low-value assets?

6. IMPLEMENTING DISPOSAL POLICIES AND PROCEDURES

- Does the organisation have clear and unambiguous policies on the disposal of scrap materials and low-value assets?
- Do disposal policies clearly state how funds received from the disposal process are to be allocated?
- Has the organisation clearly communicated

to all employees its policies on accountability and the treatment of scrap materials and low-value assets?

- Are there clear disposal procedures operating to guide employees in the appropriate handling of scrap materials and low-value assets?
- Are these procedures consistently applied across the organisation?
- Are these procedures clearly communicated to all relevant employees?
- Do employees follow these policies and procedures effectively?
- Are disposal policies, procedures and associated guidelines reviewed and updated regularly to make sure that they reduce opportunities for misconduct?
- Are employees promptly informed of changes and updates to policy and procedures, and other issues associated with accountability and the treatment of scrap materials and low-value assets?
- During any organisational restructure or amalgamation, do clear disposal policies, procedures and guidelines remain in place and are they consistently applied during the transition period?

7. CONTROLLING DISPOSAL

- Do systems for disposing of materials and assets provide for:
 - the manner of disposal?
 - threshold amounts for each method of disposing of materials and assets?
 - the assignment of authority to those authorising disposal?
 - the assignment of responsibility to those disposing of assets?
- Do disposal guidelines set out a formal approval process for the authorised disposal of unwanted materials?
- Is responsibility for coordinating and advising on disposal arrangements and overseeing the disposal performance across the organisation assigned appropriately?
- Is responsibility for each element of the disposal process assigned to different officers in the organisation?
- Are employees in more sensitive scrap-handling jobs rotated regularly?
- Does the organisation ensure that all staff and tenderers involved in the disposal process disclose any conflicts of interest?

- Are all employees involved given necessary training?
- Is there a system for recording and monitoring the disposal, disposition and whereabouts of scrap materials and low-value assets?
- Are all disposals recorded and accounted for to meet internal administrative and reporting requirements?
- Are all decisions in the disposal process, the reasons for taking them and by whom they were taken documented to ensure accountability and an audit trail?

8. MANAGING USED AND SURPLUS ITEMS

- Does the organisation have a system for properly reconciling project commitments with actual expenses incurred?
- Is there a proper segregation of duties with regard to all steps in the estimating and purchasing cycle?
- Is there a system for recording and maintaining inventory controls over consumable items used on jobs and projects?
- Do work procedures require the reporting and recording of surplus or non-required materials?
- Are used items and surplus materials returned to designated stores and recorded on inventory?
- Does the organisation have clear policies and guidelines on the borrowing of items by employees and community groups?
- If appropriate, do such guidelines define the:
 - types of items that might be borrowed?
 - borrowing fees that might apply?
 - circumstances in which items might be borrowed?
 - terms and conditions of borrowing, including indemnity for the organisation?
- Does the person authorising the borrowing of items have the delegated authority to do so?

B PREPARING FOR DISPOSAL

1. IDENTIFYING AND ASSESSING ITEMS

- Are criteria for determining the viability of individual types of materials and assets set out in formal guidelines and made available to relevant employees?
- Are assessments of the viability of materials and assets based on objective, economic criteria?
- Is an estimated market value placed on the materials and assets earmarked for disposal to ensure that the net return to the organisation can be maximised?
- Are valuations obtained from experienced persons with knowledge of the types of materials or assets and current market trends?
- Is there provision for an independent assessment (i.e. a second opinion) to be made on items earmarked for disposal and on their estimated market value?
- Are there random and regular checks on the assessment process and on items identified for disposal?
- Does the organisation ensure that any employees responsible for assessing the viability or market value of materials or assets are not assigned responsibility for other elements of the disposal process?
- Does the person responsible for authorising the disposal of unwanted materials have the delegated authority to do so?
- Are decisions to dispose of unwanted materials and assets fully documented and open to scrutiny?

2. DETERMINING THE METHOD OF DISPOSAL

- Is there an approved procedure for inspection, certification and agreement on the method of disposal?
- Does the preferred method of disposal provide the best available net return to the organisation, and best overall use of public property, within a framework of fair trading?
- Are alternatives for the disposal of unwanted items and materials properly evaluated in cost–benefit terms?
- Do alternatives considered include:
 - trade-in on a replacement item, where the supplier offers a fair value for the used asset?
 - relocation to another area of the

- organisation or to another agency?
 - reallocation to another project or job?
 - public auction, where it is considered practical and economical?
 - inviting public tenders?
 - inviting offers from employees, where inviting public offers is not cost-effective?
 - using for spare parts, where considered economical and practical?
 - commercial recycling?
 - donation to a recognised charity or community organisation?
 - dumping?
- Does the evaluation of disposal methods take into consideration:
 - the threshold amount determined for the method of disposal?
 - the potential trade-in value?
 - the potential market value?
 - other intrinsic values (e.g. heritage, cultural or copyright value)?
 - the location and volume of items to be disposed of: e.g. will it cost a lot to move the items?
 - the ability to support other government programs?
 - environment implications (e.g. refurbishment, reuse, recycling, hazardous waste)?
 - Does the person authorising the method of disposal have delegated authority to do so?
 - Are decisions on the method of disposal selected fully documented and open to scrutiny?
 - Are methods of disposal that are regularly selected evaluated by the organisation in terms of their overall performance?
 - Does this evaluation include a comparison of the actual timing and proceeds on disposal, with the standards established in the organisation's accounting policies?

3. MANAGING ITEMS EARMARKED FOR DISPOSAL

- Are assets and material losses formally written off under the organisation's approved delegations and are asset or other appropriate registers amended accordingly?
- Are scrap materials and low-value assets removed from operations and placed in secure storage until the time of disposal?
- Has a system been implemented for recording and monitoring those materials and low-value assets that are placed in secure storage?

- Is responsibility for the safe custody of these items assigned to an appropriate employee?
- Does the organisation ensure that any employee responsible for custody of these materials and assets is not assigned responsibility for their sale or ultimate disposition?
- Are materials earmarked for disposal sorted to ensure that valuable items are not mixed with, or contaminated by, non-valuable items?
- Is environmentally responsible care exercised in the management, storage and disposal of hazardous or potentially pollutant materials?
- Are employees encouraged to report any unsafe work circumstances or environmental considerations of which management may not be aware?
- If no in-house expertise is available to manage the disposal of hazardous or pollutant materials, is a competent professional agent engaged to do the task?

C DISPOSAL METHODS

1. TRADING IN ON REPLACEMENT ITEMS

- Is the potential trade-in value of a used asset estimated beforehand to ensure that the net return to the organisation will be maximised?
- In pursuing the highest trade-in offer, does the organisation ensure it isn't locked into higher operational costs for the replacement item (e.g. through sole supplier arrangements for consumables and maintenance)?
- When considering trade-in proposals, is the best net deal sought?
- Before agreeing to trade in a used item on a replacement item, is the trade-in price checked to ensure that the supplier has offered a fair value for the used item?
- Is the purchase price of a replacement item checked to ensure that it has not been inflated to offset the trade-in value offered by the supplier?
- Is there a final check that a better outcome might not be achieved by selling the used asset first and using the resultant revenue to offset the purchase price of the replacement?
- Does the person approving the trade-in and purchase transaction have the delegated

authority to make purchases to the gross value of the transaction?

