



COMMONWEALTH OF AUSTRALIA

Official Committee Hansard

SENATE

PARLIAMENTARY JOINT COMMITTEE ON THE AUSTRALIAN
COMMISSION FOR LAW ENFORCEMENT INTEGRITY

Integrity of overseas Commonwealth law enforcement operations

FRIDAY, 11 MAY 2012

CANBERRA

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SENATE
PARLIAMENTARY JOINT COMMITTEE ON THE AUSTRALIAN COMMISSION FOR LAW
ENFORCEMENT INTEGRITY

Friday, 11 May 2012

Members in attendance: Senators Cameron, Parry, Singh and Mr Hayes, Mr Matheson, Ms Parke and Mr Zappia

Terms of reference for the inquiry:

To inquire into and report on:

Management of corruption risks arising from the international operations of Commonwealth law enforcement agencies, including:

- the Australian Federal Police;
- the Australian Crime Commission;
- the Australian Customs and Border Protection Service;
- the Australian Taxation Office;
- the Australian Transaction Reports and Analysis Centre;
- CrimTrac;
- the Australian Quarantine and Inspection Service; and
- the Department of Immigration and Citizenship.

In the context of challenges particular to international operations, the committee will consider:

- (a) trends in and the nature and extent of corruption risks facing Commonwealth law enforcement agencies involved in international operations;
- (b) the extent to which Commonwealth law enforcement agencies are able to prevent and investigate corruption in their international operations;
- (c) the extent to which ACLEI is able to assist in corruption prevention and to successfully investigate or otherwise respond to corruption in international operations;
- (d) the nature and effectiveness of integrity measures, models and legislation adopted by foreign jurisdictions, including for their international operations;
- (e) the interaction of Commonwealth and foreign integrity measures, including in cases of joint operations with foreign governments or multinational organisations; and
- (f) any other relevant matters.

WITNESSES

CHINNERY, Ms Margaret, Director, Law Enforcement, Office of the Commonwealth Ombudsman	17
CROOK, Mr David, Group Manager, Governance, Analysis and Planning, Austrade.....	26
DAY, Mr Warren, Regional Commissioner, Australian Securities and Investments Commission.....	22
DUNN, Mr Laurie, First Assistant Director-General, Program Effectiveness and Performance Division, AusAID	9
EXELL, Mr Blair, First Assistant Director-General, Corporate Enabling Division, AusAID.....	9
GRIGSON, Mr Paul, Deputy Secretary, Department of Foreign Affairs and Trade.....	1
HOCKEN, Mr Mathew, Senior Adviser, Government and Industry Relations, Export Finance and Insurance Corporation.....	14
HOPKINS, Mr John, General Counsel, Export Finance and Insurance Corporation.....	14
JACOMB, Mr Brendan, General Manager, Legal, Security and Procurement, Austrade.....	26
KIMBALL, Ms Marcia, Chief Human Resources and Change Management Officer, Austrade.....	26
LARKINS, Ms Alison, Acting Ombudsman, Office of the Commonwealth Ombudsman.....	17
MARCELIS, Mr Pascal, Manager, Government Relations, Australian Securities and Investments Commission	22
MERRYFULL, Ms Diane, Senior Assistant Ombudsman, Office of the Commonwealth Ombudsman	17
PACEY, Mr John, Chief Credit Officer, Export Finance and Insurance Corporation	14
SCOTT, Mr Peter Guinn, Director, Sanctions and Transnational Crime Section, Department of Foreign Affairs and Trade	1
WILLIAMS, Mr Luke Joseph, Director, Management Strategy, Conduct and Diversity Section, Department of Foreign Affairs and Trade	1
YUILE, Mr Peter, Executive Director, Education and Corporate Operations, Austrade	26

GRIGSON, Mr Paul, Deputy Secretary, Department of Foreign Affairs and Trade

SCOTT, Mr Peter Guinn, Director, Sanctions and Transnational Crime Section, Department of Foreign Affairs and Trade

WILLIAMS, Mr Luke Joseph, Director, Management Strategy, Conduct and Diversity Section, Department of Foreign Affairs and Trade

Committee met at 09:02

CHAIR: I declare open this public hearing of the Parliamentary Joint Committee on the Australian Commission for Law Enforcement Integrity Committee in relation to its inquiry into the integrity of overseas Commonwealth law enforcement operations. Before the committee starts taking evidence, I remind all witnesses that in giving evidence to the committee they are protected by parliamentary privilege. It is unlawful for anyone to threaten or disadvantage a witness on account of evidence given to a committee and such action may be treated by the Senate as a contempt. It is also a contempt to give false and misleading evidence to a committee.

If a witness objects to answering a question the witness should state the ground upon which the objection is taken and the committee will determine whether it will insist on an answer, having regard to the ground which is claimed. If the committee determines to insist on an answer a witness may request that the answer be given in camera. Such a request can, of course, also be made at any other time.

I remind members and senators that the Senate has resolved that an officer of the department of the Commonwealth or of the state should not be asked to give opinions on matters of policy and shall be given reasonable opportunity to refer questions asked of the officer to superior officers or to a minister. This resolution prohibits only questions asking for opinions on matters of policy and does not preclude questions asking for explanations of policies or factual questions about when and how policies were adopted.

I now welcome Mr Grigson and representatives from the Department of Foreign Affairs and Trade. Would you like to make a brief opening statement?

Mr Grigson: No, other than to say that of course these are issues that the department takes very seriously so we are very pleased to be here today and keen to help in whatever way we can.

CHAIR: Excellent. Thank you. Now we note that DFAT employed 1,644 locally engaged staff as of 31 June 2011. In our hearings to date we have heard from a number of different government agencies and departments who have informed us that their local staff are engaged and managed under DFAT contracts. So, could you tell us under what terms they are employed? Do the contracts vary according to which agency they will be working for, and what specific risks are associated with locally engaged staff and what corruption prevention measures are in place in relation to those staff?

Mr Grigson: Of course. Thank you very much. Our locally engaged staff of course, as you know from the numbers you have just quoted, are a very important part of our operations overseas. A major element of our work with them is ensuring that they understand codes of conduct that apply to them. There is an LES code of conduct that all LES employees are required to sign. There is a manual, which is available on our website, dealing with conduct and ethics issues. And, we do have a significant training effort as posts overseas for LES. I might pass to Luke Williams to answer the questions about the details of contracts and so forth and we can see where we get to with that answer.

CHAIR: Thank you.

Mr Williams: The contracts actually vary from post to post because it very much depends on the local circumstances of posts and local labour law arrangements, because one of the key elements of our arrangements with locally engaged staff, including conduct and ethics, is that we always have to comply with local laws as well. You can have different arrangements depending on which posts for those contracts. Some locally engaged have been working at those posts and with different agencies for many decades. Others have come on more recently. Those who have joined more recently, in the last 10 years or so, tend to be on shorter term contracts than is with the case with those who have been there longer term. In terms of the code of conduct that applies to the locally engaged staff we have a standard set of words. It is outlined in our conduct and ethics manual which is available on our website. And, posts are able to draw from that standard set of words, which themselves are drawn from the APS Code of Conduct. And, whenever an employee is newly recruited at one of our missions they have to sign that code of conduct and to acknowledge that they understand the terms of it. Where locally engaged staff do not have good English, then we have arrangements to have those codes of conduct translated into the local language.

CHAIR: The Public Service Act has recently revised the APS Values. Is there going to be new implementation of codes of conduct pursuant to the revision of the act?

Mr Williams: My understanding is those values are before the parliament at the moment and what you have is a set of APS values, and the new set of values are bringing down to five the core key values from more than a dozen. In terms of how the APS code of conduct is affected by that, we have to wait to see what the Australian Public Service Commission does in terms of whether it sees a need to further revise the APS code of conduct in light of those changes to the APS Values. If the APS Code Of Conduct is changed, we will of course then reflect those changes in our own codes of conduct. Just to explain—for our staff based in Australia, the APS Code of Conduct is what we draw from. We also have a separate code of conduct for our officers who are sent overseas on posting, because we acknowledge that you have different circumstances applying overseas. So we have a specific code of conduct applying for those operating overseas and, then we further have the locally engaged staff codes of conduct, all of which is as a flow from the APS Code of Conduct.

Mr Grigson: I think the answer to your question is, if there were changes to the APS Code of Conduct, of course we would reflect them in the LES code of conduct.

CHAIR: In relation to the guidelines for management of the Australian government presence overseas, does that include the code of conduct, or is that quite a separate document?

Mr Grigson: It includes responsibility for all elements of management of the presence overseas, so it would go to the hiring of LES and their conduct while in the employ of the Commonwealth.

CHAIR: Right. Can I just come back to my earlier question about the specific risks associated with locally engaged staff and what corruption measures are in place aside from getting them to sign a code of conduct in relation to staff.

Mr Grigson: In terms of how we manage our posts, we actually have a range of measures in place at posts which require all staff to comply with key guidelines, especially for those who are dealing with money. There are actually monthly checks done by senior A-based post-management staff to ensure that all those guidelines are being adhered to by all staff, including our locally engaged staff. We also more generally run an audit program in which we send auditors out to posts to do an extensive audit of all administration procedures at the post to make sure that everything is being done correctly. If any problems are found there, depending on the degree to which a mistake has been committed or fraud has been committed, we will then look possibly to what we call implementing code of conduct measures, which are that, if the fraud is serious, we will ensure that we send in the investigators to see to what extent a fraud has been committed and what action needs to be taken to correct it.

CHAIR: Does DFAT have an approach to corruption risk based on the different cultural contexts in which your staff operate?

Mr Grigson: There are guidelines on the acceptance of gifts, for instance, which of course varies across cultures. Heads of mission have particular responsibility for the performance and conduct of their locally employed staff. I know from personal experience that they take that very seriously, because the department does. It is something that is looked at very carefully. We have a process in place to deal with gifts. Anything outside what might be described locally as a gift is managed very carefully by the senior administrative officer, who, as Luke said, each month is required to sign off on the performance and activities of local staff.

CHAIR: Okay. I may have further questions for you, but I am going to give an opportunity to my colleagues to ask some questions.

Senator PARRY: Thank you. I just want to get a bit of an overview about how investigations are conducted. If a DFAT employee in an overseas location is involved in any form of corruption at whatever level, who investigates?

Mr Williams: We have what we call a Conduct and Ethics Unit, which is based in Canberra here in the Department of Foreign Affairs and Trade, and that unit has two investigators. What happens is that whenever an allegation of misconduct—which can include corruption—comes forward, it is immediately referred to the Conduct and Ethics Unit, and a decision is made on whether to embark on a formal investigation based on the seriousness of that allegation. That investigation must be carried out according to the guidelines set out in what we call the Australian Government Investigations Standards—

Senator PARRY: That is fine; I do not need to know that. Would you involve Australian Federal Police at all?

Mr Williams: We involve Australian Federal Police where a serious crime has been committed by an Australian officer—

Senator PARRY: Who makes the determination? It is simply based upon if a crime has been suspected or detected?

Mr Williams: Again, where it involves the Australian Federal Police, we notify Peter Scott's area, because they are the ones who then deal with what we call transnational crime and, if a crime has been committed in that area, they then notify the Australian Federal Police. So we bring in the Australian Federal Police where it becomes a criminal matter.

Senator PARRY: Okay, so that assessment is made internally at some point.

Mr Williams: Yes.

Senator PARRY: What if the offence or the corruption issue involves locals? How do you deal with that? Is there a problem with other jurisdictions—as in the country of origin?

Mr Williams: Whenever we have an investigation involving locally engaged staff we almost always must ensure that we are adhering to the local labour laws. So at various stages of that process the post's management will be consulting with their lawyers in that particular country to ensure that we are adhering to those labour law guidelines. Normally it is the HOM, the head of mission, who is the final decision maker at post regarding the level of sanction that should apply in the case of locally engaged staff. If a decision is made by the head of mission that, in fact, dismissal is the appropriate sanction, that decision has to come back to Canberra for final clearance with Canberra because we have to be assured that that dismissal does not contravene the local labour laws—and we do not want to, of course, then end up in long litigation cases.

Senator PARRY: Thank you. With other agencies, not DFAT employees, does the Department of Foreign Affairs and Trade have any oversight for corruption issues and offence matters? Is there an overlap? For example, if an AFP officer has been dealt with and involved in any offence or corruption issue, no doubt the head of mission would be notified, but is there any other role for the Department of Foreign Affairs and Trade?

Mr Williams: Where you have the A based of another agency who has been involved, that is normally handled by that responsible agency. There may be requests for assistance from our staff at post in terms of assisting with the investigation, interviews et cetera, but the actual investigation itself is handled by that agency back here in Canberra. I should mention that we actually have in our conduct and ethics manual a section devoted to how to report alleged misconduct by employees of other APS agencies.

Senator PARRY: Okay, so you would then have some oversight as to the type of corrupt activities, maybe, across all agencies and all missions worldwide. I will ask a broad question: could you give us any indication of the type of risks and the type of activity that, maybe, employees have been engaged in and have been charged with or disciplined over. Without giving specific detail, of course, can you outline where you see the risks would be and what the trend has been—if there has been a trend—in any form of corruption activity or offences leading up to corruption.

Mr Williams: I will just say firstly that we have discerned no trend in terms of the types of misconduct, including corruption or fraud, that is being committed. Just by way of illustration, in the financial year to date we have had 34 investigations. Of those 34 investigations, four—and those 34—

Senator PARRY: Sorry—that is agency wide? That is not just DFAT?

