Introduction to anti-corruption law and policy in Australia

Address by John McMillan to an Anti-Corruption Seminar, China-Australia Human Rights Technical Cooperation Program, Tianjin, China, 26-27 May 2008.

Introduction

Corruption can take many forms and enter a system in many ways. The corruption incident may be isolated and small in scale - examples include a government official awarding a contract to a friend, granting a licence in exchange for a bribe, disclosing confidential information, falsifying a record, or turning a blind eye to a criminal breach. At the other extreme, corruption can occur on a grand scale that is continuing and that causes great economic and social damage - examples include police protection of drug importation or illegal gambling, or persistent bribery of local government planning officials to approve land rezoning and building construction.

Corruption can infect all agencies, levels of government and officials - politicians, judges, public servants, police, senior and junior officials, and government contractors. Corruption affecting government can occur at a small business level, or be perpetrated by major corporations that buy political favour. Corruption can occur locally, nationally or globally, and involve the secret movement of large sums of money, drugs, weapons and people.

The incidents of corruption can be very different, though united by a common theme. Corruption is the misuse of power for personal gain. As such, it strikes at the heart of the system of law and government. Power is entrusted to public officials to be used properly and in the public interest. Public trust will be breached, and public priorities will be distorted, when public power is used corruptly for a private purpose. It is usually the weaker or poorer members of society who suffer most from corruption in government and business.

The fight against corruption can be nothing less than a national priority. It must be led by national political leaders, and enlist the cooperation and support of all in government, business and the community. The corruption challenge must be tackled comprehensively, by enacting special laws, creating dedicated anti-corruption commissions, purifying the institutions of government, promulgating ethical codes, conducting public education campaigns, and cultivating integrity in all areas of government, business and the community.

The central challenge is to build a corruption resistant culture¹. In this paper I will outline the comprehensive strategy that has been adopted in Australia to eradicate and prevent corruption². This issue attracts ever more attention in Australia, not because of falling standards in public life, but because of a growing recognition that corruption is a constant threat and disease that can cause great damage and should never be ignored.

¹ For development of this theme, see Office of Police Integrity (Victoria), Past Patterns - Future Directions (2007).

² See also Attorney-General's Department, 'Foreign Bribery - Australia's Approach to Fighting Corruption', www.ag.gov.au/foreignbribery

Nor does Australia see this only as a national challenge. Whether corruption is occurring within a country or across national boundaries, corruption presents a global challenge on which there must be international cooperation and effort. That is why this seminar, between Australia and China, is especially important. It provides us with an opportunity to share the different experience of each country in dealing with corruption. Equally importantly, this seminar demonstrates our commitment to work together to secure a cleaner world that is less stained by corruption, fraud and bribery.

Corruption challenges in Australia

Australia has long had a good reputation for honesty and integrity in government and business. Australia consistently ranks in the top 10 countries in the Transparency International Corruption Perceptions Index³. It ranks third best on another Transparency International Index that measures the propensity of business executives to offer bribes when doing business in foreign countries⁴.

That reputation is comforting, but there is also a negative picture. Corruption has occurred in Australia - and continues to occur - at all levels of politics, government, policing, business and community life. Over the past two decades we have witnessed the prosecution and imprisonment on corruption and fraud offences of a State Premier, State Government Ministers, a Commissioner of Police, a Chief Magistrate, members of parliament, numerous officials at all levels of government, and prominent national businessmen⁵.

There have been numerous royal commissions and special inquiries over the past decade that have investigated allegations of corruption in political lobbying, policing, job recruitment, occupational licensing, vehicle registration, land and building development, offender management, public procurement, revenue collection, financial investment, and foreign bribery.

Australia has found a need to become more vigilant, by establishing permanent commissions to investigate corruption. Most importantly, Australia has learnt that corruption is as much a challenge for developed as for developing nations; and that complacency and inaction provide a fertile environment in which corruption can flourish.

The Australian system of law and government

I will briefly describe how anti-corruption laws and strategies fit into the Australian system of law and government.

Australia has a federal system of government, with a national government, six state (regional) governments, and two territory governments. The national government (called the 'Commonwealth Government' or 'Australian Government') is responsible for matters such as defence, foreign relations, trade, immigration, a national social welfare system, and most taxation matters. The state and territory governments are responsible for matters such as

³ See www.transparency.org. Australia was ranked 9th in 2004-2006, and 11th in 2007.