2. REALLOCATING OR RELOCATING ITEMS

- Can materials be adapted to another function, or be used in another program, to meet other needs within the organisation?
- Is refurbishment of low-value assets a cost-effective option to assist in the reallocation or relocation process?
- Is a list of unwanted scrap materials provided to all other areas of the organisation to see if any items can be used elsewhere?
- If scrap materials and low-value assets have an ability to support other government programs, are other government agencies notified of their availability for sale or transfer?
- Is a time frame in which expressions of interest can be lodged given to avoid a costly drawn-out process?
- Are potentially interested parties notified of the availability of low-value assets before they are decommissioned so that they can be demonstrated to be in working condition?
- If it is economic to charge for items being relocated to other government agencies, is a fair value at the expected market rate placed on them?
- Are negotiations carried out at an appropriate level, with the principal contact having authority to enter into the agreed arrangement?
- Are the relevant asset registers of both parties adjusted?

3. SELLING BY PUBLIC AUCTION OR BY PUBLIC TENDER

- Are the resources expended to dispose of scrap material and low-value assets by public auction or public tender relative to the value expected to be recouped?
- Is this criterion used in determining whether to hold a public auction or to call for tenders?
- Where the estimated value of items earmarked for disposal exceeds a nominated value, does that figure become a confidential reserve price?
- Is the proposed public auction or public tender widely and appropriately advertised (e.g. in regional and local newspapers) so

that the public is not effectively excluded from bidding for any of the items?

- Is adequate information provided on the items for sale and the form of response required to allow bidders to make a proper offer?
- Where appropriate, are a time and place nominated for interested parties to inspect the unwanted items before auction or close of tender?
- Are disposal criteria (e.g. the conditions of tender or any special considerations) made available to all potential bidders?
- If a public auction is held:
 - are any agents engaged by the organisation to conduct sales provided with clear written instructions by an employee with the appropriate delegation?
 - is preference given to an authorised government auctioneer?
 - is it feasible to arrange on-site auctions to avoid transport costs?
 - are all items delivered to an auction site receipted and crosschecked against payment advice after the auction to ensure that all items are accounted for?
- If public tenders are called:
 - are tenderers required to disclose any interest or link that they may have with employees of the organisation?
 - does the person approving the acceptance of disposal offers have the delegated authority to do so?
 - is the best offer accepted the most advantageous for the organisation?
 - are all tenderers advised of the outcome and successful tenderers notified of payment and collection procedures?
- Are sale conditions applied equally to all bidders?
- Is there a system that allows for the formal payment and receipting of monies from, and collection of goods by, successful bidders?
- Are there any controls to ensure the proceeds of sales are properly accounted for?
- Is the tender or auction process, including all decisions, fully documented and conducted transparently?

4. INVITING OFFERS FROM EMPLOYEES

- Has the organisation considered the ramifications (in terms of probity, fair dealing and openness) of excluding the public from the sale of scrap materials or low-value assets purchased with public funds?
- Is it practicable to hold items of low value in secure storage until sufficient quantities accumulate to warrant the cost of inviting public offers, rather than inviting offers from employees only?
- Are disposal items on offer to employees restricted to miscellaneous items of low value that need to be disposed of quickly but would not be cost-effective to put to public tender?
- Is the estimated market value of such items at the time of disposal less than a fixed nominal price?
- Is reasonable notice given and the offer widely advertised internally so that all employees have an opportunity to submit a bid?
- Do the people who approve the acceptance of offers have the delegated authority to do so?
- Is the best offer accepted the most advantageous for the organisation?
- Is the tender process, including all decisions, fully documented and conducted transparently to ensure that employees responsible for disposals are not vulnerable to accusations of partiality or corruption?
- Is there a system operating that allows for the formal payment and receipting of monies from, and collection of goods by, successful employees?
- Are there controls to ensure that the proceeds of sales are properly accounted for?

5. USING ITEMS FOR SPARE PARTS

- Are items that are to be dismantled or cannibalised for spare parts officially certified as unable to be used, refurbished or sold on to recoup value for the organisation?
- Is the time involved in dismantling an item and refurbishing recovered parts considered when making a decision about whether to use an item for spare parts, and does this process provide a cost-effective disposal option?

- Does the organisation have a system for recording and maintaining inventory controls over spare parts that are recovered from items designated for disposal?
- Is an authorised decision made on the disposal of materials that are left over from the dismantling process?

6. RECYCLING MATERIALS

- Has full information been obtained from waste management or conservation authorities on the recycling facilities locally available?
- Have materials for commercial recycling been clearly defined?
- Are there clear instructions provided for the disposal of each type of material identified for recycling?
- Are there separate, well-marked bins designated for the collection of recyclable materials?
- Are bins for valuable scrap materials (e.g. aluminium, brass) kept in a secure area?
- Are there regular and random checks on the types of materials placed in collection bins?
- Are recycling bins placed in an accessible position to encourage the recycling process?
- Are weighing details and payments by contractors adequately monitored and recorded?
- Are there independent checks on the nature of metal content and the number of bins collected?
- Are all vehicles entering and leaving the organisation's depots identified and recorded with their correct loads?
- Do all employees who have official contact with recycling and disposal contractors and scrap dealers have the designated authority to do so?
- Are all employees committed to the recycling process?
- Does the organisation use a competitive tendering process to select all categories of commercial recycling and disposal contractors and scrap dealers?
- Is the tender process fully documented and conducted transparently?
- Are contracts and arrangements that are entered into with contractors and dealers

unambiguously worded and properly managed?

- Is there a separation of duties pertaining to the procurement and invoicing processes in relation to those contracts?
- Are contractors and dealers advised of the ethical standards expected by the organisation in its dealings with the private sector?
- Does the organisation objectively measure and regularly review the performance of contractors and dealers used?

7. DONATING ITEMS

- Does the organisation have a specific policy on the donation of surplus materials or second-hand items to approved charities or community groups?
- Have guidelines and controls been implemented to govern the disposal of surplus materials and low-value assets by donation?
- Are all avenues for recouping a fair value for the organisation in a cost-effective manner explored fully before second-hand items or surplus materials are offered to charity or community groups?
- Is there an approved process for the nomination and approval of an appropriate charity or community group as the recipient of donations?
- Is the nature of the recipient's activities, as well as any business operations, checked carefully before giving away public assets or materials?
- Do approved charities and community organisations receive equitable treatment to avoid claims of bias against the organisation?
- If an item has a possible heritage or cultural value, is it donated to an organisation that

is considered to be the most suitable custodian?

- Does the person approving the donation have the delegated authority to do so?
- Are expressions of interest called from charities or community groups for specific items being disposed of, and are these calls for expressions of interest publicly advertised?
- Where the removal of items is time-consuming or costly to the organisation, is the charity or community group requested to remove the items themselves?

8. DUMPING

- Does the organisation have a formal procedure for allowing any interested employee to apply for approval to obtain those scrap materials and low-value assets that are unlikely to realise an economic return and have been designated to be dumped?
- Does this procedure make provision for any recompense to the organisation that might apply under these circumstances?
- Does the organisation consult the local waste management authority to see if there is a better disposal method than dumping?
- Does the organisation ensure that the dumping of items is not wasteful, hazardous or environmentally undesirable?
- Is the disposal of items by dumping witnessed by an authorised officer?
- Is the disposal of items by dumping documented and certified by the witnessing officer to indicate that proper procedures have been followed?
- Are all dumped items written off under appropriate delegations and the asset or other relevant registers amended accordingly?

APPENDIX A: THE RULES — BY LEGISLATION

The following list is an overview of the legislation governing the rules for the disposal of scrap and low-level assets. Further guidance is listed by topic in appendix B.