Mr Williams: That includes locally engaged staff working for other agencies that are employed by us. Those 34 investigations were overseas and, of those 34, four involved what we call 'A based'—DFAT A based officers. Then 11 involved locally engaged staff that worked for other agencies, and the remaining 19 involved the locally engaged staff working directly for DFAT. The range of misconduct is very broad. It can go from simple things like a driver abusing the way in which the receipts for petrol fuel are reconciled, for example. You can also have staff working for DIAC in the visa area where there have been some bribes paid, and that has been investigated. You can have misconduct in terms of people bringing the reputation of Australia into disrepute. That is again an issue where they have not behaved appropriately. So there is no trend as such there is just—

Senator PARRY: The most serious aspect seems to be fraudulent activity in the way of bribe. I suppose it is disguising how money—

Mr Williams: In terms of corruption.

Mr Grigson: Of course we investigate all allegations but not all allegations are found to be proven, but we err on the side of investigating as opposed to assuming there is nothing to it.

Senator PARRY: Out of that 34, and out of the four, have any charges been laid or any prosecutions mounted?

Mr Williams: No charges.

Senator PARRY: Disciplinary action internally, or dismissal?

Mr Williams: In terms of the 34, there have been some dismissals of locally engaged staff not of A based staff. What often happens, especially with locally engaged staff, is that if they have a sense that it is moving towards a dismissal, they will often resign.

Senator PARRY: You cannot identify any trend, which is encouraging, I suppose, for us. Equally, if you perceive any risks, could outline those? When officers are rotated out of their deployment back into Australia, is any post assessment done or follow-up to ensure that they have not been corrupted in another country and returned to Australia and pose a risk? I do not know whether you have a vetting process. Is there any follow-up? If you could just handle those two questions for me.

Mr Williams: First, in terms of risks, we actually have what we call a fraud control plan. As part of the fraud control plan, we have ongoing risk assessments across the department where we detect a need to target a particular risk, as part of our overall risk management exercise that we do as a department. The reason we send audit teams through posts is that we actually do work out in advance where we think a post may require closer attention than another post because it may not have been audited for a number of years, there may have been more indications coming back to us that there is some concern about how the administration of that post may be occurring. The risks are constantly being assessed and updated. We never assume there is a status quo and it is through those audits—

Senator PARRY: You have not really got directly to my question: what are the perceived risks? It is okay to understand you have a plan and you monitor, you look, but what are they?

Mr Williams: The risks at a post principally lie with those who are handling cash. Those who are handling cash are the ones where we have quite rigorous oversight by A based staff to ensure that any perceived weakness in the reconciliation is being addressed. Also, with things like passports, we actually do checks every couple of months. We do a reconciliation to ensure that the number of passports that have arrived at the post and have been handed out match exactly the number of passports received. Passports are, again, a high-demand item out there in the black market, of course. Another area of course is in the visas, but that area itself is managed by DIAC, in terms of how they deal with the management of their LE staff. Because what happens is that, when it gets to a point that an allegation is made, we then take over or instigate an investigation. But the management, everyday, of that risk is done by the responsible agency.

Senator PARRY: You have not mentioned trade of information, sensitive information. Is that a risk? Is that a problem?

Mr Williams: Commercial-in-confidence information, yes. That comes under our security guidelines in terms of the handling of sensitive classified information. That applies to all classified information.

Senator PARRY: I am sorry, Chair, you know I could go for two or three hours so I will call it quits there.

CHAIR: I just want to follow up on Senator Parry's question. In relation to parts of your own department, like Austrade and AusAID, which are in a position to give out money or to act favourably towards certain industries or not, what is your program in place to deal with corruption risks in that sense? I know we are going to be talking to them later.

Mr Grigson: You have chosen the two agencies that manage their own local staff.

CHAIR: It is not just local staff. I am talking also about aid based staff.

Mr Williams: But they manage their aid based staff in terms of conduct and ethics. If there is an allegation of misconduct an Austrade officer at post, it is Austrade in Canberra that manages that investigation, not DFAT.

CHAIR: Aren't they part of DFAT?

Mr Williams: They are part of the portfolio, but they have their own separate conduct and ethics mechanisms.

CHAIR: So they are completely outside of DFAT's management.

Mr Williams: They consult with us about how the investigation is proceeding but they manage that investigation, including their locally engaged staff.

CHAIR: So, if you were, as DFAT, a department considering corruption risks, you would not take into account the corruption risks of Austrade and AusAID.

Mr Williams: That is a separate thing though in Austrade and AusAID and they have their own fraud control plans, their own manuals of dealing with that.

CHAIR: Okay. I am going to pass to my other colleagues. Mr Hayes.

Mr HAYES: Thank you. I have also been anxious of that very aspect, actually. I understand the issue about the forward control plan and administering the issue of risk as perceived by DFAT and primarily in respect to

financial matters. However, like most of us here, I have visited many overseas posts and seen how closely your offices work with other agencies, including liaison offices for the AFP, just to name one. What I am particularly interested in is not simply where you periodically have audit officers sent out to audit the books of the post, or where you respond under the forward control plan, but what specific measures do you take to guard against issues of integrity insurance of staff and posts, particularly that have access to other agencies including AusAID, AFP and other areas that do have sensitive information? It is okay to say to us that all these guys administer their own things but it seems to me that your fellows it in the middle of this.

Mr Grigson: Let me start off and then I will pass off to Luke. For Australian based officers in overseas missions, they of course require a security clearance to be able to work in the mission. For anybody who has been through that process will know that it is quite a rigorous process, and for locally engaged staff, which Luke can describe to you, we also have a vetting process which includes police checks and other requirements.

Mr Williams: That is correct. I should mention too with the security clearance process, we are all required to go through that every five years and it takes a number of months in which everything is checked, including your financial situation, to ensure there are no areas in which you are susceptible to, for example, bribery.

Senator PARRY: No unexplained wealth.

Mr Williams: Yes. Again, with our locally engaged staff, one of the key areas we concentrate on is training, updating their training in all aspects of what they are meant to be doing as part of their job. Part of that is making them also understand that they are working for the Australian government, that they are part of the process of upholding the good reputation of Australia and that that involves an extremely high-level of integrity and behaviour on their part. Managers at posts are required to appraise the locally engaged staff throughout the year to ensure that they are conducting themselves in a manner appropriate to their responsibility.

Mr HAYES: Is a security clearance a one-off or does it happen every time a person gets a posting to a new destination?

Mr Grigson: You undergo a renewal every five years, for Australian staff.

Mr HAYES: No doubt the 2IC of the New South Wales Crime Commission had a security clearance too, but he is facing his own problems. How do you not be reactive in using the forward control plan but be proactive in ensuring that the integrity of all officers working in the post, locally engaged or otherwise, is maintained?

Mr Grigson: I have to say to you, Mr Hayes, that between the security clearance process for Australian staff, the vetting process, for want of a better term, for employing local staff, the plans we and other agencies have in place, the monthly check against activity particularly of cash and what we call accountable documents, passports and other documents of value, the physical separation that applies at posts where not all staff can access all areas and I would have to say the position that integrity and corruption occupies at the front of heads of missions' minds, I am quite confident about that integrity process. I am always open to other suggestions, but it is something the department takes very seriously because of the cost of corruption and fraud and also because of the reputational damage it does to Australia more broadly.

Mr HAYES: What about inappropriate relationships? Okay what done it anyway now I can no okay

Mr Williams: The conduct guidelines which staff are required to adhere to say that you must uphold the reputation of Australia at all times. At overseas posts, that is 24/7 and that is why we have a specific code of conduct applying to our staff who go overseas. Before they even go overseas, they are required—it is mandatory—to undertake conduct and ethics training in Canberra. They are issued with that specific code of conduct for serving overseas and it is drilled into them that they must behave at all times appropriately. That is something no-one can claim they were unaware of—the responsibilities they are beholden to.

Mr HAYES: I understand that and that the department could say, 'You read the document, you signed it and you should know what you are doing,' but how does the department guard against inappropriate relationships being formed by its officers? I am just using inappropriate relationships as an example. How do you ensure the integrity—

Mr Williams: There is a security requirement when you are dealing with representatives of foreign governments and certain agencies that you have to declare those contacts. That is a requirement.

Mr HAYES: Is it the head of post who takes responsibility for all its officers in that respect?

Mr Grigson: Yes, it is. The head of mission has—I think, having been ahead of mission—a particular responsibility for the reputation of Australia at post and it goes to the activity of Australian officers in all fields at all times. Certainly at my posts it was made very clear that officers were a representative of Australia at all times and I expected their behaviour to reflect that.

Mr HAYES: This is where I am trying to get to. Go back a step or two and you were head of mission. If you suspected something was occurring, what would you do? Other than bringing down the proof and having someone sent home or dismissed locally and all that sort of stuff, if you suspect something is inappropriate, what do you do?

Mr Grigson: I have a process for reporting allegations. I should emphasise to you that the bar is very low with us around those sorts of issues. This is not an area where we take risks, this is not an area where posts themselves investigate, this is not an area where we encourage posts to do anything other than to report allegations for proper handling. As a head of mission I can tell you this is not an area where you want to make any assumptions, not only because of the substantial risk, with money the financial cost for instance, but also the reputational damage which is done to Australia more broadly. It never applies just to the officer, it never applies just to the mission; it applies to Australia more broadly. I think most heads of mission are deeply worried about that.

Senator SINGH: In last year's DFAT annual report the agency had 586 staff deployed overseas. How many of the staff are DFAT engaged in specific overseas law enforcement operations?

Mr Grigson: We might take that on notice for you. The reason is that it will depend on the size of the post, first. Second, we provide significant support to law enforcement agencies but it may not be an officer's only occupation, so it will be a percentage of their activity. It will depend a little on where you are. Australian law enforcement agencies are much more active in some countries than in others. So we will try and make an estimate for you.

Senator SINGH: Right. So DFAT has a relationship with AFP's International Deployment Group, the IDG?

Mr Grigson: Yes, it does. We work with the IDG; when it is deployed we do some work with it in training. I have been out to their facility, which is a very good one. The relationship between DFAT and the AFP and the other law enforcement agencies more broadly is very good. We are now very used to working with each other in all sorts of environments and I have to say it is a very positive relationship.

Senator SINGH: So you assist in the pre-deployment of AFP—

Mr Grigson: Yes. For instance, in the IDG pre-deployments we may do briefings for people going off to country X. We would provide a briefing about country X and about policy more broadly.

Senator SINGH: What about the actual pre-deployment of DFAT staff: is there any training and awareness provided to do with corruption risks for DFAT staff?

Mr Williams: That is mandatory training. As we said, we call it conduct and ethics training and there is a mandatory course they have to sit.

Senator CAMERON: Mr Grigson, what lessons did DFAT learn from the Note Printing Australia and Securrency scandal?

Mr Grigson: That was handled by another agency. We have looked at that. As Luke Williams said, there are arrangements in place for dealing with those sorts of issues for DFAT staff. We followed that case, I have to say. We are not aware of any DFAT officers involved in it at this point. I do not know whether Peter Scott has any additional information to provide, given that it is a legal issue.

Mr Scott: The situation with respect to an Australian company allegedly committing an offence abroad is something that we provide specific training to DFAT staff about. Part of the code of conduct is a requirement to report any information about serious criminal misconduct, especially the bribery of foreign public officials by Australian companies overseas. We provide specific training; we have a specific reporting process for that which gives us a certain degree of confidence that, if a matter has not been reported by our staff who may have been assisting companies with liaison and with our foreign governments—which is of course one of DFAT's responsibilities in terms of an overseas presence—no DFAT officer knew of or was involved in any misconduct. In that particular case, again, as Mr Grigson said, up until this point the AFP has confirmed to us that there is no indication whatsoever that any DFAT officer was involved in any—

Senator CAMERON: You have said that a number of times. That is not my question.

Mr Grigson: Senator, I was going to say, is the question more about awareness?

Senator CAMERON: It is not about awareness; it is about what lessons have you learnt from that. So it is not just awareness. Mr Scott has just gone through your processes: are they the same processes before the RBA note bank scandal? Did you make any changes? What processes did you do to properly analyse it? I am concerned that you say: 'Well, it wasn't us. We are not the agency involved. It is handled by another agency.' I do not think that is good enough for DFAT.

Mr Scott: The system we have put in place was a specific response to the earlier inquiry into the Australian Wheat Board and similar allegations of misconduct in relation to its involvement with the oil for food program which is why we established this very rigorous process. It is a continually reviewed process: on each instance that it becomes apparent that an Australian company is alleged to have been involved in serious criminal misconduct, we examine the degree to which it would reasonably have been detectable by DFAT staff who may have come into contact and whether our systems are rigorous enough to have prevented that, or at least to have enabled the staff to report. In regard to the lessons that would have or should have been learnt for the Reserve Bank agency in relation to that particular commercial operation, it is difficult to see the lessons learnt for a policy agency that does not run a commercial operation of that kind.

Senator CAMERON: But surely DFAT have got some responsibility for Australia's reputation abroad—

Mr Scott: We do—

Senator CAMERON: Let me finish. If you have responsibility for Australia's reputation abroad, I am just wondering what sort of analysis you made of the note print scandal. What lessons did you learn? I am happy for you to take this on notice. I am not sure whether the answer from DFAT is sufficient to give me confidence that there is that overarching analysis by DFAT, which I think is your responsibility to protect Australia's reputation.

Mr Grigson: We will take that on notice for you. Australia's antibribery laws are at front and centre of the mind of every DFAT officer overseas. I know that from personal experience in the places in which I have worked. As I said before, any decent-headed mission is going to be as concerned as you are as the reputational risk to Australia more broadly as it is about any substantial cost.

Senator CAMERON: Could you advise what analysis has been done by DFAT into this scandal, what lessons you have learned from it and what processes, if any, you have put in place to ensure that our reputation is not damaged in future? Is there anything that DFAT can do to get a more cohesive approach across agencies that are operating internationally?

Mr Grigson: We can do that.

Mr ZAPPIA: Can I just follow-up on a question that was asked earlier and in response the answer went something like this: each department follows through with its own investigations where there is an allegation of corruption. Do you believe that that is an appropriate way to follow-up an investigation or would you suggest that it ought to be done differently?