⁴ See Bribe Payers Index 2006, at <u>www.transparency.org</u>.

⁵ Eg, see P Grabosky & P Larmour, 'Public Sector Corruption and its Control', Trends and Issues in Crime and Criminal Justice, No 143 (2000), Australian Institute of Criminology.

education, health, transport, land planning, consumer protection, criminal law and law enforcement. (Most of the examples in this paper relate to the national system of government.)

Each system of government in Australia has its own legislature, public service and judiciary. That means that each jurisdiction has different laws to deal with corruption, and has established a separate police force and other anti-corruption agencies.

The areas of government in which corruption is most likely to occur are where government officials interact regularly with members of the public and make decisions that can directly benefit or disadvantage individuals, especially financially. Examples are policing, local government planning, contracting, licensing, registration and law enforcement. Those areas mostly fall under State and Territory control in Australia, and not surprisingly corruption has been more of a problem at that level. In response, the States have generally led the way in establishing permanent commissions to combat corruption.

Another important feature of Australian government is the separation of powers between the legislature, executive and judiciary. The responsibility of those three separate arms of government is different - the legislature enacts laws, the executive administers them, and the judiciary independently resolves legal dispute between citizens and government and can conclusively decide the meaning of laws and whether government has acted properly.

A constitutional system is built of values and attitudes as well as laws and institutions. Australia's system of government is founded in the liberal democratic tradition. It is based on the values of the rule of law, respect for human rights, religious tolerance, and freedom of speech and association.

Those values are implemented and protected in a practical way. For example, government oversight agencies such as the Ombudsman, Human Rights and Equal Opportunity Commission, and anti-corruption commissions, are independent statutory agencies that can investigate complaints from members of the public against government officials and can publicly criticise officials and agencies who have acted improperly.

Another example of Australia's liberal democratic tradition is that our highest court, the High Court of Australia, has ruled that the Australian Constitution protects freedom of political communication. Any law that infringes that freedom will be declared invalid⁶. This means that the media in Australia have a protected freedom (within limits) to expose corruption and wrongdoing in politics and government.

The independence of the judiciary can be relevant in other ways too. The principle of the rule of law means that all people and institutions, including government agencies and officials, are subject to the law and to court proceedings and orders. The Australian judiciary has a proud record for impartiality and integrity. Any criminal prosecution or legal dispute will be decided objectively, on the facts of the case, in open court, and without political or bureaucratic interference. I earlier gave examples of court decisions to imprison on corruption charges, senior politicians, magistrates, government officials and businessmen.

⁶ Nationwide News Pty Ltd v Wills (1992) 177 CLR 1 (Political Broadcasts case).

On the other hand, the commitment of the judiciary to protect individual rights means that there is a heavy onus on a prosecutor to prove that a person is guilty of corruption. Many corruption allegations do not result in criminal proceedings, because of evidentiary and legal hurdles. Governments have responded to this difficulty by giving greater emphasis to corruption strategies that prevent rather than punish corruption.

National political leadership to fight corruption

The campaign to eradicate corruption must be led by national political leaders. Their leadership must be symbolic as well as practical. They must behave in a way that instills public confidence in the honesty, integrity and transparency of parliamentary and government processes.

The fight against corruption must therefore start within the parliament. Australia has placed strong emphasis on the role of the constitution and laws in ensuring that parliament is democratically and fairly elected⁷. Elections for the parliament are held at regular intervals (every three years for the national parliament). Every adult citizen can stand for election. Voting is secret. Elections are supervised by an independent Electoral Commission. The electoral laws punish political bribery, activity that obstructs an election, and deceptive political advertising. Political parties must declare their sources of funding and donations. And, to avoid unhealthy reliance by political candidates on private financial support, candidates who receive more than 4% of the votes in their electoral division are reimbursed an amount of \$1.50 for each vote they receive.

Once elected, parliament must function in an honest and transparent manner and be able to debate corruption without fear or favour. All meetings of parliament and most parliamentary committees are conducted openly. Debates in the parliament receive absolute protection against defamation laws or other interference. There is a Privileges Committee of both houses of the parliament to ensure that the freedoms and dignity of parliament are properly protected. A person in contempt of the parliament can be expelled (if they are a member) or censured or even imprisoned (if a member of the public).