LEGISLATION	RESPONSIBILITIES
<i>Criminal Code Act 1899</i>	<p>This Act defines parties to offences committed who may be deemed guilty of an indictable offence.</p> <p>The Act also details indictable offences and their penalties which might be committed in the course of improper or fraudulent disposal of scrap and low-value assets, including:</p> <ul style="list-style-type: none"> • stealing or receiving stolen property or conspiring to steal or receive stolen property (with increased penalties for public officers) • fraudulent acts or conspiring to commit fraudulent acts (with increased penalties for employees of the victim) • falsification of records, documents or claims by commission or omission • contaminating goods or making goods appear to be contaminated • conspiring with another to cause injury to a person or to the person's reputation • conspiring with another to depreciate the value of a person's property • threatening another person to compel them to commit an unlawful act or refrain from a lawful act • abuse by a public officer of their official position to act against the interests of another • corruptly receiving or soliciting a bribe as a public officer, to carry out or ignore official duties • seeking to corrupt a public officer in the discharge of their official duties • receiving or soliciting a bribe to compound or conceal a crime or to withhold evidence • bribing a witness • fabricating or wilfully destroying or tampering with material that may be used as evidence • conspiring with another to obstruct, prevent, pervert or defeat the course of justice.
<i>Financial Administration and Audit Act 1977</i>	<p>This Act sets out the responsibilities of public sector agencies to:</p> <ul style="list-style-type: none"> • efficiently, effectively and economically manage and safeguard assets and resources • provide adequate safeguards against fraud or mistake • take action to recover the value of public property that is lost, destroyed or damaged.
<i>Financial Management Standard 1997</i>	<p>This Standard sets out the responsibilities of public sector agencies to:</p> <ul style="list-style-type: none"> • manage the agency efficiently, effectively and economically • develop and implement systems and internal controls to ensure that public resources are appropriately used, accounted for and safeguarded • assign responsibility for each element of resource management to different officers of the agency • develop and implement systems for effective risk management, including fraud control

LEGISLATION	RESPONSIBILITIES
<i>Local Government Finance Standard 1994</i>	<ul style="list-style-type: none"> • develop a strategic plan for assets, including strategies and options for disposing of surplus assets • develop and implement systems for asset management which provide for acquiring, identifying, valuing, recording, maintaining, disposing of and writing off assets • obtain reasonable value for money and best overall use of public property in disposing of assets • assign appropriate authority to those authorising disposal and responsibility to those disposing of assets • take prompt action to investigate identified losses and take preventive action against future loss • provide a written report to the police and the Auditor-General if a criminal offence is suspected • formally notify the CMC if official misconduct is suspected.
<i>Public Service Act 1996</i>	<p>This Act sets out the responsibilities of public sector agencies to:</p> <ul style="list-style-type: none"> • manage public resources efficiently, responsibly and accountably; maintain practical and adaptable systems and processes; and maintain proper public records • take disciplinary action against employees who perform their duties carelessly, incompetently or inefficiently, or are guilty of misconduct, or contravene a provision of the Act or code of conduct. <p>The Act sets out the responsibilities of public sector employees to:</p> <ul style="list-style-type: none"> • use public resources effectively, efficiently, economically and appropriately • carry out their duties impartially and with integrity, obey the law, and maintain the reputation of the public service • disclose any interest or conflict of interest that may relate to their work. <p>The Act also defines:</p> <ul style="list-style-type: none"> • ‘misconduct’ as disgraceful or improper conduct in an official capacity, or in a private capacity that reflects seriously and adversely on the public service.
<i>Local Government Act 1993</i>	<p>This Act sets out the responsibilities of local governments to:</p> <ul style="list-style-type: none"> • develop internal controls, systems and procedures to manage their financial operations and safeguard their records • dispose of goods valued at \$1000 or more only by auction or public tender • take disciplinary action against local government employees who engage in misconduct, who are incompetent or who neglect their duty • not interfere with an investigation or prosecution for missing property. <p>The Act sets out the requirement for local government employees to:</p> <ul style="list-style-type: none"> • act with integrity and in the public interest in carrying out their duties • disclose any material personal interest that they may have • not accept or solicit bribes or make improper use of official or confidential information • not wilfully destroy or damage local government property or records.

LEGISLATION	RESPONSIBILITIES
	<p>The Act also:</p> <ul style="list-style-type: none"> • defines local government ownership of materials and assets under its control • describes action to be taken by local governments when property is missing or stolen • warns about the non-authentication of documents that are not properly authorised.
<p><i>Public Sector Ethics Act 1994</i></p>	<p>This Act details:</p> <ul style="list-style-type: none"> • the public sector ethics principles and obligations that apply to all public officials. <p>The Act sets out the requirement for all public sector agencies to:</p> <ul style="list-style-type: none"> • develop and implement an agency-specific code of conduct based on the ethics principles • provide employees with access to, and appropriate education and training in, public sector ethics and the code of conduct. • take disciplinary action against employees who breach the code of conduct. <p>The Act also requires public officials to:</p> <ul style="list-style-type: none"> • comply with the obligations that apply to them, as stated in their agency's code of conduct • disclose fraud, corruption and maladministration of which they become aware.
<p><i>Crime and Misconduct Act 2001</i></p>	<p>This Act defines:</p> <ul style="list-style-type: none"> • 'official misconduct' as conduct that could, if proved, be a criminal offence or a disciplinary breach providing reasonable grounds for terminating the person's services if the person is or was the holder of an appointment. <p>The Act sets out the responsibilities of the CMC to:</p> <ul style="list-style-type: none"> • raise standards of integrity and conduct in agencies and ensure complaints of misconduct are dealt with in an appropriate way • work cooperatively with agencies to prevent major crime and misconduct, and provide advice and training where required • play a lead role in building the capacity of agencies to deal with cases of misconduct effectively and appropriately • have primary responsibility for dealing with complaints about, or information or matter involving, official misconduct • monitor the conduct of investigations by CEOs into official misconduct and by the commissioner of police into police misconduct • appropriately use its authority to obtain information or evidence in the course of an investigation • take action against any person wilfully making a false, frivolous or vexatious complaint. <p>The Act also sets out the responsibility of an agency's principal officer to:</p> <ul style="list-style-type: none"> • refer suspected official misconduct to the CMC • deal with a complaint, information or matter involving official misconduct referred to the agency by the CMC, subject to the CMC's monitoring role • (in the case of the commissioner of police) have primary responsibility for dealing with complaints, information or matters involving suspected police misconduct, subject to the CMC's monitoring role.

LEGISLATION

RESPONSIBILITIES

The Act details:

- the ability of any person to make a complaint or provide information about suspected official misconduct to the CMC
- the powers for obtaining information or evidence granted to the CMC and the conditions for exercising those powers
- penalties for any person who obstructs or interferes with a CMC investigation, tampers with evidence or knowingly supplies false information, or attempts to bribe or improperly influence CMC officers in the discharge of their duty
- penalties for anyone who takes reprisal action against another because of evidence or information provided in an investigation or prosecution.

*Whistleblowers
Protection Act 1994*

This Act sets out:

- the types of public interest disclosures that may be made by a public official, and the types of public interest disclosures that may be made by any other person
- the manner in which a public interest disclosure may be properly made
- the liability or lack of liability incurred by a person in making a public interest disclosure
- the responsibility of an entity receiving a public interest disclosure to maintain a proper record about the disclosure and to maintain confidentiality
- referral of the matter to another appropriate entity for investigation or remedy
- the responsibility of an agency to establish reasonable procedures to protect employees from reprisal action
- reprisal action taken against another person as an indictable offence.