Mr Grigson: As a former head of mission, I am very satisfied with that approach. The important element of that process is that it is not done by the mission. It is not done by people in place. Those allegations are referred back to Canberra for separate consideration. As I said earlier, the reputational element is an essential element for a head of mission of those investigations. Credibility is a key issue on that and credibility is best served by having allegations investigated away from the post.

Mr ZAPPIA: But by the same department?

Mr Grigson: Yes, I think so. Take DIAC, for instance: DIAC officers in Canberra will have a much clearer understanding of their processors and what is required by officers at post, and will have a good understanding of the broad global trends—if there are any—around that issue.

CHAIR: In 2010-11, DFAT coordinated interagency efforts, including law enforcement cooperation and development assistance in Pakistan. Would you be able to outline the DFAT's role in the law enforcement initiative and the identified corruption risks involved, and what specific strategies might have been used to mitigate those risks?

Mr Grigson: I would take that on notice, if I can.

CHAIR: I have another question too.

Mr Grigson: That was quite a detailed program, so we will get you a proper answer to that.

CHAIR: Also, in relation to DFAT's assistance to ADF personnel and police in East Timor, who are supporting East Timor stability and who advocated for the renewal of the mandate for the UN integrated mission in Timor-Leste, could you identify the corruption risks involved and how they have been taken into account?

Mr Grigson: We will do the same for East Timor for you.

CHAIR: Thank you. Have you had a chance to look at the submission from the department of immigration to this inquiry?

Mr Grigson: I have not, but Luke and Peter have. Is there something we can help you with there?

CHAIR: I am wondering if you could respond and whether the Department of Foreign Affairs and Trade would see it as valuable to conduct a similar exercise? DIAC went into some detail about what they perceive to be corruption risks of operating overseas. I do not know whether DFAT has done a similar kind of analysis; it might be a useful process to go through.

Mr Grigson: I will certainly have a look at that for you.

CHAIR: Did Mr Williams or Mr Scott want to make a comment on that given that you have seen that submission?

Mr Williams: We can look at providing something of similar detail that would run through things so that you have got that outlined for you. We do have our fraud control plan, which is a large document which does run through the fraud—

CHAIR: That is the fraud control plan for the Commonwealth?

Mr Williams: Yes. It runs through all the different risks. We can provide you with something specific to posts, because I think you are interested in corruption risks.

CHAIR: To overseas posts?

Mr Williams: Yes.

CHAIR: Yes, that is our particular interest.

Mr MATHESON: You said earlier that there were no trends identified in relation to corruption issues. Have you identified any risks in relation to grants, contracts or any other forms of funding provided to host countries?

Mr Williams: There are risks.

Mr MATHESON: Forms of funding or grants or contracts?

Mr Grigson: That is largely handled by AusAID, who has guidelines in place. I am trying to think of examples where we would provide funding. On the procurement front, it might be germane to what you are discussing. There is a very strict process for procurement built around business cases and supervisors signing off on procurement made at posts. In terms of direct grants to other countries, ambassadors and high commissioners do have a program that is called the direct assistance program. These are very small grants that are made to charities in the host country, from a few thousand dollars to some tens of thousands of dollars but rarely more than, say, fifty. There is a fraud control plan and a corruption control plan around them. I have run two of those. The requirements of them are quite rigorous. Apart from procurement and small grants, DFAT does not provide grants directly to other countries as such.

CHAIR: Would two weeks be sufficient time for the department to be able to provide answers to those questions on notice?

Mr Grigson: We can do it in two weeks.

CHAIR: We may have further questions. If we do we will send them to you.

Mr Grigson: Sure, and happy to answer them.

CHAIR: I want to thank the representatives from the Department of Foreign Affairs and Trade for taking the time to speak to us today.

DUNN, Mr Laurie, First Assistant Director-General, Program Effectiveness and Performance Division, AusAID

EXELL, Mr Blair, First Assistant Director-General, Corporate Enabling Division, AusAID

[09:51]

CHAIR: Welcome. Would you like to make an opening statement or proceed to questions?

Mr Exell: We can open to questions.

CHAIR: Okay, thank you. You may have heard some of the evidence given earlier by the Department of Foreign Affairs and Trade. We have learned that AusAID operates relatively autonomously within the department. You have got officers posted in 40 countries around the world. That is according to what I have in front of me. Is that correct? Is it more than that?

Mr Exell: We are working in 40 overseas countries. We have in fact 218 Australian public servants posted overseas and about 580 of what we call overseas based staff—or locally engaged staff, in the language used by DFAT.

CHAIR: Have you conducted an analysis of the corruption risks to APS employees and locally engaged or overseas based staff in the locations in which AusAID is in?

Mr Exell: There are two dimensions, as came up in the previous questions of and discussions with the colleagues from DFAT. There is very much that side of our work which is about our people, both Australians and the overseas based staff that we recruit in the countries where we work, and which is about training and support for those individuals. But then, obviously, our business is about aid activities, our programs overseas. As you know, we work in some of the most difficult operating environments in, using tools like the international transparency index, countries that have major issues with corruption. In part that is why we are there, trying to work with that. So we have an overarching framework that picks up the people side and also looks very closely, with the countries where we work, at what are the particular risks, how we structure our programs, how we build in specific risk mitigation measures as to corruption and for issues in the programs in the countries. We can talk through the specifics of both of them if you would like to get a sense of that framework.

CHAIR: Yes, we would like that. Do you have a document that you refer to when you do this?

Mr Dunn: We have a series of documents. If you would like I could take you through the sort of broad framework that we use in assuring how we manage fraud and corruption issues both with our own staff and within the activities that we support. At the outset we have a very strong and stated zero-tolerance attitude towards fraud and corruption. As part of that we have very strong processes around the prevention, detection and follow-up of fraud. I could go through a number of levels of all that. I think that first and foremost it is about the appropriate culture that is maintained and developed in the agency. We have just recently, for example, launched our values and mission statement which sets out the five key values that guide AusAID's operations, both domestically and internationally. Two of those, for example, are accountability and integrity. We can provide copies of that, if you like. It is also the case that our staff are subject to the codes of conduct that are applicable under the Public Service Act, and indeed we have separate codes of conduct for our overseas operations. Mr Exell can take you through that, if you like.

At an agency level, we have both a risk and fraud management strategy and a fraud control plan. They operate at the overall agency level. The fraud control plan is updated every two years and it is based on the way in which the aid program is being delivered, so it takes into account the programs and the countries where we operate and the types of delivery mechanisms we use. As I said, that is updated every couple of years.

For every post where we operate, we require that they produce an annual post risk and fraud plan that is updated annually. Those plans, again, address the specific operating environment that applies in the country and will particularly look at what risks the aid program is exposed to in terms of not just how the program is delivered but also the activities of our own staff, both A-based and O-based. The risk assessments that are carried out as part of that include aspects like reputational risk, fiduciary risk and development-effectiveness risk.

We then drop down to the individual activities that we support. In all of our activities, we run fairly robust due diligence processes around the selection of a delivery partner, which include looking at their past performance and whether they are listed on any international lists maintained by other donors, such as the World Bank; and, indeed, for all projects starting, we require that they establish a risk and fraud plan for those individual activities which again address the specific operating environment in which those activities are occurring.

We have a very significant audit program. We have recently made considerable investments in beefing up our audit capacity. The Director-General of AusAID has appointed an independent chair to our audit committee, with

three independent members. It has a very extensive program of audits. They include the performance assessment of particular programs as well as of the administration of our posts, which is done on a rolling basis. So, again, it is an opportunity on a rolling basis to look at the controls that particular posts have in place around both the program they are delivering and the way in which they are being run themselves.

We have invested significantly in training, an issue that came up earlier. Risk and fraud training is mandatory for all of our staff, and we invest significant resources in that. We have also, in recent times, invested additional resources in the fraud and risk area through the establishment of a dedicated branch in my division looking at risk and fraud, and through the establishment of specific fraud positions in at least three of the locations in which we operate that are particularly difficult environments—Papua New Guinea, the Philippines and Indonesia. We are also looking at additional positions specifically focused on these issues in, for example, Solomon Islands.

Mr Exell: Chair, to answer your question about trends, those last three countries are where we see the highest incidence of issues we have to look at, rather than a trend, and therefore where we have the most rigour around our frameworks.

CHAIR: Can you elaborate on what those specific types of issues are?

Mr Dunn: Yes, certainly. There are a couple of aspects we look at. One is that developing countries by definition have low capacity, so you will often find that in those environments the capacity of the partner authorities are relatively thin or weak, and that includes their policing and legal capacity. So a general issue around developing countries is the thinness of the capacity of their own institutions. More specifically, the countries we mentioned have significant issues around fraud and corruption, with corruption in a number of countries being widespread and systemic. In those cases, we need to take specific mitigation measures around how we deliver the aid program. The third aspect, I would say, is often to do with the culture and operating environment in those countries. There are different sorts of family, kin, relationships that need to be taken into account, particularly where we have a role that is being played by either our own locally engaged staff or staff employed through projects that we support. So it would be on three different levels.

CHAIR: Thanks. I will hand over to my colleagues. Mr Matheson, do you have a question?

Mr MATHESON: A question I asked previously is what sort of measures you have got in place in relation to grants, contracts and other funding to host countries. Have you identified any risks in relation to those?

Mr Dunn: It goes to the way in which the aid program is delivered and the choices that are made around when we are looking at designing an activity and how it will be implemented. We will be influenced by where it is to be implemented and the operating environment that it is going to be in. So the actual choice of delivery method or delivery partner has at its start an assessment of the risk around that particular activity and the different delivery methods. Again that risk looks at reputational, fiduciary and development effectiveness and an assessment is made around the balance of risk and the way in which we would be implementing it. It can mean that we implement programs in a very different way in different countries. In countries where we have made an assessment of partner government systems that they are not robust enough or not of a standard we could use to fund through, we will not use those systems. We will put in place a delivery method, whether it is through a stand-alone project, that has additional assurance methods around it.

CHAIR: In Zimbabwe or Burma, for example, you would not necessarily go through the governmental process.

Mr Dunn: In general terms, before we would use any partner government systems we have to go through a very detailed and fairly rigorous analysis of the capacities of their systems and the fiduciary systems in place. Before we would use a partner government system for delivery, we do an assessment of their national public expenditure system and procurement system. So before we would actually use a partner system for delivery of the aid program we go through a very rigorous assessment. That guidance around the use of partner government systems is fairly detailed and has been rolled out and we provide training to programs where they are looking at doing that type of delivery.

Mr MATHESON: Do you follow up that the money has been used in the appropriate manner?

Mr Dunn: Indeed. The Australian aid program is never hands-off. Even where we use different delivery methods we have a very strong program performance and reporting system in place to test and to check if the objectives of that particular activity are being achieved. For example, for every individual initiative that we support we do an annual review of its implementation. That review looks at it in terms of its effectiveness, in terms of its efficiency, in terms of how it is managing risk that it needs to operate within. So we have a very comprehensive program performance system. We also very much use monitoring visits ourselves. We do not ever and over money at a distance. We want to go and see what is being done and so a very important part of our

programs overseas is monitoring visits. They go and look at what is being done, they test if the funding has gone where it is meant to go. So we have very robust program performance systems and we do a lot of monitoring and reporting on those activities.

Mr MATHESON: Have you found at any time that the money has not been appropriately spent or used in the manner it was supposed to be? Are there any instances?

Mr Dunn: We have certainly found instances where there have been issues of fraud. Thankfully they are relatively small; I think in dollar terms they are less than 0.03 per cent of the total aid program. So the level of fraud is low and has remained low. But the performance assessment system is also about continuous improvement. I talked about the annual review of implementation of activities. Part of that has in it a management response requirement. Program areas and posts are meant to as part of that look at what they need to do differently over the next year to address performance issues in that activity. Again there is a sort of feedback loop and cycle of continual learning around implementation of projects.

Mr Exell: When there is an issue we then follow it through. We look for prosecution or seek to recover the funds. Obviously that can be a difficult process in some of those countries where the legal systems themselves are relatively weak, but that is a commitment that we make, to follow through as far as we can.

Mr Dunn: Can I just add something on the issue of grants and funding. The choice of delivery method will vary between countries, but very little is directly decided and delivered in-country. For example, all large-value procurements are done here, from Australia. All of the contracts and agreements that we use to structure our programs are looked at and cleared here in Australia. As part of that, there is an examination of the past performance of the delivery partner we are using, the sorts of systems they have in place and the way in which they operate their capacity.

CHAIR: Thanks.

Senator PARRY: Just to follow up on one of Mr Matheson's questions, you said fraud represented a portion of one per cent, 0.003 per cent, of your total aid budget.

Mr Dunn: It is 0.03 per cent.

Senator PARRY: Okay. Forgetting the dollar value, how many cases are there? Is it widespread? That could be one event or 100 events. I am happy for you to provide that on notice if you have a table or a set of stats.

Mr Dunn: Or we could go through it now, if you want, Senator—whatever your preference is.

Senator PARRY: If you could table that, because we are very short of time this morning.

Mr Dunn: We would have to provide you with a written response, I guess.

Senator PARRY: Oh. Okay. Well, briefly then—if you have it.

Mr Dunn: I will be brief.

Senator PARRY: I am really interested in the number of incidents or events rather than the total dollar value.

Mr Dunn: Yes, I understand that.

Senator PARRY: Is it more than 100 or less than 100? That would be helpful.

Mr Dunn: I can tell you that, as of 31 March 2012, we had a total of 174 active cases of fraud. That is not including 37 cases that involved physical theft. The active cases include those that are still under investigation, some that are awaiting referral to the police or action by the police, leading to prosecution, and where recovery efforts are continuing. Of those 174 cases, the majority—143—were reported in the last two financial years, from 1 July 2009 onwards. There has been an increase in the number of cases reported, but the proportion of the aid program that it has involved has stayed relatively constant. Indeed, the recent independent review of aid effectiveness acknowledged that the increasing number of cases probably reflected the growth of the aid program itself and the increased resources we were putting into fraud mitigation and management.