The Opposition - which is formally referred to as the alternative government - is given special recognition and privileges. For example, the Opposition receives special funding and the right to introduce legislation and to raise issues for debate in parliament. Members of parliament are each given their own staff and funding to ensure they do not depend on private support.

Australia elected a new national government in November 2007, headed by Prime Minister Kevin Rudd, that acted quickly to introduce policies to bolster the integrity of parliament⁸. One new policy was a revised Code of Conduct on the Standards of Ministerial Ethics, premised on the principle that public office is a public trust. The new code spells out detailed standards to be observed by Government Ministers on matters such as conflict of interest, shareholdings, acceptance of gifts, employment of family members, post-ministerial employment, contact with lobbyists, and registration on a public register of all personal and financial interests.

⁷ See Constitution ss 7, 13, 24, 28, and Commonwealth Electoral Act 1918. See also the publications on the Australian Parliament website - www.aph.gov.au.

⁸ See www.pmc.gov.au. The Code was issued by the Prime Minister in December 2007

Integrity and ethics in executive government

It is equally important that the executive government is structured and staffed in a manner that ensures a high standard of integrity and ethical behaviour.

This depends in the first instance on a merit based system of recruitment and promotion to all public offices, to avoid patronage and favouritism. This is required by law in Australia. The legal requirements are oversighted at the national level by an independent statutory authority, the Australian Public Service Commission, which includes a Merit Protection Commissioner. One of the responsibilities of the Commission is to promote the Australian Public Service Values and the Australian Public Service Code of Conduct, which both have a legislative basis in the Public Service Act 1999.

A strong theme in the Values and Code is that the Australian Public Service must be apolitical, openly accountable, fair, impartial, courteous, and exhibit the highest ethical standards. Breach of the Code is a disciplinary offence that attracts sanctions including a reprimand, reduction in salary or rank, and dismissal. The Commission has an extensive publications and training program on integrity and ethics, and conducts annual surveys of public employees to gauge their awareness and respect for the Values and Code.

The principles of transparency and merit selection in public service appointments were reinforced by an important new Government policy released in February 2008⁹. The Government made a commitment to advertise senior statutory appointments (over 130) when a position becomes vacant; candidates are to be interviewed by an independent selection committee.

There are also many laws that regulate financial management and transactions within government to ensure that public money and property are properly handled. Two examples are the Financial Management and Accountability Act 1997 and the Commonwealth Authorities and Companies Act 1997. A core principle of those laws is that the head of each public sector agency must accept personal responsibility for the management of finances in his or her agency.

An independent Australian National Audit Office, headed by the Auditor-General, conducts regular financial auditing of government agencies to ensure their strict compliance with the financial management laws. The Auditor-General is declared by the Auditor-General Act 1997 to be 'an independent officer of the Parliament'. The Auditor reports regularly to the Public Accounts Committee of the Parliament.

At the level of policy and procedure, there are many other requirements imposed on government agencies to ensure probity and to prevent wrongdoing. An example, at the national level, is that each agency is required by the Commonwealth Fraud Control Guidelines to prepare a fraud control plan to anticipate and deal with fraud and corruption

⁹ See 'New Arrangements for Merit and Transparency in Senior Public Service Appointments', Media Release, Special Minister of State, 5 February 2008 - www.smos.gov.au.

risks¹⁰. Each agency is also required to establish an Internal Audit Committee to oversee the implementation of the fraud control plan.

Some agencies take extra steps to deal with special risks. For example, the Australian Federal Police has an extensive integrity framework that requires compulsory drug testing, security vetting and full financial declaration by all police officers. A large Professional Standards section manages the integrity program.

Government policies also impose uniform integrity standards across government. One example is a new Lobbying Code of Conduct, which controls lobbying activity in government, including establishing a public Register of Lobbyists¹¹. Another example is the Commonwealth Procurement Guidelines, which stipulate minimum probity standards and procedures for all government tendering and contracting¹². All government contracts over a prescribed value must be notified to the Parliament and the details placed on a public register¹³.

