More than a matter of trust

An examination of integrity checking controls in recruitment and employee induction processes
Letter of transmittal

Consistent with my functions under section 22E of the *Public Sector Management Act 1994*, and in accordance with section 22F, I submit to both houses of Parliament a report on an examination on integrity controls in relation to the recruitment of officers to 'positions of trust'. Such positions are those range of roles considered to carry a high integrity risk by virtue of their authority, responsibilities, or due to the nature of supervisory controls operating on the positions.

Observations and findings arising from the examination are considered to be of sufficient significance as to warrant reporting to Parliament.

M C Wauchope
PUBLIC SECTOR COMMISSIONER
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A key activity of public sector agencies is the recruitment and induction of employees. In addition to recruiting expertise and knowledge, strong integrity controls are needed to reduce the risk of fraudulent and corrupt behaviour by employees who do not have the level of integrity required for positions that exercise significant authority.

Pre-employment screening controls are considered to be an effective risk management strategy and there are steps that can be taken in the recruitment, selection, appointment and induction phases of employment to minimise integrity risks. The use of these controls is at the discretion of employers who assess the risks in each employment process, bear the cost of controls and who must manage the consequences of fraud if and when it does occur. However, it should be noted that this management is on behalf of the community, that the consequences of integrity failures are felt by the community in a number of ways, and that individual failures have the potential to erode public confidence in the wider system. Public sector agencies are stewards of public trust and every selection process should be considered with this broader context in mind.

This examination was undertaken to provide some assurance that appropriate controls are in place and to provide the sector with some guidance on good practice. While it is understood that all public sector positions could be considered positions of trust, for the purpose of this examination, the term is reserved for positions considered to carry a high integrity risk by virtue of their authority, responsibility, or due to the nature of supervision or oversight controls operating over the position.

I wish to thank the agencies who participated in this process, and encourage all chief executive officers (CEO) to reflect on the findings in this report and consider what might need to be done to ensure effective recruitment and induction processes in relation to integrity for positions of trust in their agency.

M C Wauchope
PUBLIC SECTOR COMMISSIONER
Executive summary

Overview

All employees, by the very nature of the employer and employee relationship, can be assumed to owe a duty of good faith and trust\(^1\) of varying degree to their employers.

All public sector employees have a statutory duty to act with integrity in the performance of their official duties and to be scrupulous in the use of official information, equipment and facilities. However, there are numerous positions in public sector agencies that have responsibilities where the level of integrity expected of an employee, due to the nature of the role undertaken, is higher than normally demanded or expected.

These include roles involved in public safety, managing public finances, making decisions about commercial outcomes and where actions and decisions are not subject to regular checks and balances, or where the individual is not subject to ongoing oversight. Such positions have been defined, for the purpose of this examination, as being ‘positions of trust’.

Examples of these types of positions include:

- chief finance officers
- high value procurement officers or contract managers
- officers who have authority to impose licensing conditions or restrictions on an enterprise or individual
- officers that are in a position to confer significant private benefit on companies, enterprises or individuals or impact the competitiveness of a market
- officers that are responsible for the privacy or integrity of personal information maintained by the State, particularly where that information has a high commercial value
- officers that have involvement with vulnerable people, including children and the elderly
- officers with law enforcement powers that may be used to confiscate property or otherwise interfere with the personal liberties of citizens.

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\(^1\) Trust - the obligation or responsibility imposed on one in whom confidence or authority is placed: a position of trust (Macquarie online dictionary as at 6 June 2013).
Several cases observed by the Public Sector Commission in recent years indicate that some public sector agencies may not fully understand the importance of embedding strong integrity checking controls and education in their recruitment, selection, appointment and induction processes. These controls are particularly important to maintain public confidence and trust in officers, who by the nature of the work they undertake, must demonstrate exemplary levels of honesty and integrity.

This examination was initiated to consider current arrangements in place for the recruitment and induction of staff into positions that were considered to be positions of trust with medium to high levels of integrity risk. The examination involved an assessment of 11 selection processes conducted within 10 agencies. Positions covered a range of responsibilities and salary levels. The evaluation framework applied a desirable controls model based around the Australian Standard AS 4811-2006 Employment Screening.