Senator PARRY: Does the fraud involve Australian employees, predominantly, or local staff?

Mr Dunn: No, the bulk of those cases do not involve AusAID employees. In fact, less than 2.3 per cent of those cases directly involve AusAID employees, either Australia or overseas based. But I can say that, since 2005, there have been 13 allegations reported against AusAID staff, whether A-based or O-based. Two of those were against staff here in Australia, and 11 were overseas. In terms of the outcomes around those, 10 cases were confirmed; the allegations were found to be correct. Six of those cases resulted in the dismissal of the employee and one prosecution, and one staff member resigned. There was one code-of-conduct sanction, which involved a demotion for the person concerned. Two cases are still ongoing and have not been resolved yet—three of the

allegations could not be substantiated—but, in both cases, we applied additional counselling and refresher fraud training for those individuals.

Senator PARRY: Thank you.

CHAIR: What is the nature of the fraud in these cases?

Mr Dunn: The bulk of them relate to theft—laptops, equipment and those types of things. Very few of them relate to either collusion or inappropriate decision-making around programs. The bulk of the cases were around theft of assets.

Senator PARRY: You indicated in your evidence earlier that an annual risk and fraud plan is completed by each agency location. One would assume that that would include the types of risks that are perceived?

Mr Dunn: Yes.

Senator PARRY: What are those risks?

Mr Dunn: In broad headings, they would fall under the notions of reputational risk, fiduciary risk and development-effectiveness risk. In specific terms, the plan would look at the operating environment in that particular country. It would look at the institutional capacity of the partner governments that we are working with. It would look at issues around fraud and corruption in that particular operating environment and that may influence the type of delivery method we would use. It would also take account of an understanding of the sort of social and cultural settings that apply in those particular countries. I think that, particularly in the case, for example, of small countries in the Pacific where there is a strong family and community bond, this can have impact in terms of how decisions may seem to be made and we need to structure our operations to take account of that and to ensure that we do have transparency.

Senator PARRY: Is it possible for you to provide to the committee a copy, after redacting any sensitive material, of a typical fraud and risk plan?

Mr Dunn: Yes, as long as we could redact it. Obviously there is a degree of sensitivity about this.

Senator PARRY: Yes, so you do not have identity but so we get a feel as to how that risk is managed.

Mr Dunn: Yes, certainly.

Senator PARRY: I have got a lot more questions but I know we have run out of time.

Mr HAYES: Something I have got to say I was not aware of is the fact that AusAID has seconded AFP officers at various posts. Would you let me know what they do.

Mr Exell: I am not aware that they are seconded into posts. We certainly have AFP liaison officers seconded into AusAID in Canberra. The role there is to work with us. We have a number of activities that are specifically related to law and governance issues. Some of those people specifically provide support to anti-corruption initiatives in places like Indonesia and East Timor.

Mr HAYES: So they do not work embedded with you overseas?

Mr Exell: That is right. They generally work with us in terms of how we design our activities, how we oversee activities, how we better our programs that support these initiatives overseas.

Mr HAYES: Presumably those seconded officers would be still subject to AFP integrity measures?

Mr Exell: That is my understanding. But they are seconded into AusAID's framework so they also operate within ours.

Mr HAYES: There is this other thing, in terms of the risk of fraud branch, which I understand is directly responsible to you, Mr Dunn. What mechanisms do you put in place to be proactive? This is not about investigating an event after it has occurred but about ensuring the ongoing integrity of your operations overseas.

Mr Dunn: Sorry, but if I can be clear on this: is it in terms of how we prevent or detect fraud upfront or the lessons learning in coming out of—

Mr HAYES: It is really about how you prevent it. So, other than someone simply signing a code of conduct or conducting an audit after the event, what do you do to actually ensure that the integrity regime has been addressed?

Mr Dunn: The audit program we run is not after the event. Our audit program is designed, over a rolling basis, to pick up different program types in the different countries where we operate. That audit program is quite proactive. So, over a rolling basis, we will pick a particular program and we will examine it in terms of its program performance but we will also examine the administration of the post to make sure that appropriate controls are in place and are being applied. So it is a sort of proactive approach to determining where and how

controls are being met. There is a formal feedback process coming out of the audit process where program areas, in response to all audits, are required to develop a management response that will actually identify what are the changes that they are going to make in terms of how the program is being delivered. That responsibility is clearly given and is accountable at a division head level. They are required to then report through on the changes that have been made in the program's operations. So it is quite proactive.

CHAIR: AusAID is involved in supporting another service through means including mentoring on ethics and integrity for new recruits and experienced police. Are you able to explain the initiative and AFP's involvement in it and any agreements between AusAID and AFP in relation to it?

Mr Exell: We will have to take that one on notice, if that is okay. I am not aware of the specifics of that program.

CHAIR: When you do that, could you please outline the corruption risks and what steps have been taken to mitigate those risks. We also understand—and I think this is something that Senator Parry was getting at, or maybe it was Mr Hayes—that AusAID and AFP have a strategic partnership agreement; certainly, according to the AFP submission to the independent review of aid effectiveness, AFP members are seconded to AusAID and vice versa.

Mr Exell: Yes.

CHAIR: Are you able to tell us about the joint initiatives that have been undertaken and what integrity measures are in place for that?

Mr Exell: I cannot speak on the specific activities in the countries where we are working. But, since the RAMSI deployments and the work of the Australian government at the time to look at our support of governance and law related activities, we have seen a much stronger relationship between the Australian Federal Police and AusAID in terms of our projects that we do overseas. From that time on, in terms of the AFP's role in the capacity initiatives and capacity development projects across the Pacific in particular, we saw the AFP largely take the lead in those activities. So it is funded through the aid program, but it is the AFP in places like Vanuatu, Tonga and Solomon Islands that is leading on capacity development. That is their core business. That is what they do. That was a sensible decision for a way forward. Where we have the liaison officers, we have an AusAID person in the AFP and we have an AFP person with us. It is about how we provide greater and better activities, better programs, and how we follow up to make sure they are actually working on the ground.

CHAIR: I understand something has occurred in Vanuatu in the last day or so. Are you aware of what is happening there?

Mr Exell: I am probably aware of about as much as you are, Chair. I was actually in Brisbane yesterday, but I did get a note saying that there were some major developments in Vanuatu in regard to the AFP. But I am not across the specifics, sorry.

CHAIR: Okay. The AusAID annual report noted that, during 2010-11, AusAID conducted a large-scale evaluation of Australia's assistance to the law and justice sector, including programs implemented by the AFP and the Attorney-General's Department. Can you elaborate on the key findings and whether they include corruption risks facing AFP officials specifically, and APS staff and locally engaged staff?

Mr Dunn: I am not aware of the detail of that evaluation, but we can provide an update on it.

CHAIR: Thank you; that would be great. We are out of time. We may have further questions for you, in which case we will send them to you. Would two weeks be an appropriate time frame for answers to questions on notice?

Mr Dunn: Certainly, yes.

CHAIR: I thank the representatives from AusAID for taking the time to speak to us today.

HOCKEN, Mr Mathew, Senior Adviser, Government and Industry Relations, Export Finance and Insurance Corporation

HOPKINS, Mr John, General Counsel, Export Finance and Insurance Corporation

PACEY, Mr John, Chief Credit Officer, Export Finance and Insurance Corporation

Evidence was taken via teleconference—

[10:18]

CHAIR: I welcome representatives from the Export Finance and Insurance Corporation, appearing via teleconference. Would you like to make an opening statement?

Mr Pacey: Yes, we would, please. I would like to start by giving you a little bit of background about EFIC and then an overview of our approach to anticorruption. Export Finance and Insurance Corporation, or EFIC, is the Australian government's export credit agency. EFIC's mandate is to help Australian exporters and companies investing overseas overcome the financial barriers they face. EFIC complements but does not compete with the private sector. EFIC provides financial solutions when the private market is unwilling or unable to provide support. In the past financial year, EFIC has signed facilities worth \$593 million which supported exports and overseas investments of over \$3.4 billion. EFIC's staff are all based in Australia; however, we support the activities of exporters to 28 countries.

EFIC takes bribery and corruption very seriously and has established anti-corruption policies and procedures to manage EFIC's compliance with its Australian and international legal obligations. These describe the application of appropriate management control systems, staff roles and responsibilities, staff training, decision-making and actions, reports and record-keeping. These policies together form an integral part of EFIC's overall compliance framework, which is managed by a dedicated compliance officer. These policies and procedures are periodically audited by EFIC's internal auditors. EFIC's policies and procedures that deal directly with corruption and bribery or that contain elements incidental to or related to corruption and bribery issues include an anti-corruption policy, anti bribery and corruption procedures, a corruption allegation procedure, a fraud control policy and a fraud control plan, a whistleblower policy and an anti-money-laundering and counterterrorism financing program.

EFIC takes compliance with its domestic and international obligations in relation to bribery and corruption very seriously. EFIC undertakes periodic reviews of the abovementioned policies and procedures to ensure that they remain current and consistent with best practice and in circumstances where there is operational, legal or regulatory necessity. As I said before, these policies and procedures are periodically reviewed by EFIC's internal auditors, the results of which are reported to the EFIC Board's audit committee.

As part of EFIC's compliance framework, EFIC employs a comprehensive 'know your customer' review at the outset of each new transaction that it enters into. This review includes the completion by EFIC staff of a transaction risk assessment form, which seeks information and positive assurances to facilitate, in part, EFIC's compliance with domestic and international anti bribery and corruption laws and regulations. In addition, all EFIC staff must complete, as part of their annual mandatory compliance training, a specific module dealing with combating bribery and corruption. This training is provided by an external law firm that reviews the compliance training module on bribery and corruption on a regular basis to ensure that all references and laws are correct and up to date. Thank you.

CHAIR: Thank you very much for that statement. Could you please tell us the characteristics of corruption risks that have been identified by EFIC in relation to your staff, both Australia and overseas based.

Mr Hopkins: We do not have any overseas based staff. But the areas of which our staff are made aware through their training relate to the relevant OECD convention against bribery; information related to division 70 of the Commonwealth Criminal Code Act and the relevant penalties and offences under that code; and general subjects around managing the risk of bribery inside the organisation and acknowledgement of the global initiative to fight corruption. They are the essential subject areas that make up the anti bribery and corruption module.

CHAIR: Do you have any analysis of employees' debts and, say, gambling and drug and alcohol use—that kind of work—done?

Mr Hopkins: At the stage of their gaining employment with EFIC, a comprehensive third-party due diligence examination is conducted on employees which involves the gaining of normal references and also criminal checks and professional body checks and, obviously, details about people's employment past and present.

CHAIR: Do you have compulsory financial disclosure for employees?

Mr Hopkins: Only as it relates to normal share trading activities.

Mr Pacey: I add that EFIC has employees who are on three-year contracts, and at their contract renewal there are also criminal checks conducted for all employees.

CHAIR: Would that involve checking an employee's bank account?

Mr Pacey: I do not believe so.

CHAIR: There are enormous sums of money involved here and contracts being awarded, so isn't that something that it might be prudent for EFIC to put into place?

Mr Hopkins: As the committee would probably be aware, there are relevant privacy issues that we have to manage in terms of gaining access to people's private accounts. So, unless there was a particular allegation or we had a particular concern, which we would obviously be raising as well with the relevant police authority, it would be difficult for us to gain that information.

CHAIR: Have there been any incidents involving EFIC's staff? Have there been any allegations, investigations and so forth?

Mr Hopkins: Not any involving EFIC's staff, as far as I am aware.

CHAIR: Have there been any EFIC related matters—maybe not involving staff but where EFIC transactions have been involved?

Mr Hopkins: Yes, there have been two recent examples where we have cooperated with current Australian Federal Police investigations. One involves the Leighton Group and another involves Tenix Defence. Those relationships with the Australian Federal Police involved the Australian Federal Police contacting us regarding those investigations and issuing warrants to us for particular information about the transactions which those two parties were involved in with EFIC.

Senator SINGH: How does EFIC deal with some of those cultural variations between countries when it comes to interpreting bribery and corruption?

Mr Hopkins: We really have no tolerance for cultural variation. Our obligations are under Australian law, in particular, and the Commonwealth criminal code, so the obligations that we enforce internally are Australian law obligations and we do not make reference to particular cultural requirements.

Senator CAMERON: What lessons did EFIC learn from the RBA/Note Printing Australia/Securrency scandal?

Mr Hopkins: I was not in the organisation at the time when that issue arose but I can certainly tell you that from time to time when these issues do arise we obviously take note of the issues and review and update our internal policies as may be appropriate following the outcome of those or other investigations or findings.

Senator CAMERON: Given that you were not there at the time, could you then take on notice to advise the committee about how your review was undertaken and what lessons you learnt, if any, and what changes to your policies you made?

Mr Hopkins: Certainly.

Senator CAMERON: Thanks.

Mr ZAPPIA: How long has EFIC been in operation for? Can you tell me?

Mr Hocken: I believe it is over 50 years. I am not sure of the exact number but certainly it is over 50 years.

Mr ZAPPIA: Does Australia have any limitations on the countries with which we deal? In other words, are there countries that we will not deal with?

Mr Hopkins: Yes, that is correct. There are obviously relevant autonomous actions that apply to countries that we can deal with and also particular legislative prohibitions and we also conduct a Dow Jones search on particular entities operating in particular countries whenever we enter into a transaction. Notwithstanding the countries that we are prohibited from dealing with, we also check to see that the entities that we are dealing with have not been the subject of criminal charges or that the people holding or owning those entities have not been investigated or are not subject to any particular investigation.