The Act also sets out the responsibility of the CMC to investigate:

- any alleged false, frivolous or vexatious complaints made by a public officer
- any alleged or suspected improper disclosure by a public officer of confidential information gained through involvement in the administration of the Act
- any alleged or suspected reprisal action by a public officer.

APPENDIX B: THE RULES — BY ISSUE

The following legislative requirements are key points and offered as a guide only. Please refer to the relevant legislation, as listed, for full details.

ISSUE	LEGISLATION	RESPONSIBILITIES
Action to be taken when losses are identified	<i>Financial Management Standard 1997</i> , s. 42(1)–(2), s. 43(1)	<ul style="list-style-type: none"> • Agencies must promptly investigate the circumstances of the loss, prepare a report about it and recommend action to prevent the loss recurring. • If the loss is suspected to be a result of an offence under the <i>Criminal Code Act 1899</i> or another Act, agencies must also give written notice to the police, the Auditor-General and, if official misconduct is suspected, to the CMC. • A register of material losses of property must be kept.
	<i>Local Government Act 1993</i> , s. 56	<ul style="list-style-type: none"> • If a local government becomes aware that its property may have been stolen, it must immediately give written notice to the police and the Auditor-General. • If property with a total value of at least \$1000 is missing, but not suspected to have been stolen, the local government must immediately give written notice to the Auditor-General.
	<i>Financial Administration and Audit Act 1977</i> , s. 107(2)	<ul style="list-style-type: none"> • The value of public property lost or destroyed, or the cost of repairing damage to it, may be recovered from the officer or employee who had the property in care, or the officer or employee causing or contributing to the loss, destruction or damage.
Assets — acquiring and identifying	<i>Financial Management Standard 1997</i> , s. 45(2)–(3) and Commentary	<ul style="list-style-type: none"> • Agencies are to identify cost-effective options for acquiring, maintaining and disposing of assets to promptly identify assets and to verify their existence on a regular basis and rolling basis, according to their risk profile and materiality. • Acquiring assets includes obtaining authority before acquiring the assets. • During asset verification procedures, agencies should be able to identify surplus assets and assets that are not used to their full capacity.
Assets — disposing of	<i>Financial Management Standard 1997</i> , s. 45(5), s. 49 and Commentary	<ul style="list-style-type: none"> • Agencies are to develop and implement systems for disposing of assets that are surplus to the agency's requirements, with the aim of obtaining reasonable value for money and best overall use of public property. • Systems for disposing of assets must provide for the manner of disposal and threshold amounts for each way of disposing of assets, as well as the assignment of authority to those authorising disposal, and the assignment of responsibility to those disposing of assets. • Disposal should include consideration of whether the asset may be used by another area of the agency or by another agency.
	<i>Local Government Act 1993</i> , s. 491	<ul style="list-style-type: none"> • A local government may dispose of goods with an apparent value of \$1000 or more only by auction or public tender.

ISSUE	LEGISLATION	RESPONSIBILITIES
Assets — maintaining	<i>Financial Management Standard 1997</i> , s. 45(4), s. 48 and Commentaries	<ul style="list-style-type: none"> • Agencies are to use assets for authorised purposes only, maximise the benefits from using assets, protect assets from loss and store assets securely. • A system for the cost-effective maintenance of the agency's assets must be developed and implemented, and must ensure that assets remain appropriate and productive at the lowest possible long-term cost. • A physical asset maintenance system should allow agencies to identify assets warranting retirement or disposal and link to the agency's system for the disposal of assets.
Assets — management	<i>Financial Management Standard 1997</i> , ss. 44–5	<ul style="list-style-type: none"> • Agencies are required to manage the agency's assets efficiently and effectively. • Agencies are required to develop and implement systems for asset management that must provide for identifying, acquiring, maintaining, disposing of, valuing, recording and writing off assets.
Assets — recording	<i>Financial Management Standard 1997</i> , s. 45(8)	<ul style="list-style-type: none"> • In recording assets, agencies are required to accurately calculate depreciation, maintain an adequate audit trail and identify and record transactions for assets.
	<i>Local Government Finance Standard 1994</i> , s. 35	<ul style="list-style-type: none"> • A local government must keep a register and supporting documents and records of non-current assets, which include those other than non-current assets that it is treating as an expense. • A local government must set an amount (not more than \$5000) below which the value of a non-current asset must be treated as an expense.
Assets — strategic planning for	<i>Financial Management Standard 1997</i> , s. 24(1) and Commentary 2.(c)–(e)	<ul style="list-style-type: none"> • Agencies are required to develop a strategic plan for assets, which provides for the development of strategies for disposing of surplus assets. • Agencies are required to consider options for dealing with inadequately maintained assets and disposal action for surplus assets as best practice.
Assets — valuing	<i>Financial Management Standard 1997</i> , s. 45(6)	<ul style="list-style-type: none"> • Valuing assets includes appropriately valuing assets under the prescribed accounting standards, valuing and revaluing non-current physical assets under the deprival value principle and prescribed accounting standards, valuing other assets under the prescribed accounting standards and accurately calculating depreciation of assets.
	<i>Local Government Finance Standard 1994</i> , ss. 36–37(1)(5), s. 66, s. 78, s. 90, s. 112	<ul style="list-style-type: none"> • Non-current assets of a local government must be valued at their current value, which is the loss that it would incur if it were deprived of the asset's utility, or the net realisable value if the benefits the asset provided would not be replaced or reproduced. • Depreciation of an asset used in carrying on an activity may be based on the deprival value of the asset allocated over its useful life or on an amount decided by the local government to be appropriate in the circumstances.

ISSUE	LEGISLATION	RESPONSIBILITIES
Assets — writing off	<i>Financial Management Standard 1997, s. 45(9)</i>	<ul style="list-style-type: none"> • Appropriate authority must be obtained for writing off assets.
Code of conduct — development	<i>Public Sector Ethics Act 1994, s. 5(3), ss. 12–15; s. 17</i>	<ul style="list-style-type: none"> • An agency must ensure that it develops and implements an agency-specific code of conduct to provide standards of conduct consistent with the public sector ethics obligations, which are to apply to agency employees in performing their official functions. • An agency-specific code of conduct may contain anything considered necessary or useful for achieving the purpose of a code of conduct and, in particular, may provide obligations that agency employees must comply with.
Code of conduct — compliance with	<i>Public Sector Ethics Act 1994, s. 18, s. 24</i>	<ul style="list-style-type: none"> • Agency employees must comply with the obligations that apply to them, as stated in the agency's code of conduct. • Disciplinary action should be taken by an agency for employee breaches of its approved code of conduct.
Complaints — agencies dealing with	<i>Crime and Misconduct Act 2001, ss. 41–2, ss. 43–4</i>	<p>The CEO of any agency, including the commissioner of police:</p> <ul style="list-style-type: none"> • has a responsibility to deal with a complaint, information or matter involving official misconduct referred to the unit of public administration by the CMC and must deal with it in the way the CEO considers most appropriate, subject to the CMC's monitoring role • may, in an appropriate case, ask the CMC to deal with a complaint involving official misconduct in cooperation with the CEO • if dealing with a complaint, must give the complainant a response detailing the action (or lack of action) taken, the reason and any results of action taken. Such response is not required if the complainant's contact details are unknown or if information contrary to the public interest would be disclosed. <p>The commissioner of police also:</p> <ul style="list-style-type: none"> • has primary responsibility for dealing with, and must expeditiously assess, complaints, information or matters involving suspected police misconduct brought to the attention of the commissioner of police • must deal with the complaint about police misconduct in the way the commissioner of police considers most appropriate, subject to the CMC's monitoring role • may, in an appropriate case, ask the CMC to deal with a complaint about police misconduct or to deal with the complaint in cooperation with the police service.
Complaints — CMC dealing with	<i>Crime and Misconduct Act 2001, ss. 45–8</i>	<p>The CMC:</p> <ul style="list-style-type: none"> • has primary responsibility for dealing with complaints about, or any matter involving, official misconduct • is also responsible for monitoring how the commissioner of police deals with police misconduct.