Key findings
Analysis of the processes examined in the sample indicated that:

- a low number of positions in the sample included integrity as an essential selection criterion
- reference to high standards of integrity and honesty forming part of the advertisement and supporting documentation was not present in most of positions examined
- all sample processes obtained referee reports that contained questions relating to the integrity and honesty of the applicant
- a high number of positions in the sample incorporated probationary periods set at the maximum allowance under industrial provisions for new employees from outside of the public sector
- criminal screening⁡ was conducted as part of the selection process for a high number of positions in the sample
- the number of processes involving a verification of qualifications and memberships with the relevant organisation prior to making a recommendation for appointment was low
- applicants were not required to disclose if they have been, or are subject to disciplinary proceedings by their employer in any of the positions in the sample
- induction training provided to officers appointed to positions in the sample included topics outlining obligations and expectations relating to their ethical conduct and integrity
- almost all new employees recruited to positions in the sample undertook ‘Accountable and ethical decision making’ training within three months of commencement.

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⁡ ‘Criminal screening’ refers to applicants being required to obtain and provide a National Police Certificate or the agency undertaking criminal screening.
Conclusion

The Commission concluded, there was insufficient use of integrity as an essential criterion for positions in the sample examined and a general lack of rigour in the assessment of integrity at key points in the recruitment, selection and appointment process.

While this does not suggest that any officer appointed to a position in the sample is dishonest or lacks integrity, the fact that screening fell short of the level accepted as an Australian Standard is considered to present a heightened risk to the security of agency information and resources, and potentially to integrity in decision making.

The examination noted that policies commonly provide a general description of screening protocols that are available to guide employment screening processes, but concluded policies could do more by way of assisting line managers to exercise appropriate judgment as to what positions should be subject to different control measures and how they should be administered.

In general terms, the incorporation of conduct and integrity elements into induction was well designed in procedures and well observed in practice.

What needs to be done

The following broad recommendations are provided to assist agencies either develop or strengthen integrity checking controls in their recruitment and induction programs for positions of trust. All CEOs are encouraged to identify positions of trust in their agency and ensure that the following factors are applied in recruitment, selection, appointment and induction processes.

Position descriptions should incorporate honesty and integrity as an essential selection criterion

- Positions of trust should include requirements to demonstrate the highest standards of honesty and integrity as an essential selection criterion.
- Compound criteria that combine this attribute with other generalised value statements may be valid but are not considered as appropriate for positions of trust.
Information provided to potential applicants and candidates should be transparent about the criteria used and clear about any checks and screening controls that are to be applied in the process

- Advertising the importance of integrity signals that a high level of integrity and honesty is a requirement of the position and acts to discourage unsuitable candidates in the first instance.

- Information to applicants should stipulate any specific ‘clearances’ that need to be submitted with an application or which have been determined to be essential indicators of honesty and integrity.

- Job application packs should contain information alerting applicants to the possibility that selection panels may wish to contact non-nominated referees. Requiring candidates to give permission to the panel to contact past employers for background and integrity checking can facilitate subsequent verification during the selection phase.

**Agencies need to test and validate candidate claims about integrity and honesty**

- Referee checking with past supervisors should include questions relating to integrity.

- Consideration should be given to making criminal screening a standard process for positions of trust.

- Requiring self-disclosure about past disciplinary matters can be included as part of the process, however verification may require a candidate’s co-operation. In addition, the existence of a past matter should not automatically prejudice an applicant.

- Required qualifications, membership and associations should be verified with the relevant university or organisation.

**Integrity risk management should not stop with appointment**

- Mandatory integrity training such as ‘Accountable and ethical decision making’ training should occur soon after appointment.

- All employees should be required to notify the agency of any change in circumstances relating to criminal offences.
Agency responses

All participating agencies co-operated fully with the examination and provided feedback on preliminary findings. CEOs were provided with the opportunity to provide a brief statement for inclusion in the final report. Agency statements are quoted below.

Construction Industry Long Service Leave Payments Board

The report has highlighted areas of improvement in our recruitment process through to the further training of current and new employees. Particular areas of improvement by our agency include timely training covering ethical conduct, integrity and inclusion of current and new employees to complete ‘Accountable and ethical decision making’ training.

Department of Agriculture and Food WA

The Department appreciates the learning provided by an independent view by the Public Sector Commission of our risk assessment and pre-employment integrity checks. The report will provide valuable information to inform the risk analysis approach that will form part of our recruitment and selection review for relevant positions.