Mr ZAPPIA: If you make those checks do you do them through your own organisation or do you in turn engage one of the other Australian government agencies to make the checks for you?

Mr Hopkins: Can I just add, further to the question that you are asked previously, that the minister also directs us in certain respects as to which countries we can and cannot deal with and has issued some directives in relation to Iran, Zimbabwe and North Korea.

Mr ZAPPIA: Thank you for that.

Mr Hopkins: To your further question: no, we conduct those due diligence checks independently through a third party provider in Dow Jones.

Mr ZAPPIA: Thank you very much.

CHAIR: Correct me if I am wrong on this. I believe earlier in your statement you indicated that EFIC uses an independent law firm to carry out corruption analysis for EFIC.

Mr Hopkins: We use an independent law firm to conduct staff training on compliance and bribery.

CHAIR: To what extent do you interact with DFAT and use their strategies and training in relation to integrity and ethics?

Mr Pacey: We have a close relationship with DFAT. Our involvement is more closely on due diligence in terms of transactions. On occasions when we are doing due diligence on transactions we will liaise with DFAT, the high commissions, the embassies and the Austrade representatives. Our own anti-corruption and terrorism financing framework is really developed internally and in conjunction with advisers such as Deloitte and PwC in terms of what is best practice in the market.

Mr Hocken: Just to add to that, DFAT is in fact represented on EFIC's board, so the secretary nominally or the deputy secretary sits as an alternative member representing the government on EFIC's board. We do cooperate with DFAT with regard to anticorruption and antibribery measures and programs. For example, they are currently organising a roadshow around Australia giving presentations on the requirements for Australian businesses which we are contributing to and collaborating with DFAT on.

CHAIR: What kind of connections or collaborations do you have with Austrade, given that you would be working hand-in-hand on some matters?

Mr Hocken: Yes, we do work very closely with Austrade on a number of areas, principally in providing support to exports. Obviously, Austrade have their own suite of services, which is in some way complementary to what EFIC does. In terms of our antibribery and anticorruption, it is quite separate—they are obviously separate organisations. There is a lot of general collaboration there but specifics on the matter at hand is limited. If there is an investigation of a client which is both EFIC and Austrade there may be some more.

CHAIR: Sorry, I did not catch that last sentence.

Mr Hocken: My general point was that we collaborate closely. If there are specific investigations, depending on the investigation, there may be more contact around that investigation with Austrade specifically.

CHAIR: Right. You operate quite autonomously when it comes to anticorruption policies and measures?

Mr Hocken: That is right.

CHAIR: We may have some further questions for EFIC as we proceed in this inquiry. For the time being, I would like to thank you very much for participating in today's hearing.

Proceedings suspended from 10:37 to 10:54

CHINNERY, Ms Margaret, Director, Law Enforcement, Office of the Commonwealth Ombudsman

LARKINS, Ms Alison, Acting Ombudsman, Office of the Commonwealth Ombudsman

MERRYFULL, Ms Diane, Senior Assistant Ombudsman, Office of the Commonwealth Ombudsman

[10:54]

CHAIR: Welcome. Would you like to make an opening statement?

Ms Larkins: No, I will not make an opening statement, I will just make a couple of brief comments. I will not be long. It is just to thank you for your letter and let you know that I expect to respond to you in writing next week with the information you have requested. I want to clarify the sorts of areas where we might be able to help the committee. We are the law enforcement ombudsman and in that role we oversight the AFP, including the AFP in their overseas operations. We could also provide a general sense of complaint handling in the other agencies of interest to you, but I should let you know we do not have a huge body of information in terms of complaints where corruption is a particular focus. But we could give you a sense of our working relationship with those agencies and how our oversight works.

CHAIR: How an organisation deals with corruption is largely a matter of its culture and at least partly how it deals with complaints that come to it. How has the AFP responded to concerns raised by the ombudsman in the 2010-11 annual report relating to complaints handling, the weighting of evidence and contact with complainants?

Ms Larkins: So you are asking quite broadly about our relationship with the AFP.

CHAIR: Yes, and about their responsiveness.

Ms Merryfull: There are two ways we report to parliament publicly about what we do. In terms of our relationship with the AFP, one is through our Commonwealth Ombudsman annual report, and the other is through our report to the parliament of our annual reviews of AFP complaint handling under part 5 of the AFP act. In respect of the latter, which I think is what you are referring to, we have consistently made some comments over time to them about timeliness in complaint handling, interactions with complainants, which has been a constant theme right from the start, and I think the other one was weighting of evidence.

The AFP responds positively to our comments in the sense that they try to put measures in place to deal with them. Without pre-empting too much our next report and the most current review we have on hand, timeliness remains a problem, though it is improving. Contact with complainants is an ongoing area of interest to us. For example, how do they keep the complainants informed about what they are doing, how do they inform them of the outcome of the organisation, how do they approach the complainants? These are matters that are in need of ongoing improvement. The AFP takes those things on board but it is quite a long process there.

In terms of the way they investigate matters, our concerns have been of no surprise, that in our view, though they do not agree, they tend to give more weight to the evidence of the AFP officers than to the evidence of a member of the public. So when there is no other evidence either way it tends to be that the evidence of the police is accepted over the member of the public. Some of the other criticisms or concerns we have raised have been in relation to seeking out other evidence: did they actually interview other people who might have been at the scene, did they seek out any CCTV evidence or any other kind of evidence were they just rely on evidence of the officers concerned? They are matters we brought to their attention that we still find are in need of some improvement. In our most recent report one of the concerns we will be raising with them in relation to contact with complainants is when somebody makes a complaint and the investigator goes and speaks to the police officer first instead of speaking to the complainant first. Then there tends to be this interaction which looks like a justification to the complainant that the police officer has done the right thing rather than hearing from the complainant their story first before trying to justify. So naturally complainants think, 'You are just ringing up to tell me it is all okay.' Those are the kinds of interactions.

Senator PARRY: The answer is really only in relation to how complaints are handled.

CHAIR: But we are getting a general idea of responsiveness to concerns raised, whether it is domestically or overseas. Moving on to specifically our inquiry, as part of this report you examined 22 complaints about AFP's International Deployment Group. Can you elaborate on any pattern in relation to corruption and corruption risk emanating from those complaints?

Ms Merryfull: No; there was no pattern to the complaints. Most of those complaints were internal complaints about breaches of the code of conduct or inappropriate behaviour. There is a case study in our annual report about one allegation of drug use, which was unsubstantiated. There was not a pattern, was there?

Ms Chinnery: No.

Ms Merryfull: No particular things jumped out looking as if there is any kind of systemic issue.

CHAIR: You mentioned that you oversight the AFP in relation to its overseas operations. Do you have any particular comments about how it conducts those operations in relation to corruption risk, in particular?

Ms Larkins: No; I do not think we have seen enough of how the IDG is operating to comment more broadly on corruption risk. We do not have a comprehensive look. We are responding to complaints and our complaint load in relation to overseas deployment of the AFP is low.

CHAIR: So it is those 22 complaints, basically.

Ms Merryfull: That is basically it.

Ms Larkins: We may not necessarily be the first port of call for people who have concerns about corruption in the AFP.

CHAIR: What about agencies other than the AFP?

Ms Larkins: When we looked particularly at issues that might raise concerns around corruption we did not become aware of any complaints, in any of the agencies, that have a corruption link, in our current reporting period.

CHAIR: This is for their overseas operations, do you mean?

Ms Larkins: Yes. I was particularly surprised around Immigration, because Immigration, in terms of volume of complaints for us, is a particularly large agency. There is a capacity for people to allege that there has been inappropriate interference in a visa process by a locally engaged officer but we have not had complaints of that. Again, it may be that those complaints are not escalating to us. They might go first to the agency or to another law enforcement arm.

CHAIR: Do you deal with matters of misconduct, as opposed to corruption, in relation to overseas based agencies?

Ms Larkins: In relation to the AFP?

CHAIR: Yes.

Ms Larkins: Yes.

CHAIR: Are you receiving those sorts of complaints?

Ms Merryfull: We do see some complaints during the year about the overseas operation of the AFP but we are not seeing anything in relation to what you are looking at—any substantiated complaints around corruption or misconduct of the kind you are talking about. The misconduct that tends to be alleged is in terms of breaches of the code of conduct, inappropriate behaviour, drinking on duty, and that kind of thing.

Ms Larkins: And most often the complainant is another officer.

Ms Merryfull: Yes, they are internal complaints. The AFP, I think, has drawn your attention to that in their submission. They are not necessarily external complaints but internal complaints about breaches of the code of conduct and that kind of thing.

Mr ZAPPIA: If the ombudsman's office received a complaint relating to a corruption matter, would it carry out any of its own investigations or would it refer the complaint to another agency?

Ms Merryfull: It depends on the agency in respect of which the complaint arose. So, if it was an AFP or an ACC complaint we would almost certainly refer it to ACLEI because it is the body that is tasked to deal with those things. If it arose in another agency it would depend: we might have a look at it ourselves or we might refer it back to the agency. I can think of some cases where we have said: 'Here's an allegation about misuse of public money by some of your officers. You haven't necessarily seen this before; we think you need to have a look at it. Have some kind of internal inquiry and report back to us about what you have done and what you have seen.' Or, depending on what the allegation is, we might investigate it ourselves; it is a call in each case. But if it raises an issue in relation to serious misconduct—for example, it looked like a criminal offence—we would probably raise it with the agency and say, 'You need to refer this to the AFP'—for example—'for investigation'. Because something that raises really serious criminal misconduct is really not for us to investigate. It is a matter for the agency to be aware of and take some steps. Then we ask them to tell us what they have done so that we keep an eye on what they have done.

Mr ZAPPIA: What authority does the office have to carry out an investigation in respect of a matter raised with you, particularly if it relates to a matter of corruption? Do you have authority to request information that may assist you with the inquiry, or is it outside of the terms of reference for the role of your office?

Ms Merryfull: Under the act we have an almost unlimited jurisdiction in respect of matters of administration: if it could be characterised as a matter of administration, then we can conduct an investigation and request lots of material and interview people and that kind of thing. In relation to law enforcement agencies we can investigate a matter of corruption, and we may refer it to ACLEI; if it is significant corruption, we must refer it to ACLEI. So there are some restrictions there, but, if it can be characterised as a matter of administration, in theory we can investigate it unless it is about a member of parliament or one of those other areas that are outside our jurisdiction.

Ms Larkins: Our legal authority to act is quite broad in most cases. But we do not have particular expertise in this area, and we would see that there were other people who were better placed if we received a serious allegation. So we would choose not to investigate it ourselves.

Senator SINGH: This committee has been informed by the AFP that pre-deployment training is provided by the ombudsman and by ACLEI as a means of raising awareness about cooperation between agencies and being prepared for corruption risks and those types of things. Can you confirm that you have provided that kind of training and awareness to the AFP?

Ms Merryfull: We do not provide pre-deployment training to people who are going on overseas deployment; we provide ongoing interactions and presentations to the professional standards area. One of our staff, with a representative of ACLEI, went to the Solomon Islands—I think last year—to talk to people there about who the ombudsman is, as ACLEI talked about who they were and what they did. I think that the AFP would tell people going on pre-deployment training about the ombudsman and what the ombudsman's role is, but we do not present any particular training to people going on pre-deployment for the AFP.

Senator SINGH: What is your position on engaging with other agencies, like the AFP?

Ms Merryfull: In what way?

Senator SINGH: On integrity measures—

Ms Larkins: Do you mean, 'do we'?

Senator SINGH: Yes, do you, and do think that you should if you do not; or how much do you, if you think it should be more than you currently do?

Ms Larkins: It partly depends on our sense of risk and on our relationship with the agency. In some agencies we have more involvement than we do in others, but we do engage. The sorts of things we might do would be: presenting at training courses; providing information on complaints handling; and helping people audit and assess their own complaint-handling capability and then providing feedback on areas of interest to us such as decision-making and keeping people informed on the progress of complaints. Some agencies—and I will use DIAC as an example because it is an agency I am familiar with—will come to us and say, 'We're going to change our process and procedure or way of doing this, and we would like your thoughts and views on what we have proposed.' So yes—we engage outside our formal complaint handling role.

Senator SINGH: For the purpose of this inquiry, which is looking at overseas integrity operations, what agencies do you liaise with in that sense? Is it the AFP? Is it Customs?

Ms Larkins: No, it is really in our law enforcement role, so the AFP is our focus. We would only deal with Customs on an overseas related issue if we had a complaint.

Senator SINGH: Right—so it is kind of reactionary.

Ms Merryfull: Yes, it is reactionary—if we had a complaint—but keep in mind that, when we do investigate complaints, including complaints about the AFP or anybody else, if we see something that we want to make a recommendation about, we will. So, if we see that there has been a fall-down in their governance or their guidelines or that there has been a problem, we often make a recommendation that they should do x, y and z, and then we will follow up and see if they have done that.

Ms Larkins: We are a small agency and are prioritising where we put our resources, and, in an environment where there are other agencies that are more specifically tasked with oversight in this area, we are trying not to duplicate oversight and to use our resources in areas where we might be the only source of complaint-handling or oversight for a particular group of people.

Senator SINGH: So those kinds of recommendations that you may provide in relation to a complaint would be integrity measure type recommendations, potentially?

Ms Merryfull: Yes, if an integrity issue was raised. We tend to have a robust dialogue with the AFP around complaints where there has been a conflict of interest, and we will make recommendations on whether or not it has been handled properly and how they can change their handling—what are their guidelines like in relation to

conflict of interest, are they adequate enough and are they being policed closely enough? That would be the kind of integrity matter that we would raise; and we have.

Mr HAYES: We are indebted to the ombudsman's reports not just to this committee but also to the parliamentary joint committee on law enforcement. Clearly the relationship between your reviewing the ACC as well as the AFP is well understood.