ISSUE	LEGISLATION	RESPONSIBILITIES
Corruption and misconduct prevention	<i>Crime and Misconduct Act 2001</i> , ss. 23–4; ss. 33–4	<p>The CMC:</p> <ul style="list-style-type: none"> • expeditiously assesses each complaint about misconduct that comes to its attention and takes the action it considers most appropriate in the circumstances • may deal with each complaint about official misconduct that it considers should not be referred to a CEO to be dealt with • may refer a complaint about official misconduct that may involve criminal activity to the commissioner of police • if dealing with a complaint, must give the complainant a response detailing the action (or lack of action) taken, the reason and any results of action taken. Such response is not required if the complainant’s contact details are unknown, or if information contrary to the public interest would be disclosed. <p>Subject to the CMC’s monitoring role (see ss. 47–8), the CMC may:</p> <ul style="list-style-type: none"> • refer a complaint about official misconduct to a CEO to be dealt with by the CEO, or in cooperation with the CMC • allow the commissioner of police to continue to deal with a complaint about police misconduct notified to the commissioner of police • give a complaint about police misconduct made to the CMC by another party to the commissioner of police • advise a CEO to continue to deal with a complaint that the CEO has asked the CMC to deal with. <hr/> <ul style="list-style-type: none"> • The CMC has a prevention function of helping to prevent major crime and misconduct. This prevention function includes, but is not limited to: <ul style="list-style-type: none"> — analysing systems used within agencies to prevent misconduct — providing information to, consulting with, and making recommendations to, agencies — using information it gathers from any source in support of its prevention function — generally increasing the capacity of agencies to prevent misconduct by providing advice and training to the agencies and, if asked, to other entities — reporting on ways to prevent major crime and misconduct. • The CMC is to raise standards of integrity and conduct in agencies, and to ensure a complaint about misconduct, or information or matter involving misconduct, is dealt with in an appropriate way. • The CMC has a lead role in building the capacity of agencies to deal with cases of misconduct effectively and appropriately. • The CMC and agencies should work cooperatively to prevent and deal with misconduct. • Action to prevent and deal with misconduct in an agency should generally happen within the agency, subject to the cooperation, public interest principles and the capacity of the agency to do so.

ISSUE	LEGISLATION	RESPONSIBILITIES
Disciplinary action	<i>Public Sector Ethics Act 1994, s. 24</i>	<ul style="list-style-type: none"> Disciplinary action should be taken by an agency for employee breaches of its approved code of conduct.
	<i>Crime and Misconduct Act 2001, s. 50</i>	<ul style="list-style-type: none"> The CMC may charge an officer with official misconduct by way of a disciplinary charge if the CMC reports to the CEO of an agency that: <ul style="list-style-type: none"> a complaint, matter or information involves or may involve official misconduct by an officer of that agency there is evidence supporting a charge of a disciplinary nature of official misconduct against that officer. The charge may be dealt with only by a misconduct tribunal. The officer being charged may be a member of the police service or an appointed officer (other than a judge, holder of judicial office or member of the police service) whose appointment or agency is declared by regulation to be subject to the jurisdiction of a misconduct tribunal.
	<i>Public Service Act 1996, s. 87(1), s. 88(1)–(3), s. 94(1)(b)</i>	<ul style="list-style-type: none"> Disciplinary action may be taken by an employing authority against a public service employee who has performed their duties carelessly, incompetently or inefficiently; or who is guilty of misconduct; or who has contravened, without a reasonable excuse, a provision of the Public Service Act or a code of conduct. Disciplinary action against a public service employee may be dismissal, reduction of classification level and changed duties, transfer or redeployment, forfeiture or deferment of a remuneration increment, reduced remuneration level, imposed financial penalty or wage deduction, or reprimand — against which the employee may lodge an appeal or take other prescribed action.
	<i>Local Government Act 1993, ss. 1146–7, s. 1151</i>	<ul style="list-style-type: none"> Disciplinary action may be taken by an employing authority against a local government employee who has engaged in misconduct, has been incompetent or has neglected their duty. Disciplinary action against an employee of a local government may be a dismissal, a demotion, a deduction from salary or wages, or a written reprimand — against which an employee may lodge an appeal or take other prescribed action.
Ethics awareness and training	<i>Public Sector Ethics Act 1994, s. 19, s. 21</i>	<ul style="list-style-type: none"> Each agency employee must have reasonable access to a copy of the agency's code of conduct. Each agency employee must be given appropriate education and training about public sector ethics and the agency's approved code of conduct.
Ethics obligations for public officials	<i>Public Sector Ethics Act 1994, ss. 6–11</i>	<ul style="list-style-type: none"> The public sector ethics obligations apply to all public officials. A public official should: <ul style="list-style-type: none"> uphold the laws of the State and Commonwealth; and carry out official public sector decisions and policies faithfully and impartially treat members of the public and other public officials honestly and fairly and with proper regard for their rights and obligations

ISSUE	LEGISLATION	RESPONSIBILITIES
False, frivolous or vexatious complaints	<i>Crime and Misconduct Act 2001</i> , s. 42(3), s. 44(3), s. 46(2)(g), s. 216(1)–(6)	<ul style="list-style-type: none"> — seek to maintain and enhance public confidence in the integrity of public administration; and to advance the common good of the community the official serves. — not improperly use their official powers or position, or allow them to be improperly used. — ensure that any conflict that may arise between the official’s personal interests and official duties is resolved in favour of the public interest — disclose fraud, corruption and maladministration of which the official becomes aware — exercise proper diligence, care and attention; and seek to achieve high standards of public administration, in performing their official duties — ensure that public resources are not wasted, abused, or used improperly or extravagantly, in performing their official duties. <ul style="list-style-type: none"> • If a CEO or the CMC is satisfied that a complaint is frivolous, vexatious or lacks substance or credibility; or that dealing with the complaint would be an unjustifiable use of resources, the CEO or CMC may take no action or discontinue action. • The CMC may give notice to the complainant that the complaint will not be investigated because it appears to concern a frivolous matter or to have been made vexatiously. • The CMC will advise the complainant that it is an offence to again make the same or substantially the same complaint — either directly to the CMC or to an entity that is under an obligation to refer the complaint to the CMC.
	<i>Whistleblowers Protection Act 1994</i> , s. 12(2)(b), ss. 56–7	<ul style="list-style-type: none"> • It is an indictable offence for a person to intentionally give false or misleading information as a public interest disclosure, and a public officer who commits this offence may also be subject to dismissal or disciplinary action for misconduct. • The CMC may investigate any alleged or suspected official misconduct by a public officer in this regard.
Falsifying records and claims	<i>Criminal Code Act 1899</i> , s. 91, ss. 441–2, s. 442D, s. 449, ss. 498–9	<p>It is an indictable offence:</p> <ul style="list-style-type: none"> • for any public officer to make a false return or statement regarding any remuneration payable to themselves or another person • for any person who, with intent to defraud, falsifies any record or provides or uses a record known to be false • for any public officer charged with the receipt, custody or management of any part of the public revenue or property to knowingly provide any false statement or return of any property or money under their control • for any person or any public official acting as their agent, who, with intent to deceive or defraud an entity (e.g. public sector agency), provides any receipt, invoice, account or document containing false, erroneous, defective or misleading information or omitting full and explicit information, with regard to a transaction or matter of interest to the entity • for any person to unlawfully make, sign or execute any