Transparency and accountability in executive government

An important element of the legislative framework that controls the executive branch of government is the administrative law system. I have explained in a companion paper how the Ombudsman plays a role in curbing corruption in government by constant oversight through investigating individual complaints ¹⁴. Government administrative processes are also exposed to independent review and scrutiny by courts and tribunals. Courts - such as the Federal Court - can undertake judicial review of the legality of government action. Tribunals - such as the Administrative Appeals Tribunal - can review the merits or substance of many administrative decisions, including some decisions of Ministers. Together, courts, tribunals and ombudsmen keep a watchful eye on all government administrative action.

Two other features of the administrative law system are also important in ensuring transparency and curbing corruption. One is the Freedom of Information Act 1982, which provides members of the public with an enforceable right of access to government documents that are not exempt on grounds such as national security, personal privacy and law enforcement. The other is public interest disclosure laws (also called whistleblower protection laws) that protect any public sector employee against recrimination or legal action if the employee reports corruption or wrongdoing by other employees¹⁵.

¹⁰ See <u>www.ag.gov.au</u>. The Guidelines are issued by the Minister for Justice and Customs under reg 19 of the Financial Management and Accountability Regulations 1997.

¹¹ See <u>www.smos.gov.au</u>. The Register was announced by the Special Minister of State on 2 April 2008.

See <u>www.finance.gov.au</u>. The Guidelines are issued by the Minister for Finance and Administration under reg 7 of the Financial Management and Accountability Regulations 1997.
This is required by an Order of the Senate - see Australian National Audit Office, The Senate Order of the

This is required by an Order of the Senate - see Australian National Audit Office, The Senate Order of the Departmental and Agency Contracts (Calendar Year 2005 Compliance), Audit Report No 5 2006 - 2007.

¹⁴ 'Fighting Corruption While Safeguarding Human Rights' - paper delivered in 2006, available at www.ombudsman.gov.au.

¹⁵ For a summary of Australian laws, see Public Interest Disclosure Legislation in Australia: Towards the Next Generation, Issues Paper (2006), available in 'Research Projects' in www.ombudsman.gov.au.

Australian corruption laws

Corruption prevention must be underpinned by laws that prohibit and punish corrupt conduct. Acts such as the Crimes Act 1914 and the Criminal Code Act 1995 list a great number of offences with heavy penalties - bribery of a public official, extortion, blackmail, forgery, falsifying a document, theft of government property, unlawful use of government property, dishonestly obtaining a government benefit, dishonestly retaining government property, abuse of public office, interference with a public official, dishonestly influencing a public official, an unwarranted demand by a public official, impersonation of an official, conspiracy to defraud the government, perverting the course of justice, conspiracy to defeat justice, corruption of a witness, preventing a witness from attending court, perjury, and giving false or misleading information.

Those laws are enforced by police - at the national level, by the Australian Federal Police. The prime responsibility for investigating corruption has and will always remain with the police force. The next stage in the cycle, the prosecution of offenders, is undertaken in Australia by an independent agency, the Director of Public Prosecutions. The dual reasons for the independence of that office are to ensure that there is professional screening of all law enforcement action, and to place the prosecution function beyond political and police direction and control.

An important new supplement to the criminal law was the Proceeds of Crime Act 2002. This Act lessens the financial rewards that corruption can bring, by allowing the proceeds of crime to be traced, frozen and confiscated by court order. This is supplemented by the Mutual Assistance in Criminal Matters Act 1997, which enables Australia to assist other countries that seek to confiscate the proceeds of crime that have been removed to Australia.

Corruption has become more sophisticated and harder to unravel, because of the complexity of banking, finance and the global economy. Australia has responded by creating special laws and institutions to record and monitor suspicious financial transactions, and to prevent money laundering. The Financial Transaction Reports Act 1988 requires banks and financial institutions to report to the Australian Transaction Reports and Analysis Centre. AUSTRAC is a special financial intelligence agency that provides support to law enforcement and revenue agencies.

Australian integrity standards

Examples were given earlier in this paper of a new wave of codes and guidelines, on matters as diverse as ministerial ethics, public service values, public procurement principles and control of lobbying. This is a recent and important trend in Australia that signifies a shift from 'hard law' to 'soft law'.