Senator Singh was talking more broadly about other overseas based employees, whether they are in customs or various other agencies. Do you think that, from the ombudsman's perspective, there might be a need to standardise some of our integrity and corruption handling through all agencies? I know the AFP have theirs almost to the point of prescription, but is there a need, from your perspective, to standardise things for the handling of complaints by all overseas based agencies?

Ms Larkins: My reflections on that would be that it seems to us that agencies have a very different level of understanding of risk and that we would characterise some of those agencies as having a more mature understanding of corruption and integrity risks associated with overseas travel or overseas postings. In general, our advice to agencies is, 'The more that you can standardise and make things consistent, it makes it much easier for the workforce to apply a consistent standard.' So I think that any moves which would make it easier for the officers who do move between these agencies to know what the common standards are would be useful.

Mr HAYES: I imagine that, in various of our missions overseas, you have AFP liaison officers attached and that you have people from AusAID or other organisations—

Ms Larkins: Absolutely—all working in different frameworks and understandings.

Mr HAYES: Under the general umbrella of the Australian government.

Ms Larkins: Yes. Another general comment is that in some of our work over the past year we have looked at agencies working together, and Project Wickenby is an example of that—it is an area of a major investigation that we have just finalised. There is always complexity for agencies working under two different legal or two different policy frameworks and trying to work together towards the same end. It is quite complex for the officers involved to work their way through: 'Which framework am I sitting under?'

Ms Merryfull: 'What can I tell the other person?' When they are operating under their own secrecy frameworks, for example, it can be quite challenging for them, and that is where mistakes are made.

Ms Larkins: The more we can align things across the Commonwealth, I think—

Mr HAYES: I suppose that in terms of the AFP it is reasonably straightforward except for the fact that their integrity and corruption regime applies to everyone employed. Regardless of whether they are a sworn police officer or an administrative officer on the first day of work, they have the same standard applied throughout all people employed under the Federal Police Act. I am just wondering: is there utility in looking at standardising across those areas, particularly internationally, which are working with a fair degree of latitude within Australian government standards on integrity and corruption regimes?

Ms Larkins: I think that it makes sense from our observation in other areas.

Ms Merryfull: Officers who are placed overseas, if they are Australian government employees, are bound by the APS code of conduct, which is a consistent code of conduct, and the AFP has its own code of conduct. You could not really have those mixed up and joined because they are two quite separate things. Then there are locally engaged staff, who I presume that have their own rules. So you can see that already, with only three different regimes, there are opportunities for misunderstandings or difficulties.

CHAIR: Following on from Mr Hayes's question and your answer, are you able to nominate which agencies you think have a more mature understanding of the risks from overseas operations?

Ms Larkins: I probably skate a bit over the surface. Do you have a comment from your—

Ms Merryfull: Because we have had very few dealings with other agencies in respect of their overseas operations, I really do not want to surmise what their understanding is of risk. I think that the AFP and the ACC both have a good understanding of the risks, but that is only because they—and particularly the AFP—are the ones that we engage with in that space.

Ms Larkins: Why don't we take it on notice; I just want to make sure that we are not talking off the top of our head without sufficient evidence.

CHAIR: At the same time as you are doing that, could you also indicate whether you have views on certain agencies that could do a bit more work in this area?

Ms Larkins: Yes, we can do that.

Senator PARRY: You have indicated that there is a limited knowledge of overseas agencies apart from the AFP and limited numbers there. What we are trying to find that is what the risks are: what the potential risk is for corruption and the management of corruption overseas. Have you formed any views by your analysis and observations and investigations with agencies as to what the risks are? What are the types of activity that would pose a stronger risk and those that would probably have a weaker risk?

Ms Larkins: We would probably make three points, and again these are from broad observations; I think you have an understanding that our complaint base is not large. There are issues to do with lack of infrastructure that stops appropriate reporting—it concerns us when people do not have easy access to report or complain about particular issues—and there are issues to do with isolation of employees from their family and from the wider government's framework, depending on length of posting and where people are posted.

Senator PARRY: They are more structural things; what about type of activity? Can you make any comments? For example, is there a stronger risk of transmission of sensitive material to unauthorised people? Is it fraudulent behaviour? Is it bribery? Have you formed any view or do you have any knowledge?

Ms Larkins: Again, I would like to come back to you with a bit more detail.

Senator PARRY: Okay, that is fine. Have you read our terms of reference?

Ms Larkins: Yes.

Senator PARRY: Of the agencies listed in the terms of reference for this inquiry, you have direct oversight of the AFP and the ACC, and the others are just when complaints are referred to the Commonwealth ombudsman for some form of resolution. Is that correct?

Ms Larkins: Yes, and two of those agencies are in our top eight complaint agencies—ATO and DIAC are very big customers of ours!

Senator PARRY: That is a nice, friendly term!

Ms Larkins: But we are also quite familiar with AQIS. We have had an oversight role in relation to some of their activities and those of Customs.

Senator PARRY: Following up from the chair's request, which you have taken on notice, they are the key agencies that we would be interested in—the ones listed—as to how you perceive their performance and their capabilities. That is all I can really ask if you have no further knowledge or comment on those areas.

Mr MATHESON: Mr Hayes brought up some things in relation to certain standards across the board. Are you aware of or is there any value in an interagency forum to discuss corruption risks and mitigation strategies directed towards the establishment of a common understanding of standards? Has a forum been held with all the agencies before? You have stated that you are speaking to them individually, one-on-one, but would there be any value in having—

Ms Larkins: Are you talking about the agencies within your terms of reference?

Mr MATHESON: Yes.

Ms Larkins: I am not aware of whether they regularly meet. Again, from our perspective, sitting in the shoes of complainants, the more agencies try and work together and have a seamless view of how things should operate the better. Of course, we encourage agencies to talk, meet and share an understanding. There are other strong arguments, not just from our perspective, for doing that.

Mr MATHESON: It would seem to be pretty advantageous, wouldn't it, at the end of the day, to get them all together and discuss the issues.

Ms Larkins: We have also seen good examples of where collaboration between agencies and working closely together is addressing some significant risks.

CHAIR: In relation to the questions on notice, would two weeks be an appropriate time to supply the answers?

Ms Larkins: That is fine.

CHAIR: We may come back to you with further questions. If we need to do that, we will get in touch with you, but, otherwise, we thank you very much for taking the time to speak to us today.

DAY, Mr Warren, Regional Commissioner, Australian Securities and Investments Commission**MARCELIS, Mr Pascal, Manager, Government Relations, Australian Securities and Investments Commission**

[11:22]

CHAIR: Welcome. Would you like to make an opening statement?

Mr Day: I will take the opportunity. ASIC, as the financial services market conduct and corporate regulator in Australia, is involved in international operations in the course of carrying out its functions. These are a constant part of our work, but ASIC does not have officers deployed overseas, such as the AFP does with its liaison officers. ASIC's international operations consist of mainly four types of activities. Firstly, meeting with delegations from international counterparts and law enforcement agencies to discuss various regulatory and enforcement related issues. Secondly, technical assistance or capacity building, which is usually done in conjunction with AusAID or other Australian government departments or agencies. Thirdly, requests for assistance to and from ASIC's international counterparts and international law enforcement agencies. And, finally, international travel by ASIC officers for policy and research training and of course ASIC investigations. ASIC also attends a number of international fora, such as the International Organisation of Securities Commissions, which deal with a range of policy issues as well as international operational and enforcement matters from a policy, best practice and strategic perspective.

As an aside, while ASIC deals with many jurisdictions, the majority of ASIC's international operations are concerned with jurisdictions such as the United States of America, the United Kingdom, Hong Kong, New Zealand and Singapore. As I am sure the committee would be aware, all of those jurisdictions have well developed regulatory systems.

ASIC manages its international law enforcement operations in a number of ways. It has legislative obligations, internal policies and arrangements which aim to ensure the highest standard of integrity amongst staff and members in all their dealings with external parties and activities, whether or not they are a part of an international operation. These also include section 127 of the Australian Securities and Investments Commission Act 2001 which imposes a confidentiality obligation on all ASIC staff in relation to information given to it in confidence and in the exercise of ASIC's powers. ASIC's *Regulatory guide 103*, regarding confidentiality and release of information, which is available from ASIC's web site, sets out how ASIC will deal with confidential information and permitted releases to other parties, including international counterparts. There are other internal policies that we can provide the committee with to support that, or it may be that members of the committee will ask questions in relation to that.

The international travel policy and approval procedure is managed by ASIC's International Strategy Division. It is an internal policy which specifically relates to international operations.

An ASIC staff member must submit a formal travel authorisation form for every overseas trip to be taken, justifying reasons for travel and signed by their superior officer. The authorisation form is then sent to the International Strategy Division, who review the justification and make recommendations to the chairman, which he can choose to support or not. In addition, ASIC's international cooperation and request team is set up to coordinate, facilitate, and record all international requests to and from ASIC, including delegations. The team is a central point of contact and expertise and provides advice and assistance to ASIC officers and ASIC's international counterparts and law enforcement agencies.

Finally, the benefit of such a team coordinating international requests and other activities is its awareness of, and familiarity with, protocols for making international requests to various international agencies or jurisdictions. These protocols include international memoranda of understanding, which set out a framework under which assistance requests are made and responses can be expected. The IOSCO Multilateral Memorandum of Understanding is an important example of one of these. Other protocols include dealing with central points of contact for AFP international, Interpol and DFAT.

All these examples of the ways in which ASIC manages its international operations indicate how we ensure the highest standard of law enforcement integrity.

CHAIR: Thank you for that statement. Can you tell us what are the main corruption risks facing ASIC staff when overseas.

Mr Day: That is a very large and expansive question, in its simplicity. I would say that the main risks that we would face would arise out of officers having interactions with other law enforcement officers. So, obviously if there was corruption amongst other law enforcement officers in other agencies they would be exposed to that risk.

On the limited occasions when we are conducting investigations, or investigation activities, in foreign jurisdictions our officers will come into contact with people who are the subject of that investigation and witnesses. Obviously, that would expose them to risks of corruption.

We are not an agency, though, that is in the position of distributing or disseminating government funds or government programs. In that way that is not a risk for our organisation. Obviously, in the international fora that ASIC participates in, such as IOSCO, ASIC staff and ASIC senior staff come in touch with regulators from all nations, from time to time. The level of risk of corruption would be whatever that risk is for any other agency.

Those would be the highlights that I could point out.

Senator PARRY: I would like to ask a broad question about the type of corruption activity. Have you detected or been exposed to, throughout the agency, particular types of corruption activity—whether it be transmission of unauthorised information, fraudulent behaviour or other types of corrupt activity?

Mr Day: Not that we are of. No.

Senator PARRY: Does your agency have any strong interaction agencies where that may have been an issue?

Mr Day: Where the agency is an issue or the interaction is the issue?

Senator PARRY: In an interaction with other agencies have you gleaned any information that there are issues with other agencies in relation to corruption?

Mr Marcelis: Do you mean at a domestic level?

Senator PARRY: No; I am only interested in the international sphere.

Mr Day: No.

Senator PARRY: So there is really not much you can add to the inquiry from that perspective.

Mr MATHESON: What systems are in place to investigate corruption in relation to international operations? You stated that you had a memorandum of understanding. What is in place to monitor whether something is occurring?

Mr Day: Corruption in respect to actions of our own officers overseas?

Mr MATHESON: Yes, overseas.

Mr Day: Of our own officers?

Mr MATHESON: Yes.

Mr Day: As I indicated in the opening statement, every ASIC officer who it appears needs to travel overseas, needs to provide an authorisation request. That is considered by the international strategy division and signed off by the chairman. The other thing that accompanies that approval, which may come from the chairman, is that upon their return they have to provide a report as to their activities to be considered by the commission. Each overseas trip is subject to a report back to the commission, which is considered by a formal meeting of the commission. In relation to that, if there are allegations that may be made that are of some concern that come to ASIC then they would be looked at by our internal security group, confidentially. They would obviously look at the information given to us, the report provided by the said officer that went to the commission meeting and compare that, and then from that consider what steps need to be taken.

Senator CAMERON: I have been asking a number of the agencies whether there were any lessons for them in the RBA Note Printing Australia scandal. Were there any lessons for ASIC?

Mr Day: At least from my position, it is a matter of public record that ASIC issued a media release regarding this matter in March. We were presented with some material from the Australian Federal Police in relation that matter. As the press release indicated, we reviewed that material to see if there were any breaches of the Corporations Act and any matters that we wanted to consider further. As indicated in that media release, ASIC decided that there was nothing that required ASIC to proceed to a formal investigation. It is probably a good time to make the point that we do not have direct powers at ASIC in regard to bribery and corruption. Obviously that is important to understand.

In terms of your question specifically and lessons learned, I think not lessons learned for us but maybe for the general public—that is to say, every piece of information that is forwarded to ASIC, be it from another agency or a member of the public, is considered by ASIC. None of them are ignored. In this case, that material was provided to us. We reviewed it. We considered it at length in relation to our area of responsibility. We did respond back as to what our views were about that piece of information.

Senator CAMERON: I am not so much interested in whether you felt there were grounds for prosecution; I am more interested in the broader area of integrity in terms of whether ASIC looked closely at the actual case, what were the integrity issues involved and whether ASIC has a role across agencies on advising on integrity.

Mr Day: The simple answer to that is that ASIC does not see itself as having a role as to integrity across agencies. As I said before, it does not have any direct powers in relation to bribery and corruption, and they are the things that go to integrity. I am assuming you are joining those two things together. As a result, we do not see that we have a role. I think, if anything, ASIC issuing a media release was in fact clarifying, if there was any doubt, the scope of ASIC's role—that is, it is in relation to any alleged breaches of the Corporations Act and no further than that.

Senator CAMERON: Thank you, Mr Day.