ISSUE	LEGISLATION	RESPONSIBILITIES
		<p>document in the name or account of another person, or to circulate such document, with intent to defraud</p> <ul style="list-style-type: none"> • for any public officer, knowingly and with intent to defraud, to make out or deliver to any person a warrant for the payment of any money payable by public authority for a greater or less amount than the person is entitled to • for any person lawfully authorised to keep custody of any register or record, to knowingly permit any false entry to be made.
Fraud	<i>Criminal Code Act 1899, s. 408, s. 430</i>	<ul style="list-style-type: none"> • A fraudulent act is committed by any person who dishonestly uses, obtains or induces the delivery of property belonging to another, or who dishonestly gains a benefit for any person or causes a detriment to any person, or who dishonestly induces any person to commit an unlawful act or to abstain from any lawful act, or who dishonestly avoids payment for any property or service lawfully provided. • Penalties for fraud are increased if the offender is the employee of the person who is their victim. • A person's act may be considered dishonest even if they are willing to pay for or afterwards restore the property; or to make restitution for or make good any detriment to the property; or a mistake has been made by another person; or an owner or other person consents to doing any act or making any omission. • It is an indictable offence to conspire with another by deceit or any fraudulent means to affect the market price of anything publicly sold, or to defraud the public or any person, or to extort any property from any person.
Internal control	<i>Financial Management Standard 1997, s. 69, s. 71</i>	<ul style="list-style-type: none"> • An agency must develop internal controls to ensure the effective, efficient and economical management of the agency's resources. • Internal controls must include assigning responsibility to appropriate officers, establishing physical controls over access to and use of assets and records, properly authorising transactions and activities, and promptly detecting irregularities or errors. • Internal controls must also include regularly verifying the existence of assets against recorded information about them and following up on discrepancies.
	<i>Local Government Act 1993, s. 517, s. 527</i>	<ul style="list-style-type: none"> • A local government must observe sound accounting principles, procedures and records, and establish a system for managing its financial operations, which comply with the requirements of the Local Government Finance Standard.
	<i>Local Government Finance Standard 1994, s. 33</i>	<ul style="list-style-type: none"> • All revenue, expenses, assets, liabilities and equity of a local government must be identified, recorded and controlled in its accounting records.

ISSUE	LEGISLATION	RESPONSIBILITIES
		<ul style="list-style-type: none"> • A local government must have systems to ensure all revenue is promptly assessed and collected, expenses and liabilities are not incurred without proper authority and assets are protected from loss.
	<i>Public Sector Ethics Act 1994, s.22</i>	<ul style="list-style-type: none"> • An agency must ensure that its administrative procedures and management practices have proper regard to the Public Sector Ethics Act and, in particular, the ethics obligations of public officials and the agency's approved code of conduct.
Investigation by the CMC (crime involving an agency)	<i>Crime and Misconduct Act 2001, s. 72, s. 74, s. 86, s. 96, s. 100, s. 110, s. 121, s. 148, s. 195</i>	Under conditions prescribed in the Crime and Misconduct Act: <ul style="list-style-type: none"> • the CMC may give notice to an appointed officer in the agency requiring them to provide the CMC with information or evidence relating to the crime investigation, which is in the agency's possession, within the reasonable time and in the way stated in the notice • an authorised CMC officer may apply to a magistrate or Supreme Court judge for a search warrant to obtain evidence of major crime being investigated by the CMC and such search may involve a place or person • an authorised CMC officer may enter a place and exercise search warrant powers if they reasonably suspect that, unless the place is immediately entered and searched, evidence may be concealed or destroyed or the forensic value of the evidence may be diminished • a CMC officer conducting a crime investigation, who lawfully enters a place or is at a public place, may seize a thing that they reasonably suspect is evidence, photograph the thing seized or the place from which it was seized, stay at the place and re-enter it for the time reasonably necessary to remove the thing • if the CMC reasonably believes a person has been, or is likely to be, involved in major crime being investigated by the CMC, an authorised CMC officer may apply to a Supreme Court judge for a warrant authorising the use of a surveillance device • an authorised CMC officer may apply to a Supreme Court judge for a covert search warrant to obtain evidence of major crime being investigated by the CMC • a notice to produce may be given whether or not the CMC is conducting a hearing for the investigation and may require the immediate production of a document or thing if it is believed that a delay may result in its destruction, removal or concealment, or serious prejudice to the conduct of the investigation • a person must comply with the notice to produce or, if the person claims privilege in respect of any information, document or thing sought by the CMC, may be required to attend at a CMC hearing to establish the claim • a person may, under certain prescribed circumstances, appeal to the Supreme Court against a decision of the presiding officer of a CMC hearing.

ISSUE	LEGISLATION	RESPONSIBILITIES
<p>Investigation by the CMC (misconduct)</p>	<p><i>Crime and Misconduct Act 2001, s. 73, s. 75, s. 86, s. 121, s. 196</i></p>	<p>Under conditions prescribed in the Crime and Misconduct Act:</p> <ul style="list-style-type: none"> • a CMC officer may be authorised to enter and search official premises or inspect, copy or seize and remove records or things relevant to a misconduct investigation • the CMC may require an appointed officer in the agency to give the CMC officer reasonable help to exercise the above powers • the CMC may give notice to an appointed officer in the agency requiring them to provide the CMC with information or evidence relating to the misconduct investigation, which is in the officer’s possession, within the reasonable time and in the way stated in the notice • the appointed officer must comply with the notice or, if the officer or CEO of the agency claims privilege in respect of any information, document or thing sought by the CMC, they may be required to attend at a CMC hearing to establish the claim • the CMC or the person making the claim of privilege may apply to a Supreme Court judge to decide whether the claim is established and, if established, whether it is to be upheld • an authorised CMC officer may apply to a magistrate or Supreme Court judge for a search warrant to obtain evidence of misconduct being investigated by the CMC • if the CMC reasonably believes a person has been, or is likely to be, involved in misconduct being investigated by the CMC, an authorised CMC officer may apply to a Supreme Court judge for a warrant authorising the use of a surveillance device.
<p>Investigation monitoring by the CMC</p>	<p><i>Crime and Misconduct Act 2001, ss. 47–8</i></p>	<p>The CMC may:</p> <ul style="list-style-type: none"> • issue advisory guidelines for the conduct of investigations by CEOs into official misconduct, and by the commissioner of police into police misconduct • review or audit the way a CEO has dealt with official misconduct or the way the commissioner of police has dealt with police misconduct, in relation to either a particular complaint or class of complaint • require a CEO to report to the CMC about an investigation into official misconduct in the way and at the times the CMC directs, or to undertake further investigation into the official misconduct that the CMC directs • assume responsibility for and complete an investigation by a CEO into official misconduct or commissioner of police into police misconduct <p>The CEO or commissioner of police must:</p> <ul style="list-style-type: none"> • give the CMC reasonable help to undertake a review or audit, or to assume responsibility for an investigation • stop their investigation or any other action that may impede the investigation, if directed to do so by the CMC, if the CMC assumes responsibility for an investigation.