Hard law - legislation made by or under the authority of parliament - is needed to prohibit and punish corrupt conduct and to give coercive investigation powers to police and other agencies. Those laws tell officials what they must not do. But it is equally important to provide guidance to people on how they are expected to behave.

This is necessary if we want to raise the standard of public life above minimum standards of improper conduct. In short, soft law - codes, charters and guidelines - are necessary if we

want to promote integrity and professionalism. This can be described as building a values driven culture. It is a new theme in Australia that links integrity promotion and corruption prevention as opposite sides of the same coin.

Another example of this trend, described later in this paper, is the adoption by Australia and other countries of international codes and conventions that eschew corruption.

Permanent agencies to combat corruption and promote integrity

Throughout Australia's history there has always been a need for royal commissions and special inquiries into corruption allegations. A recent example was a Royal Commission which found that the Australian Wheat Board - a private company - had made illicit payments under the United Nations Oil-for-Food program to Saddam Hussein's regime, to ensure the sale of Australian wheat to Iraq¹⁶. Other similar inquiries have earlier been held into serious and high level corruption in state government and policing¹⁷.

These special inquiries have been effective in publicly exposing corrupt conduct and bringing about the prosecution and imprisonment of politicians and senior officials. Yet an inquiry that is held into corruption that has already occurred is likely to have a limited impact on preventing future corruption. This point was well illustrated by a report in 2007 of the Office of Police Integrity in Victoria, Past Patterns - Future Directions. The report looked at 19 royal commissions and official inquiries into police misconduct and corruption in Victoria over a period of 150 years. Why was there an official inquiry on average every eight years? The reason is that the problem of corruption re-surfaced no sooner than the recommendations of the last inquiry were taken on board. There was a recurring pattern of misconduct and corruption that could not be broken by a single inquiry.

The lesson to be drawn is that there is a need for a permanent, independent and well-resourced body to keep a constant watch on government and police conduct. A number of such commissions have now been established in Australia - at the national level, the Australian Commission for Law Enforcement Integrity; in the state of New South Wales, the Independent Commission Against Corruption and the Police Integrity Commission; in Queensland, the Crime and Misconduct Commission; in Western Australia, the Corruption and Crime Commission; and in Victoria, the Office of Police Integrity.

The role of these commissions differs slightly, as their titles suggest. Some look only at police activity, while others can investigate all public officials, including politicians; and some focus only on corruption, while others look more broadly at misconduct in government.

In other respects these commissions are largely similar. They have three roles. The first is an operational role that includes covert monitoring, surveillance, analysing criminal intelligence, and investigating allegations of corruption and misconduct, either on referral from the government, on complaint from members of the public, or on the initiative of the body. The second role is to prevent corruption, by undertaking a risk assessment of agency systems,

¹⁶ Report of the Inquiry into certain Australian companies in relation to the UN Oil-for-Food Programme (2006), available at www.offi.gov.au.

¹⁷ Eg, see references in notes 1 and 5 above.

providing advice to agencies, publishing integrity guidelines, training and research. The third role is public education, by conducting public awareness programs that highlight the damaging effects of corruption, that enlist public support to report corruption, and that change attitudes in favour of ethical behaviour.

A key to the success of these permanent commissions is the special investigation powers they have been given by statute. These powers are necessary to penetrate the web of secrecy and cunning that can thwart the detection of corruption. The powers include telephone interception, electronic surveillance, installation of listening devices, undercover and controlled operations, search warrants, arrest, scrutiny of financial transactions, and passport confiscation. The commissions can conduct a private or public hearing, at which a person can be summoned to produce documents or give evidence under oath and be cross-examined. The report of an investigation can be given to the police, the parliament, or released publicly.

These permanent commissions have been effective in detecting and curbing corruption in government and policing. They have been able to penetrate more deeply into corrupt arrangements and misconduct. They have developed a special understanding of corruption risks, how it flourishes, and how to detect and expose it. Through their continuing oversight of government, they exist as a constant reminder to officials that their behaviour is under regular scrutiny. The commissions work alongside other government agencies and law enforcement bodies to promote integrity and to build a culture that is more resistant to wrongful practice.