Mr ZAPPIA: Mr Day, does ASIC carry out its own investigations? When a matter is brought to ASIC's attention that could be of interest to you and you have any concerns about it, do you have any obligation to pass on information to any other government agency?

Mr Day: Yes, Mr Zappia, we do conduct our own investigations. We have a well-resourced, well-staffed, professional investigation group—our deterrence teams—who look at this. Where those matters involve international issues or international parties, they will be things that we look at. We will have to make contact where it involves entities who are operating out of foreign jurisdictions, where that is appropriate and where that is required. When we do that—again through our international cooperation request area, which I mentioned during my opening statement—that group is contacted within ASIC. It is an important central point of reference to make contact with relevant foreign regulators to seek assistance, if that is required, under their law, under their legislation and under their powers, to elicit that assistance. As appropriate, it may be that that regulator, that enforcement agency, takes steps or does things on our behalf or may authorise our staff to conduct operations or inquiries in that jurisdiction.

Going to the second part of your question, in circumstances where it may be that there is a limit to our view or our work, yes, where we think it is appropriate we will refer, and do refer regularly, material to foreign regulators and offshore law enforcement agencies where we can see that there potentially are issues of criminal conduct or other misconduct going on in their jurisdiction and we believe they are well advised to be informed about it.

Mr ZAPPIA: With respect to the last answer, and perhaps I am making an assumption here, our relationship with some countries would be good and our relationship with other countries may not be so good. Perhaps the ability to follow through with investigations would be dependent on the relationship we have with those countries. Would I be right in drawing that conclusion?

Mr Day: As a generalisation, I think you are right. As I said, though, in my opening statement, the majority of our dealings internationally are with what I would call more westernised regulatory nations or nations with Western regulatory systems—that is, the United States of America, the United Kingdom, Singapore, Hong Kong and New Zealand. Our relationships with those regulators are good, to use your categorisation. So, in relation to that, the assistance we get is of a very good nature. Of course, there are others that from time to time may not be as rapid or as efficient and effective as we would like. One of the things is ASIC's participation with IOSCO. There is a committee there about assessing membership to IOSCO and speaking to jurisdictions about their obligations where they have signed up to the MMOU, the multilateral memorandum of understanding, and reminding about expectations in terms of provision of information. There are those that are probably not as good, to use your categorisation, but in those IOSCO provides a forum for us to discuss those issues. If those nations are not signatories to the MMOU, IOSCO itself is in constant dialogue and has done a lot of good work over recent years to get smaller countries, smaller jurisdictions, to sign onto that. That is of great assistance to us when we have to seek information or assistance from those jurisdictions.

Mr ZAPPIA: Thank you very much.

CHAIR: Does ASIC do any work with the AFP, the ACC or Customs, including their overseas operations, on corporations that could be suspected of involvement in organised crime?

Mr Day: That is a difficult question to answer. As to whether ASIC liaises with—if I narrow it a little—the Australian Crime Commission or, say, the Australian Federal Police in relation to entities where there may be a suspicion of involvement in organised crime, those are discussions that are ongoing amongst a whole range of agencies, and ASIC is one of those. We participate with the Crime Commission and others in relation to reports of information. Again, that is another source of information that comes to ASIC. And we have staff who work on certain capabilities within the Crime Commission from time to time on secondment as well. So we do assist in relation to that. Again, we do not see ourselves as a regulator or a law enforcement agency with specific powers

or having the need to address organised crime, to use your language. That is something that we assist other agencies with, given that they may be a regulator with that primary focus. More often than not it is about feeding information from our jurisdiction to assist with any operations they may have. Does that answer your question, Chair?

CHAIR: Sure. Thank you. We may have further questions for you, in which case we will be in touch with you. I thank representatives from ASIC for presenting to us today.

Mr Day: Thank you, Chair.

CROOK, Mr David, Group Manager, Governance, Analysis and Planning, Austrade

JACOMB, Mr Brendan, General Manager, Legal, Security and Procurement, Austrade

KIMBALL, Ms Marcia, Chief Human Resources and Change Management Officer, Austrade

YUILE, Mr Peter, Executive Director, Education and Corporate Operations, Austrade

[11:48]

CHAIR: I now welcome officers from Austrade. Would you like to make an opening statement?

Mr Yuile: No; I do not think so. We are conscious that you are inquiring into management of corruption risks for the international operations of Commonwealth law enforcement agencies. There are some that have been invited today, including ourselves, who perhaps do not fall strictly within those terms of reference. But we are very happy to assist the committee as we can.

CHAIR: We are very interested in lessons learned and best practice from across the range of Commonwealth agencies who have some operations overseas. We understand that Austrade last year operated in 102 locations in 55 countries.

Mr Yuile: That might have been true last year. I think it is now 50 countries that we are in.

CHAIR: The annual report notes that 617 staff, of a total of 1,087 were located overseas. Would you be able to outline for the committee any analysis that Australia has conducted of the corruption risks for APS employees and locally engaged staff in the locations in which Austrade is deployed?

Mr Yuile: Yes. To put this in a bit of context, as you say, we are the Australian government's trade investment and education promotion agency and we operate in some 50 countries. Our count at 31 December was some 518 locally engaged employees and 67 A-based employees. We are not a regulatory agency in that sense; we are a promotion and advisory group. But, in that context, regarding the risk assessments for us for employees overseas, as they are for employees in Australia, there are issues of risk around compliance with fiduciary responsibilities as Australian government employees. That would be one set of risks. We do not pay grants, as such, overseas. There is a grant scheme in Australia—the Export Market Development Grant scheme—but we do not pay grants offshore. So we do not have that particular set of risks. At the same time, we are conscious that we are giving advice and information to businesses, so we take particular care to address and ensure that our staff understand their obligations with respect to that advice, particularly with respect to antibribery and corruption offshore. The risks would be around the personnel risks that every agency would face in terms of their operations offshore and then there would be the risks that relate to the advice we give to firms. That is the way that I would categorise it.

CHAIR: So Austrade is involved in promoting Australian industry in overseas locations, facilitating business, and working together with agencies like EFIC, presumably in identifying opportunities for government to assist business where possible?

Mr Yuile: Certainly we are involved in the identification of market opportunities and bringing those back to Australian businesses. If businesses look to engage EFIC in their activity, that is a business decision, not an Austrade decision. But we are certainly involved in identifying opportunities and possibilities, and advising businesses about those and then assisting them in the market, in terms of introductions to customers or officials, depending on the issues concerned.

CHAIR: Austrade officials based overseas have quite a lot of influence in that area that you are talking about?

Mr Yuile: Part of our responsibility is to develop an understanding of the market and develop an understanding of the networks of the businesses and government agencies that are involved in decisions, and introducing firms to them. We are one or two removed, in a sense, from those particular decision makers, but we obviously have contacts and we seek to introduce Australian businesses to those contacts.

CHAIR: We heard earlier from AusAID. AusAID has a quit detailed corruption and risk mitigation strategy in place. I would like to hear about whether Austrade has something similar or whether you do not see the need for that?

Mr Yuile: I am not aware of the details of AusAID's arrangements, but, given the very large payments concerned, I would understand that they would have those in place. We certainly have our forward risk plans in place. Let me go back a step. I would say that there are four levels to our framework for management of these risks and for addressing them as we can. The first one relates to our overall governance as an organisation. Our new CEO has been with us a couple of years now, and he has taken that governance area particularly seriously. In the context of a review of Austrade's operations, governance was a particular area of focus. So our governance at

the organisational level involves a senior executive group, our audit and risk committee, and the establishment of an ethics committee and a chief ethics officer in the organisation. So we are taking those governance and ethical issues particularly seriously.

We have had our governance arrangements reviewed independently by the ANZSOG, the Australia and New Zealand School of Governance, which double-checked those governance arrangements. The second level beyond that—

CHAIR: What was the outcome of that review?

Mr Yuile: It was a positive endorsement of the governance arrangements we have in place and the additional steps we have taken in the last two years. I am very happy to provide that to the committee. It is on our website but we can supply that. David Crook is our governance general manager. He might want to make a comment on that.

Mr Crook: The report that ANZSOG provided to us is available on our web site. We have a link straight through to that report. They found that our governance arrangements and structures were of the highest standard. They particularly made note of the work that we had done in anticorruption training with our staff.

With the report—I have brought along a copy if it would be useful to the committee, but it is available on the web site—there is an attachment that lists a range of measure that we have taken over the last two years to improve our governance arrangements. That includes things like working with legal counsel to assess the services that we provide to assess any risk points in terms of our services; making very clear within all of our policies, our templates and the ways that we operate with companies, issues to do with antibribery legislation and our position of not being able to assist companies that are involved in illegal activities; as well as simple things like making sure that on all of our emails the message that appears at the bottom clearly explains issues to do with antibribery and legislation in that regard. There are a range of measures such as that that we have undertaken.

CHAIR: Does that include things like post employment restrictions, so that a person, when they have finished working for Austrade cannot go immediately and work for a company that has been assisted by Austrade?

Mr Yuile: I will defer to our HR director on that, but I can say that within our governance arrangements we have codes of conduct, and when people join the organisation, both on- and offshore, they are signing to obligations. You asked earlier how, with a large locally engaged staff, we communicate issues to them. One of the things that we do is to have, each year, an online module updating people on governance issues, and all staff have to complete that. So we look for 100 per cent completion by all local staff as well as all Australian staff.

We monitor that to make sure that it is completed. If our staff have any questions coming out of that they are directed to where they can find information. That covers all sorts of issues but particularly deals with things like conflicts of interest and how staff should manage conflicts, perceived conflicts or even potential conflicts.

CHAIR: Is their compliance or general integrity in working for Austrade taken into account in performance evaluations and in applications for promotion, for example?

Mr Yuile: Perhaps I will ask Marcia Kimball to address that as well, but fundamentally in terms of our performance assessment, values and behaviours are one of those areas which we specifically address as part of our regular performance assessment. That would obviously bear upon consideration for future employment. I will ask Marcia to comment on that. She has a very detailed understanding of that side. Before we go to that, can I just say that, in terms of our framework, we mentioned governance. We are now going to personnel policy, and we can address that.

CHAIR: Personnel policy in relation to matters of integrity?

Mr Yuile: Personnel policy in relation to codes of conduct and behaviour. The third area is the training area that we mentioned. And the fourth area is our client service engagement policies and procedures. I want to make clear that there are those four levels, and we can cover those through the course of the discussion. But certainly on the code of conduct side and behaviours I would ask Marcia to comment.

Ms Kimball: As Peter Yuile outlined, our performance management is up there as one of the key and primary elements of our ethics, integrity and values. We have been doubly reinforcing that in recent years. In terms of engaging our staff, all of our A-based that are posted overseas are top secret security cleared. We have quite intensive induction training which covers off these elements around integrity, upholding the values of the APS as well as a specific code of conduct for our A-based overseas and for our overseas engaged staff. As has been pointed out, we have mandatory training in these areas and particularly in the areas of ethics and antibribery.

CHAIR: What about post-employment restrictions?

Ms Kimball: As you are exiting the organisation?

CHAIR: Yes.

Ms Kimball: We have a process as people are exited. This is in relation to interviews as they leave the organisation and reminders, as part of our code of conduct, to sign in terms of potential conflict of interest and commercial-in-confidence or intellectual property. How you monitor that after afterwards is tricky, but we endeavour to remind people who are leaving the organisation of that and get them to sign to that effect.

CHAIR: Is there an actual period for post-employment restrictions?

Ms Kimball: No. Maybe Mr Jacomb could answer that in terms of us being able to enforce something of that nature.

Mr Jacomb: I suppose it would be a question about restraint of trade and the ability for someone to take up subsequent employment. As Ms Kimball was outlining, we would be very observant in terms of a person's employment with us that whilst they are employed they are doing their job properly, that they are not favouring a particular client. I think the sort of example you had in mind is one where they might subsequently work for an Australian client or perhaps an in-country customer. Certainly, whilst they are employed with us, they are reminded of and they are aware of their obligations and their responsibilities to behave ethically and appropriately. But, once they have ceased their employment with us, I think it would be difficult to be able to say, 'You cannot work for such-and-such for six months or 12 months.'

CHAIR: It is actually a common thing in some places, in some jurisdictions, to do that.

Mr Jacomb: I think it would be an issue for restraint of trade unless you had that as an agreement upfront when you engaged them.

CHAIR: That would be the point: it would have to be part of their employment contract to start with, before they entered into service.

Mr Jacomb: Yes.

CHAIR: But that is not something that happens at the moment?

Mr Jacomb: No.

CHAIR: Are you aware of whether it happens for any other Commonwealth body or agency?

Ms Kimball: No.

Mr Jacomb: No, I am not.

CHAIR: Thank you for that. I will hand over to my colleagues now.

Senator CAMERON: Mr Yuile, I have been asking most of the agencies what lessons they learnt from the Note Printing Australia scandal. What lessons did you guys learn?

Mr Yuile: I think it is fair to say that it has been a very important issue, a wake-up call, for business and for officials. It is picking up some of the things we said earlier. It has been very much part and parcel of the kinds of reviews and reforms that we have undertaken in the last two years. As I said, we have a new CEO who arrived in early 2010. This is front and centre for him. It went to not only reviewing the organisation and its directions in a strategic sense, in terms of our promotion and advisory responsibilities, but also governance. It was a strengthening, I would say, of the arrangements we already had in place, a strengthening in terms of the training of our staff. I will ask Brendan to perhaps give you a bit more detail. We took serious legal advice about the interpretation and understanding of the Criminal Code and then did very detailed work in terms of making that, as it were, the legal code, practical for our staff. We undertook face-to-face training with all staff overseas, as well as in Australia. There was detailed material—cards like this—and checklists for people to have with them by their side, so to speak. It was a very serious training effort. As we have already said, it is part and parcel of our induction training and also our pre-posting training for our A-based officers.