ISSUE	LEGISLATION	RESPONSIBILITIES
Interfering with investigation or prosecution	<i>Crime and Misconduct Act 2001</i> , s. 207, ss. 209–11, ss. 213–15, ss. 217–18	<p>It is an indictable offence to:</p> <ul style="list-style-type: none"> — impersonate an officer of the CMC, or attempt to bribe or improperly influence a CMC officer in the discharge of their duty — wilfully obstruct a CMC officer in the exercise of a power conferred on them by the Crime and Misconduct Act — injure or cause detriment to another person, or threaten to do so, because of a person’s appearance as a witness or provision of evidence before the CMC — make a record of or wilfully disclose information that has come to a person’s knowledge, or publish or give a CMC report, without proper sanction as defined by the Crime and Misconduct Act — obstruct or delay CMC procedures by fabricating, destroying, altering or sending out of the State any relevant record or thing — knowingly supply false information or evidence to the CMC.
	<i>Criminal Code Act 1899</i> , ss. 126–9, s. 131	<p>It is an indictable offence to:</p> <ul style="list-style-type: none"> — fabricate evidence or knowingly make use of fabricated evidence — bribe a witness or request or receive bribes to give false testimony or withhold true testimony, or to provide false information with the intent to affect the testimony of a witness — wilfully destroy or tamper with material that may be used as evidence — conspire with another to cause any person, known to be innocent of an offence, to be charged with the offence — conspire with another to obstruct, prevent, pervert or defeat the course of justice — request or receive a bribe to compound or conceal a crime or to withhold any evidence.
	<i>Local Government Act 1993</i> , s. 537	<ul style="list-style-type: none"> • A local government must not obstruct, attempt to obstruct or fail to take part in a prosecution for missing property or deliberately withhold relevant evidence.
Misconduct	<i>Public Service Act 1996</i> , s. 87(2)	<ul style="list-style-type: none"> • ‘Misconduct’ means disgraceful or improper conduct in an official capacity, or in a private capacity that reflects seriously and adversely on the public service.
Official misconduct	<i>Crime and Misconduct Act 2001</i> , ss. 14–19	<ul style="list-style-type: none"> • ‘Official misconduct’ is conduct that could, if proved, be a criminal offence or a disciplinary breach providing reasonable grounds for terminating the person’s services, if the person is or were the holder of an appointment. • Conduct may be considered official misconduct: <ul style="list-style-type: none"> — even if the conduct or some or all of its effects or elements happened before the commencement of the Crime and Misconduct Act — if the person involved no longer holds an appointment, or if the conduct occurred before the person becomes the holder of an appointment — regardless of where the conduct happens, or whether the

ISSUE	LEGISLATION	RESPONSIBILITIES
Offences — parties to	<i>Criminal Code Act 1899</i> , s. 7, s. 10, s. 539, ss. 541–5	<p>relevant law is a law of Queensland or of another jurisdiction</p> <p>— if a conspiracy or an attempt to engage in conduct had led to a further step that could constitute or involve an offence or grounds for terminating an appointed officer’s services.</p> <ul style="list-style-type: none"> • Official misconduct is not affected by time limitations, even if a proceeding or an action for an offence can no longer be brought or continued or that action for termination of services can no longer be taken.
Offences — stealing and receiving stolen property	<i>Criminal Code Act 1899</i> , s. 398, s. 433, s. 543(1)(c)	<ul style="list-style-type: none"> • When an offence is committed, those deemed to have taken part and who may be charged with committing the offence include: every person who actually commits the offence; every person who commits any act that enables another person to commit the offence; every person who aids another person in committing the offence; and any person who counsels or procures any other person to commit the offence. • Any person who receives or assists another who is, to the person’s knowledge, guilty of an offence, in order to enable the person to escape punishment, is said to become an accessory after the fact to the offence. • Any person who attempts to procure the commission of a criminal act by another is guilty of an offence of the same kind and liable to the same punishment. • Any person who conspires with another to commit any crime or offence, or to effect any unlawful purpose, is guilty of an indictable offence. <ul style="list-style-type: none"> • Any person who steals anything capable of being stolen is guilty of an indictable offence. • Penalties for stealing are increased if the offender is a public officer, and the property belongs to a public sector agency, or came into the offender’s possession by virtue of their employment. • Any person who knowingly receives anything that has been obtained by means of any act constituting an indictable offence is also guilty of a crime. • For the purposes of proving the receiving, it is sufficient to show that the person has, alone or with another, had the thing in their possession or has aided in concealing or disposing of it. • Any person who conspires with another to prevent or obstruct the free and lawful disposition of any property by the owner for its fair value is guilty of an indictable offence.
Other related offences (may be committed in the course of improper or fraudulent disposal)	<i>Criminal Code Act 1899</i> , s. 87, s. 92, s. 238(1), ss. 442B–442BA, s. 543(1)(b)	<ul style="list-style-type: none"> • Any public officer who corruptly asks for, receives, obtains or attempts to receive or obtain any property or benefit in return for something done or omitted to be done by them in the discharge of their official duties is guilty of an indictable offence. • Any person who seeks to corrupt a public officer in the discharge of their official duties is guilty of an indictable offence.

ISSUE	LEGISLATION	RESPONSIBILITIES
		<ul style="list-style-type: none"> • Any public officer who abuses their authority to commit or cause an arbitrary act prejudicial to the rights of another is guilty of an indictable offence. • Any person who contaminates or interferes with goods, or makes it appear that goods have been contaminated or interfered with, is guilty of an indictable offence. • Any agent (e.g. a public officer) who corruptly receives or solicits a bribe from another person for carrying out or not carrying out any act, or to show favour or disfavour to another person in relation to an entity's (e.g. public sector agency's) business is guilty of an indictable offence. • Any person who conspires with another to cause any injury to the person or reputation of any person, or to depreciate the value of any property of any person, is guilty of an indictable offence.
	<p><i>Local Government Act 1993</i>, s. 1143</p>	<ul style="list-style-type: none"> • A local government employee must not ask for or accept gifts or benefits as a local government employee or make improper use of official information to benefit themselves or another person or to cause harm to the local government. • A local government employee must not wilfully destroy or damage local government property or records. • A current or previous local government employee must not release confidential information of the local government.
<p>Ownership of materials and assets</p>	<p><i>Local Government Act 1993</i>, ss. 1122(1)–(3)</p>	<ul style="list-style-type: none"> • All structures, works and materials constructed by and under the control of a local government (including structures or works on someone else's land) remain the property of the local government, except for materials identified in s. 1122 (4).
<p>Public interest disclosures</p>	<p><i>Public Sector Ethics Act 1994</i>, s. 9(2)(c)</p>	<ul style="list-style-type: none"> • A public official should disclose fraud, corruption and maladministration of which the official becomes aware.
	<p><i>Whistleblowers Protection Act 1994</i>, s. 8, s. 9, s. 10, s. 11(1), ss. 14–18, ss. 19–20, ss. 25–7, ss. 28–9, ss. 39–40,</p>	<ul style="list-style-type: none"> • A public official may make a public interest disclosure about official misconduct as defined in the Crime and Misconduct Act, maladministration, negligent or improper management affecting public funds or danger to public health or safety or the environment. • Anybody may disclose danger to the health or safety of a person with a disability or danger to the environment from particular contraventions. • Anybody may disclose a reprisal taken against anybody for making a public interest disclosure. • A public interest disclosure must be properly made to an entity that has responsibility or power to take action about the information disclosed or to provide a remedy, as specified by the Whistleblowers Protection Act. • A person is not liable civilly, criminally or under an administrative process for making a public interest disclosure. • A person's liability for their own conduct is not affected only because the person discloses it in a public interest disclosure. • An entity receiving a public interest disclosure must keep a proper record about the disclosure and may refer the