Department of Education

The Department of Education currently promotes high standards of integrity checking during recruitment and selection processes. To that end, the Department has relevant policies and controls in place to ensure applicants for employment are subjected to appropriate vetting and integrity checking, including pre-employment criminal history screening, as part of the employment process. The Department has under consideration the inclusion in relevant job description forms of a reference to integrity as a core selection criterion for specific jobs.

Department of Health

The Department of Health, on behalf of the State public health system, accepts the findings and supports the broad recommendations made by the Public Sector Commissioner.

In addition, following the tabling of the final report in Parliament, the recommendations will be forwarded to the WA Health Workforce Steering Committee for advice on how the recommendations can be incorporated into current and future employment processes.
Department of Housing

The Department of Housing supports the review’s findings and recommendations and will implement further measures that complement current practices within the Department. The key to embedding those changes will be through providing targeted selection panel training aimed at developing a broader understanding of integrity testing. However, testing integrity can be problematic and a mechanism to ensure consistency across Government would be helpful for agencies.

Department of Local Government and Communities

The review undertaken by the Public Sector Commission has been a timely reminder to the Department of Local Government and Communities about the importance of ensuring that public servants recruited to positions of trust require a greater degree of scrutiny to ensure that they will carry out their duties with the appropriate level of professionalism and integrity. The strategies suggested in the report provide a basis in which to establish rigorous procedures that will be adopted by the Department.

Department of Mines and Petroleum

The report identified timely and critical safeguards for mitigating risks, which underpin and strengthen recruitment and induction standards and leading practice, for all public sector agencies. The Department of Mines and Petroleum recognises the critical interdependency of the desirable controls model; together with the specific approaches and principles which will enable the Department to build on our areas of strength and those which require strengthening—in particular those within our own advertising processes.

The Department had recently implemented a range of new strategies in relation to managing potential conflict interest matters. We see the recommendations of the review as a confirmation of the need identified to embed the highlighted integrity measure controls to deliver effective policy, procedure and management practice, as part of our ongoing continuous improvement and risk management approach.

Department of Transport

The report highlights important checking controls which we will follow up and implement; both for ‘positions of trust’ and across our recruitment, selection and induction processes across the Department as appropriate.

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3 As of 1 July 2013 the Department of Local Government was amalgamated with the Department for Communities to form the Department of Local Government and Communities.
Metropolitan Cemeteries Board

The observations and the finding of the report will assist the Metropolitan Cemeteries Board enhance its integrity checking controls particularly in the recruitment process.

Many of the controls highlighted in the examination have also been identified during the development of the Board’s Misconduct management plan, as controls they believe will assist the agency in developing its misconduct resistance and have been adopted as strategies to be implemented.

VenuesWest

While VenuesWest has a number of existing integrity controls in place within our recruitment and selection practices, participating in this integrity controls audit has been a timely and appropriate reminder of areas in which we can improve on.

We have taken on board the findings from this audit and will be reviewing our existing recruitment and selection policies, procedures and documentation to ensure we incorporate all of the improvement areas outlined to us.

By doing so, we will bring our recruitment and selection processes up to a best practice level and ensure we are doing our part to reduce the risk of fraudulent and corrupt behavior by employees within the public sector.
Rationale for the examination

While all public sector officers occupy positions requiring a high level of public trust and confidence there are a number of positions in most agencies that exercise authority on behalf of the CEO around the control of finances, procurement, approvals processes or inspection roles. These positions are not always the most senior roles in an agency but officers holding these positions must demonstrate the highest levels of personal and professional integrity.

There have been a small number of occurrences in recent years where there has been an abuse of the trust placed in officers holding such positions where public sector employees failed to act in a manner that is honest and accountable. A significant aspect of the integrity risks in these matters related to the opportunity individuals had to conceal information by virtue of the control or autonomy that they had over financial systems or decisions in the absence of strong oversight mechanisms.

Another common theme was that agencies failed to determine, at the time of recruitment, whether an officer had the level of integrity and honesty worthy of the trust that was required for the position they were appointed to.