A final point to make about these new commissions is that their own integrity and professionalism are essential to their success. To ensure this, the work of each commission is scrutinised by a special parliamentary committee, and in some cases an independent monitor (usually a senior lawyer)¹⁸. This scrutiny ensures that the commissions comply with the legislation that give them power. There is an also an obligation on staff of the commission to report to a Minister any corruption issue arising within the commission. The commissions are also subject to the scrutiny of courts and the Ombudsman.

Regional and international efforts to curb corruption

Corruption is an international problem. Not only does it occur within every nation, criminal activity, criminals and the proceeds of crime move ceaselessly across national boundaries. Technology has provided more sophisticated options for international crime; and the financial incentives for corrupt conduct continue to grow.

Australia has therefore accepted the need to tackle corruption in cooperation with other nations. One step was to become a party to international conventions - such as the United Nations Convention Against Corruption, the UN Convention Against Transnational Organised Crime, and the Organisation for Economic Cooperation and Development Convention on Combating Bribery of Foreign Officials in International Business Transactions. These and other international commitments have been implemented in Australia by Acts such as the Extradition Act 1988, Mutual Assistance in Business Regulation Act 1992, and Mutual Assistance in Criminal Matters Act 1997, and by amendments to the Criminal Code.

_

¹⁸ See J Wood, 'Ensuring Integrity Agencies have Integrity' (2007) 53 AIAL Forum 11.

Australia has also been active in regional forums. For example, in conjunction with 21 other member economies of Asia-Pacific Economic Cooperation (APEC), Australia has developed the Conduct Principles for Public Officials and the Business Integrity and Transparency Principles for the Private Sector.

Australia is a member of Interpol, the International Police Organisation that facilitates sharing of criminal intelligence between member countries. Australian Federal Police Officers are located in 26 countries, to work with foreign law enforcement agencies. We have also established an active Foreign Bribery Public Awareness Campaign, to raise awareness of foreign bribery, its damaging effects, and how to report it.

At a regional level, Australia's international development assistance agency, AusAID, conducts a program entitled 'Tackling Corruption for Growth and Development'¹⁹. The program assists governments in the Asia-Pacific region to reduce corruption by strengthening the capacity of their central institutions of government, such as the parliament, judiciary, police, auditor-general, and ombudsman. The program recognises that corruption can impede economic and social development, and cause disproportionate harm to poorer members of the community. The program also works with the civil society - churches, the media, community leaders and schools and universities - to build a coalition of support for anti-corruption reform.

Research and community-based activity to stem corruption

The campaign against corruption must be led by the nation's leaders, but it must also be based in the community.

One way the government can encourage this is by lending support to non-government organisations that play an active role in raising public awareness. An example in Australia is the public acknowledgement given to the work of Transparency International, a global coalition that operates in 70 countries and that targets international business corruption.

Government financial support has also been provided to university research institutions that explore the link between corruption, good governance and democracy. Two examples are the Centre for Democratic Institutions at the Australian National University, and the Key Centre for Ethics, Law, Justice and Governance at Griffith University.

The value of independent research has been demonstrated by the work of the Australian Institute of Criminology, which has published a large number of leading studies on fraud and corruption. An example was a comprehensive review of anti-corruption literature and strategies published in 2006^{20} , which listed the three most important causes of corruption as: the values displayed by politicians and public servants; lack of supervision and auditing of government and administration; and relationships between politicians and businessmen.

¹⁹ See AusAID, 'Tackling Corruption for Growth and Development: A Policy for Australian Development Assistance on Anti-Corruption' (2007).

²⁰ R McCusker, 'Review of Anti-Corruption Strategies', Australian Institute of Criminology, Technical and Background Paper No 23, 2006.

Conclusion

The theme of this paper is that corruption presents a major challenge for government that must be met by a comprehensive strategy. This includes special laws to punish and investigate corruption; the creation of permanent anti-corruption commissions; measures to safeguard democracy and the integrity of government institutions; adoption of ethical codes and special integrity training programs; independent scrutiny of government administrative action by courts, tribunals, auditors-general, ombudsmen and human rights agencies; public education campaigns; and national leadership to cultivate integrity in all areas of government, business and the community

International cooperation to fight corruption is equally important. Seminars of this kind between China and Australia are an important step in strengthening the excellent links between our countries and ensuring that our systems of government work in the public interest.