ISSUE	LEGISLATION	RESPONSIBILITIES
Reporting to the CMC	<i>Financial Management Standard 1997</i> , s. 42(2)(b)	disclosure to another public sector entity that has power to investigate or remedy (e.g. to the CMC as a complaint of official misconduct).
	<i>Crime and Misconduct Act 2001</i> , ss. 36–40	<ul style="list-style-type: none"> • If official misconduct of an officer of a department or statutory body is suspected, with regard to a loss, the agency concerned must formally notify the CMC. • A person may complain about or give information involving misconduct to the CMC. (They may also complain directly to the commissioner of police about misconduct, or to the chief executive of an agency about misconduct happening within the agency.) • It is the duty of a chief executive officer of an agency to notify the CMC of any complaint, information or matter that is suspected to involve official misconduct — despite the provisions of any other Act other than the Police Service Administration Act, s. 7.2 (3). • It is the duty of the commissioner of police to notify the CMC of any complaint, information or matter that is suspected to involve police misconduct. • The CMC may issue directions about how notifications are to be made, after first consulting with the relevant public official, which the public official must then comply with.
	<i>Whistleblowers Protection Act 1994</i> , s. 28	<ul style="list-style-type: none"> • The duty of an agency’s principal officer to refer suspected official misconduct to the CMC is not affected by the Whistleblowers Protection Act.
Reprisals	<i>Crime and Misconduct Act 2001</i> , s. 212	<ul style="list-style-type: none"> • It is an offence to: <ul style="list-style-type: none"> — prejudice or threaten to prejudice the safety or career of any person — intimidate or harass, or threaten to intimidate or harass, any person — do an act that is, or is likely to be, to the detriment of any person <p>if that person or someone else gave evidence to or helped the CMC in the performance of its functions.</p>
	<i>Whistleblowers Protection Act 1994</i> , s. 11(2), s. 12(3), ss. 41–43, s. 57	<ul style="list-style-type: none"> • Causing, attempting or conspiring to cause detriment to any person (i.e. taking reprisal action) because of a public interest disclosure is unlawful, and a person who takes a reprisal is liable in damages to anyone who suffers detriment as a result. • A public officer who takes a reprisal commits an indictable offence for which s. 7 and s. 8 of the Criminal Code apply, and may also be subject to dismissal or disciplinary action for misconduct. • The CMC may investigate any alleged or suspected official misconduct by a public officer in this regard.
	<i>Criminal Code Act 1899</i> , s. 359, s. 543(1)(b)	<ul style="list-style-type: none"> • Any person who threatens to do any injury or cause any detriment to another, with the intent to prevent or hinder them from carrying out a lawful act, or with the intent to compel them to carry out an act that they are lawfully entitled to

ISSUE	LEGISLATION	RESPONSIBILITIES
Responsibilities of accountable officers and statutory bodies	<i>Financial Administration and Audit Act 1977</i> , s. 36(1)(a), (c)–(d)	<p>abstain from doing, is guilty of an indictable offence.</p> <ul style="list-style-type: none"> Any person who conspires with another to cause any injury to the person or reputation of any person, or to depreciate the value of any property of any person, is guilty of an indictable offence.
	<i>Financial Management Standard 1997</i> , s. 12(2), s. 15(1)	<ul style="list-style-type: none"> To manage the agency efficiently, effectively and economically. To avoid waste and extravagance. To ensure that the agency procedures provide adequate safeguards with regard to the purchase, receipt, issue, sale, custody, control, management and disposal of, and accounting for, public property. To ensure that the agency procedures provide adequate safeguards against fraud or mistake.
	<i>Public Service Act 1996</i> , ss. 23(f), (h)–(i), 52(1)(b)(d)	<ul style="list-style-type: none"> To adopt and maintain practical systems and processes that can be adapted quickly to changing demands To manage public resources efficiently, responsibly and in a fully accountable way. To maintain proper standards in creating, keeping and managing public records.
	<i>Local Government Act 1993</i> , s. 466	<ul style="list-style-type: none"> To keep safe custody of all records and documents owned or held by the local government.
Risk management	<i>Financial Management Standard 1997</i> , ss. 83–4 and Commentary	<ul style="list-style-type: none"> An agency must protect itself from unacceptable costs or losses associated with its operations and develop and implement systems for effective risk management. Systems for risk management must provide for determination of the nature and extent of risks, acceptable level of loss, the way to treat risk, the need for insurance, and monitoring and reporting the level of risk exposure. Risk management can be applied to almost every type of activity, including fraud control. Existing and alternative control mechanisms should be reviewed, including additional training, reorganising work methods and security measures. Areas prone to greater risks should be reviewed more frequently.
Separation of duties	<i>Financial Management Standard 1997</i> , ss. 29(1)–(2)	<ul style="list-style-type: none"> Responsibility for each element of the management of an agency's resources must be assigned to different officers of the agency. An agency must ensure there are cost-effective controls for the management of the agency's resources.

ISSUE	LEGISLATION	RESPONSIBILITIES
Whistleblower protection	<i>Whistleblowers Protection Act 1994</i> , s. 11(3), s. 12(2)(a), ss. 44–6, ss. 47–54, s. 55, s. 57	<ul style="list-style-type: none"> • Agencies must establish reasonable procedures to protect their employees from reprisals taken against them by the agency or other employees of the agency. • Agency employees have certain rights of appeal in relation to administrative actions or decisions that may relate to reprisal and the right to appeal for relocation to remove the danger of reprisals. • A person has certain rights to apply for an injunction about a reprisal to the Industrial Commission or the Supreme Court. • It is an offence for a public officer to record or disclose certain confidential information gained through involvement in the administration of the Whistleblowers Protection Act — unless disclosure is made under s. 55(3) of the Act. • A public officer who commits this offence may also be subject to dismissal or disciplinary action for misconduct. • The CMC may investigate any alleged or suspected official misconduct by a public officer in this regard.
Work performance and personal conduct	<i>Public Sector Act 1996</i> , ss. 25(b), (f)–(h), s. 83, s. 84	<ul style="list-style-type: none"> • A public service employee’s work performance and personal conduct must be directed towards ensuring the effective, efficient, economical and appropriate use of public resources. • A public service employee must carry out duties impartially and with integrity; observe all laws relevant to their employment; and ensure that their personal conduct does not reflect adversely on the reputation of the public service. • If warranted because of their duties and responsibilities, a public service employee must give a declaration of their interests (and a revised statement about their interests if these change) as soon as possible after the relevant facts come to the employee’s knowledge. • A public service employee must disclose the nature of any conflict of interest as soon as practicable after the relevant facts come to their knowledge, and must not take any further action in relation to a matter affected by a conflict of interest, unless authorised by the chief executive. • The chief executive officer may direct a public service employee to resolve a conflict or possible conflict between an interest of the employee and the employee’s duties.
	<i>Local Government Act 1993</i> , s. 1138, s. 1142(1)(a)–(b)	<ul style="list-style-type: none"> • An employee of a local government must act with integrity in the position they hold and in a way that shows a proper concern for the public interest. • An employee of a local government who has a material personal interest in an issue that they are dealing with, or are about to deal with, in the course of their duties must immediately inform the CEO.

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THE DISPOSAL PROCESS

The following chart has been prepared to help agencies undertake the correct and ethical disposal of scrap and low-value assets.