The catalyst for this examination was a situation whereby a candidate was found, after appointment, to have provided false and misleading information in their application for a chief finance officer position. In this particular case, the agency had failed to verify the required qualifications and professional memberships which the employee had purported to have at the time of application.
Approach

The objective was to examine integrity checking controls covering a sample of roles and positions where demonstrated honesty and integrity would be generally regarded as an essential work related requirement.

Specific areas of importance were defined as being:

- Does the agency have policy and procedure in place to facilitate an assessment of integrity as part of recruitment and selection processes?
- Does the agency advertise in a manner that informs potential applicants of the integrity requirements of the role?
- Does the selection methodology contain a reasonable assessment of the integrity requirements?
- Is information provided by the applicant verified and does criminal screening form part of the process?
- Does the induction process contain elements that ensure appointed candidates are aware of and committed to operating in a manner that is consistent with the Code of Conduct?

The Commission considered the Australian Standard AS 4811-2006 Employment Screening a suitable reference for the development of a desirable controls model. The model was intended to contain elements at each stage of the recruitment, selection, appointment and induction processes that amounted to adequate integrity checking controls and identified risks for positions of trust.

The vacancies were categorised by job type and selected as a stratified random sample to include small, medium and large agencies and a variety of job roles. Processes chosen were recent enough to ensure currency and availability of selection documentation but not so recent as to be unfinished. The examination sample comprised the following eleven processes:

- Account Manager, Level 7, Department of Agriculture and Food WA
- Chief Finance Officer, Level 7, Metropolitan Cemeteries Board
- Director – Corporate Services, Level 9, VenuesWest
- Finance and Business Officer, Level 8, North Metropolitan Health Service, Department of Health
- General Manager – Facilities Management, Class 1, South Metropolitan Health Service, Department of Health
- Mining Engineer, Specified Calling Level 4, Department of Mines and Petroleum
- Senior Compliance Officer, Level 5, Construction Industry Long Service Leave Scheme
- Senior Investigations Officer, Level 6, Department of Local Government (former)
- Senior Program Manager, Level 7, Department of Housing
- Registrar, Level 3, Yulga Jinna Remote Community School, Department of Education
- Vehicle Examination Inspector, Level 4, Department of Transport.
The examination considered the advertised vacancy file for each particular process and involved an interview with agency representatives, a review of policy and procedures relating to recruitment, selection and induction, criminal records screening (where applicable).

Findings

The examination found that, regardless of size or function, all agencies had documented policy, procedure or guidelines in place for recruitment, selection and induction that referenced elements in each of the four sections in the desirable controls model. All of the agencies undertook processes that were consistent with internal policies and had applied their recruitment and induction framework to each of the positions under examination. When compared to the 23 controls in the desirable controls model, the sample processes were assessed as having satisfied the controls model to varying degrees. The overall comparative assessment is illustrated in the chart below.

Figure 1: Application of the desirable controls model against processes included in the sample.

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4 In instances where the recommended applicant had yet to commence, or was promoted internally, certain elements of the process were not completed at the time of examination or were not considered to be a necessary requirement.
Assessment of processes by step

Recruitment

If potential candidates are made aware of the specific integrity assessment criteria and assessment processes before applying, and they recognise that they may not be able to demonstrate the expected standard, they are unlikely to apply. This is possibly the most cost effective ‘filtering’ control available to an agency recruiting to positions of trust. This is also considered desirable in so far as it optimises transparency of processes which is a requirement of the Employment Standard.

The desirable controls for the recruitment phase in the employment process are that the agencies will address that:

- integrity is included as an essential selection criterion
- integrity checking is detailed as part of the recruitment process in any advertising used for the position of trust
- any advertisement should contain a number of key elements that would reasonably alert the reader to the integrity requirements of the vacancy.

Few positions in the sample stipulated honesty and integrity as an essential selection criterion. The requirement was observed for only three positions in the sample. In relation to recruitment controls, the examination also found:

- most advertisements did not contain any information that would reasonably alert the reader to the integrity requirements of the position other than where integrity was included as a selection criterion (n=7)
- most advertisements did not indicate that criminal screening would form part of the selection process (n=10)
- no positions stipulated a requirement that recommended applicants disclose if they have been or currently are subject to disciplinary proceedings by their employer (n=11)
- most of the sample positions applied prescribed procedures and protocols surrounding the use of non-nominated referees. This information however, is not routinely provided to potential applicants as part of the information kit (n=9)
- all processes ensured that applicants complete a disclaimer to advise of the implications of providing misleading information (n=11).
Selection

It is relevant to include and promote integrity criteria when recruiting to positions of trust. Once stipulated, the merit assessment process should involve some testing or validation of claims against the criteria. Assessing against essential criteria is an important aspect of conducting a proper assessment under the Employment standard and it is important that integrity claims are checked or assessed for positions of trust.