Another level is our engagement with our clients. We have a thing called the *Client Service Handbook*. I am happy to leave a copy for the committee. It is very explicit and up-front as to the expectations we have in terms of the behaviours of firms and their appropriate ethical activities. We hold that as a critical part of the way we work with firms. We have included advice about antibribery legislation in our service proposals, so it is up-front when we undertake services for businesses. It is also, as David mentioned, part and parcel of our emails. Every email reminds firms about the antibribery law and the fact that, if our officers become aware of any information, they will pass that on to the appropriate authorities. It has been very much part of reinforcing and strengthening our training for our staff and our advice to firms, giving clear advice to firms about taking legal advice where they are not sure about some activity that they might be contemplating in a market. That continues to be front and centre in mind for our A-based trade commissioners.

Senator CAMERON: That is a very comprehensive analysis you have given on what has been happening. I might come back to the specific issues that have arisen as a result of Note Printing. You are Executive Director of Education and Corporate Operations. This may be unfair; you may not know the answer to this. I am interested: is there any benchmark in terms of this type of integrity training across other government organisations? Do you guys talk to each other?

Mr Yuile: Senator, perhaps I should let Brendan speak because he has done this in detail and has been out in the field. We took extensive external advice. We consulted internally with both the Attorney-General's Department and the AFP. We have had our training reviewed by Transparency International and have taken on board their suggestions. So we have taken it extraordinarily seriously. I think the training has been best practice.

Senator CAMERON: Would you describe your approach as a best practice approach? Is that too much of a cliché?

Mr Yuile: I would. We have worked extremely hard and we have seen this as a very important issue for our staff and for Australian business in the advice we give. I am not trying to blow our own trumpet, but we have taken every bit of advice we can to do the best we can and to give practical advice to our staff. You can have reams of various documentation, but it comes down to the practicalities and things that people can use on a daily basis. Brendan has a sense of that training across the Commonwealth and perhaps he would like to make a comment.

Mr Jacomb: The training that has been done is very focused on the scenario and situations facing Austrade and drawing on any learnings, lessons and insights from the Note Printing and Securrency matter. I think there was a combination of the understanding of the law and practical considerations: 'What are the circumstances you are going to face out there in the market and what are the sorts of practical examples you will need to work your way through and the steps you will need to take not only to make sure you are doing the right thing but you are seen to be doing the right thing and you are recording that the right thing is being done?' This included things like being involved in assisting with the identification of agents and making sure that there is a decision being made by the client—doing those proper steps, as Mr Yuile pointed out in the handbook.

The other thing is, in terms of working with the other departments and agencies, we had the Australian Federal Police look at our training. We invited them along to attend our training and, in a number of places, they actually presented as well as participated. I have regular meetings with my colleagues in Attorney-General's and the Australian Federal Police. I gave a whole package of our training to the Department of Immigration and Citizenship, with a view to sharing it. Obviously it is very focused on Austrade-specific situations, but it is available to assist and help other APS employees. We have also taken steps where we have given that message directly to Australian clients. I did some training once for clients who were trading into China, for instance. So we have tried to do everything we can to get that message out there. At the same time, there is also an element of making sure the Australian clients understand that, as much as we have made them aware of the environment and what we need to do, they also need to be aware of it and take their advice as well.

Senator CAMERON: I suppose the proof of the pudding in all this stuff is in the eating. It seems to me on the surface, on your evidence to us, that you have taken this extremely seriously and are doing quite an extensive amount of work. I do not want a *Yes, Minister* approach, where you give us reams of documentation, but is there any way you could just pull together what you have done in a bit of a schematic? Your evidence, from my point of view, is the most detailed in terms of the issues that you have dealt with. Maybe if you could give us a summary of how you put this together—not wads of paper but something that we could have a look at as a best practice approach.

Mr Yuile: Sure. I hesitate to say 'best practice'.

Senator CAMERON: Those are my words.

Mr Yuile: I think it is good practice and we are seeking to improve it. We can certainly do that. We can leave the client service handbook and some of our short policies. This one page, which I will leave you with as well, is a guide for our staff: 'This is what it is about and, if you strike these situations, here's what you might do.' It is an endeavour to make something that is easy to handle.

Senator CAMERON: Thanks.

CHAIR: Can I just clarify. Did the Austrade staff have any involvement in the Reserve Bank-Securrency issue?

Mr Yuile: Certainly Austrade officers have worked with Securrency around the world—that is a matter of record—and introduced them to other agencies within those markets. If the question is 'Have any Austrade officers been charged?' the answer is no. But we have been providing full information and assistance to the AFP,

and they have acknowledged that publicly. At this stage anyway, we are doing all we can to support that investigation.

CHAIR: I raise that because I am not sure that Senator Cameron was aware that there was an actual Austrade connection with Security, as opposed to other agencies we have been talking to today that have had no connection with Security.

Senator CAMERON: I understand that but, regardless of direct connection or indirect connection, the point I am trying to make is that there could be lessons for all agencies from what happened. That is all.

CHAIR: Yes, that is true.

Ms Kimball: Chair, on the question you asked on engagement around post-separation employment. As part of our code of conduct, we have a declaration on engagement. Officers are expected to abide by our policies and agree to report in writing to their Executive Director if they are intending to take up employment with an employer that could possibly present a conflict of interest as soon as practicable after they know about it so it can be monitored and checked.

Senator PARRY: Is the trading of information gained during employment with Austrade to a party that might have some commercial advantage be perceived as your greatest corruption or misconduct issue? Would it be the biggest risk?

Mr Yuile: It would be one of the risks.

Senator PARRY: Can you identify other risks? That is one.

Mr Yuile: You are talking about commercial knowledge that an Austrade officer might have and pass on.

Senator PARRY: And trades it for benefit or gain of some description.

Mr Yuile: It is certainly the case that our offices are in the market and are building knowledge in those markets. That, and to introduce Australian businesses into those marketplaces, is what they are paid for. Yes, it certainly would be a risk if they were to misuse that information either for personal advantage or somebody else's advantage. I am not aware of any such case that has come forward, either in terms of a complaint by a client or indeed a complaint by our staff that there has been some inappropriate behaviour in that respect.

Senator PARRY: But you identify that as a risk. We are looking at potential risks in international agencies. You would not be dealing with large sums of cash—handing out that sort of largesse?

Mr Yuile: That is right. One of the tiers, if you like, of effort to address and manage risk these are the things I have mentioned to Senator Cameron and the chair is our audit and risk committee—it is deliberately called audit and risk committee. It is independently chaired and there is an independent member on it. Every year that committee identifies risks in the agency and has a process of monitoring those risks.

Senator PARRY: Is there a document that you could provide to us about the risks identified?

Mr Yuile: Could I take that on notice?

Senator PARRY: Yes. That you can provide would be great.

Mr Yuile: I think it is a very good process—one that I had not come across before I came to Austrade. They could be strategic risks, personnel risks or financial risks. The risks are broken up into their elements and what might be the mitigation measures that we would seek.

Senator PARRY: That would be a document that we would be very interested in being provided.

Mr Yuile: One of those does relate to ethical conduct and our reputation, not only our reputation but Australia's reputation. It is something we take seriously.

Mr Jacomb: In some locations where there is a consul general we also have involvement in passports—

Senator PARRY: Okay, so there is another risk there.

Mr Jacomb: By and large it is the role of the Department of Foreign Affairs and Trade but there are some locations where we do it.

Mr Yuile: Our staff operate on behalf of the Passports Office in several places.

Senator PARRY: Finally, you might have anecdotal information or you might have direct knowledge: looking at risk in international Australian organisations, I imagine that Austrade, with the number of people you have deployed overseas, would come into contact with a number of other agencies. Can you identify any other risks that you would see? Take that on notice, by all means, if you want to pool those ideas collectively.

Mr Yuile: It is a big question.

Senator PARRY: It is.

Mr Yuile: There are any number of risks.

Mr Crook: Security risk is obviously a major risk, whether that is personal security or information security.

Senator PARRY: Sorry, we are more interested in corruption or corrupt activity, or misconduct that is serious enough nearly to be classified as corruption. Think about that. Anything you can add on notice would be appreciated.

Mr Yuile: I think what I have tried to say is that, whilst we are one or two removed in terms of transactions and deals that might be done or grants that might be made, the risks in terms of our staff and their behaviours and in terms of advising firms are the two areas that are our focus. That is why we have done this extensive work. I am happy to think about it further.

Senator PARRY: If there is anything you can add, please do. But primarily—

Mr Yuile: For those who are conferring benefits or have a regulatory responsibility the risks change.

Senator PARRY: Absolutely. Primarily, we would be interested in seeing that list that you indicated, if that is possible.

Mr Yuile: Sure. I do not have a problem. I think we want to confirm it with our independent chair and audit committee just out of courtesy. It is a document that, as I said, is a living document; every meeting is monitored and reviewed.

Senator PARRY: Thank you. That sounds excellent.

Mr MATHESON: You have touched a couple of times on locally engaged staff. I would just like to know how you source those people. How are they employed? What is the process? What checks are made on those? Have there been any issues raised in relation to locally engaged staff in relation to corruption?

Mr Yuile: I might invite Marcia to answer that. Clearly, staff from any nationality are susceptible to risk. So that needs to be seriously addressed. I would say, from personal experience of the staff I have met, that they are highly educated. They are people who are dedicated to servicing and serving the firms we deal with. I just want to put that on the record. I have been very impressed with the local staff that I have met. That is not to say that we do not take appropriate steps and measures in terms of our recruitment, training and our codes of conduct, but I just think it is important to say that about our local staff.

Ms Kimball: As Peter mentioned earlier, just over half of our staff in Austrade are overseas engaged staff. As he said, there are some 68 senior trade commissioners or trade commissioners that they report to. So in recruiting into the 50 countries that we have a presence in our locally engaged staff are primarily business development managers. They are people who have had some experience in business in the country. They are all bilingual or multilingual as needed. In recruiting them we go through a process where we always have a senior panel selecting from the applicants. Then the preferred candidates go through police checks. We are also currently reviewing our security arrangements around this to look at doing a more intensive security review of our locally engaged staff. Because they are not Australians they cannot be top-secret secured. Brendan could perhaps talk about where we are at because we have just had a review done of our security. We are actually intensifying that.

When they are engaged they go through a thorough induction program both in-market and, where we can, by bringing them back to Australia. Then they go through all the training that is required to get them up to speed on working in a government organisation and around some of the issues that we have discussed today in terms of taking them through antibribery training. Annually we do refresher courses around governance for all of our staff, overseas and in Australia. They sign on to a code of conduct, which they are briefed on. Part of their performance management review is obviously on how people behave, in terms of doing the business, business ethics and the value in integrity that is required.

Mr MATHESON: Have there been any instances of corruption from locally engaged staff that have come to your notice?

Ms Kimball: No, not that I am aware of. There is occasional misconduct—for example, last year there were probably only two cases and they were nothing to do with corruption. They were credit card fraud and another issue of inappropriate behaviour.

CHAIR: Is the code of conduct based on the APS Code of Conduct?

Mr Yuile: Yes.

CHAIR: So it is not different from the DFAT code of conduct?

Mr Yuile: No. It is based on the APS Code of Conduct both for Australian staff and also for overseas engaged employees.

CHAIR: Are you happy to table that sheet that you held up before, Mr Yuile?

Mr Yuile: Sure.

Mr Jacomb: Sure. It is an internal document. It is an instruction to staff, and it is quite explicit. It says, 'If you come across any sort of hint or bribery or corruption, here's what you're going to tell the client,' and tells them how they would refer it to the police. It has a series of reporting scenarios.

CHAIR: Would you like us to make it a confidential document for the committee?

Mr Yuile: We might take that on notice and check for you, Chair.

CHAIR: Yes.

Mr Yuile: It is not a secret. We brought it because we thought you would be interested.

Mr Jacomb: It is quite an internal facing, practical manual. The staff are meant to have that up on their—

Senator PARRY: Chair, what if we accept it as a confidential document now—

Mr Jacomb: That would be great.

CHAIR: That way there would be no problem; it would just be for our information.

Mr Yuile: Yes, I would just like to confirm with the CEO that he is happy about it going out.

CHAIR: Thank you for that. There being no objection to tabling that as a confidential document, it is so ordered. I have one more question in relation to the requirement for disclosure by staff of financial interests, shareholding interests and other interests.

Mr Yuile: Yes. There is a conflict of interest and statement of interests document that all SES and cost centre managers sign.

Mr Crook: The level of disclosure operates both according to a level and position. All people within the SES, all people who hold a position as a cost centre manager, and specifically all people who work within the governance team or the legal and procurement team have a higher level of required disclosure. But we have a requirement that all of our staff read the policy, are aware of the policy and indicate that they are adhering to the policy.

CHAIR: And then they provide you with statements?

Mr Crook: The level of statement depends on those roles.

CHAIR: Is that for Australian based staff only?

Mr Crook: It is for Australian based staff but also, if a locally engaged staff member identifies through the first stage of that process that they have a real, potential or perceived conflict they need to declare that specific conflict.

CHAIR: Is the statement of financial interests updated from time to time?

Mr Crook: Yes. Apart from a regular update process, we ask that people update their information if their circumstances change. That change could be in their personal circumstances or in their role, which may change their circumstances.

Mr MATHESON: Just out of curiosity, does Austrade gift any equipment or other resources overseas?

Mr Crook: That is not part of our activities. The only instances in which that I could imagine that occurring would be if we were closing a location and had to dispose of things. But we do not do that as part of our business.

Mr Yuile: We have a disposal process for when an office is closing or we are changing over equipment, but it would be through due process, not gifting. It is not part of our practice.

CHAIR: I would like to thank representatives from Austrade very much for coming along today, and thank you to all the witnesses who appeared.

Committee adjourned at 12:29