The desirable controls for the selection phase in the employment process are that the agencies will address:

- the inclusion of a selection methodology that would ensure a reasonable assessment of the level of integrity required for the position
- thorough referee checks
- criminal screening.

These controls were considered desirable to ensure that decisions to recommend for appointment had included a holistic assessment in relation to the integrity requirements of the advertised vacancy. The examination noted that integrity criteria, where they were applied, were not always assessed with necessary rigour or could be improved.

- Processes that included integrity as a selection criteria were able to conduct an assessment at multiple points (n=4).
- The majority of processes used referee questions that would reasonably alert the panel to any concerns in previous and current employment (n=11).
- Every process involved referee checks with recent managers or persons that were not nominated by the applicant (n=11).
- Most processes required applicants to self-disclose criminal convictions (n=10).
- The majority undertook criminal screening prior to confirming appointment where this might be considered a necessary control (n=7).
- A small number of agencies complete integrity screening of recommended applicants that were previous employees (n=2).
Appointment

It is frequently more efficient to separate and confine some verification checks to candidates that have been assessed as suitable on the technical requirements of the role. Such checks should be made prior to appointment and preferably before any candidate is recommended as ‘suitable’ for appointment.

The desirable controls for the appointment phase in the employment process are that the agencies will address that:

- required qualification/s and membership/s are verified
- criminal screening is undertaken
- probationary periods are set at the maximum for employees from outside of the public sector
- appropriate levels of delegation to approve appointments.

From a risk management perspective, these final elements in conjunction with the other factors would ensure that a rigorous assessment had been completed.

For the processes examined, pre-appointment verification checks were under utilised or not performed with sufficient rigour. There were some elements that were not present across a number of agencies due to qualifications not being a requirement or where the process involved the appointment of an internal employee or from elsewhere within the public sector. Such approaches, while understandable, possibly make an unreasonable assumption that such checks were made at the time of a previous appointment or by another agency. This policy approach is considered a missed opportunity to further assess integrity. For the purpose of the examination however, where this circumstance was observed, assessment against the controls model was based on the provisions of the observed policy, manual or procedure.

- Most agencies do not verify qualifications or requirements relating to memberships of specific associations from the organisation from which it was obtained (or governing body) (n=9).
- Most agencies have probationary periods set at the maximum allowable under award conditions for new employees from outside of the public sector (n=9).
**Induction**

Reinforcing expectations about honesty and integrity should not stop with appointment. Agencies are expected to ‘walk-the-talk’ and officers holding positions of trust have an important leadership role to play in maintaining and building a high integrity culture.

The desirable controls for the induction phase in the employment process are that the agencies will address that:

- induction training topics cover ethical conduct, integrity, security rules and instructions
- a meeting is convened with a senior officer at which expectations regarding honesty and integrity are reinforced
- ‘Accountable and ethical decision making’ training is undertaken in a timely manner
- declaration or acknowledgement sought and recorded for agreed compliance with the agency code of conduct.

Employee induction was included as the final stage of the model because it was considered that expectations relating to integrity and honesty should be communicated and reinforced through key phases in the commencement process.

The examination noted that employees appointed through processes examined are being informed about integrity and conduct requirements through the induction process. Processes to ensure ongoing compliance are less developed. Overall, agencies had similar induction programs that were delivered in person and on-line dependent on agency size and location. The requirements were observed for most agencies against this factor.

- All induction programs contained topics covering ethical conduct, integrity, security rules and instructions (n=11).
- Most agencies require a personal meeting with a senior officer at which expectations regarding honesty and integrity are discussed either upon or shortly after commencement (n=7).
- ‘Accountable and ethical decision making’ training was completed in a timely manner by staff new to either the agency or the sector (n=10).
- Most agencies had a system in place to record agreed compliance with the code of conduct (n=8).
- Two agencies have structured mentoring programs in place to assist new employees to reach desired work standards (n=2).