

Western Australian Auditor General's Report



Agency Gift Registers



Report 20: October 2015

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WESTERN AUSTRALIAN AUDITOR GENERAL'S REPORT

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October 2015



**THE PRESIDENT
LEGISLATIVE COUNCIL**

**THE SPEAKER
LEGISLATIVE ASSEMBLY**

AGENCY GIFT REGISTERS

This report has been prepared for submission to Parliament under the provisions of section 25 of the *Auditor General Act 2006*.

Across government benchmarking audits build on the annual financial audits of all agencies. We conduct these audits at a sample of agencies using more detailed testing than is required for the annual financial audits.

This audit assessed if agencies had suitable policies and practices in place for the management of gifts received. We defined 'gifts' as any item of value, including goods, services, money or hospitality offered to, or received by an employee, without payment, as a consequence of their employment.

My report identifies improvement opportunities at all the agencies, with no significant overall improvement shown since our similar audit in 2012.

The findings of this report provide an insight to good practice and the types of control weaknesses and exposures that can exist so that all agencies, including those not audited, can consider their own performance.

I wish to acknowledge the cooperation of the staff at the agencies included in this audit.

A handwritten signature in black ink, appearing to read 'C. Murphy'.

COLIN MURPHY
AUDITOR GENERAL
8 October 2015

Contents

- Agency Gift Registers 4
 - Background 4
 - What We Did 4
 - Conclusion 5
- What Did We Find? 6
 - Recommendations 8
 - Agency Responses 8

Agency Gift Registers

Background

Some public sector officers will in the course of their work be offered gifts, usually by suppliers or customers. In some circumstances, accepting gifts can be appropriate, such as when they enable useful networking or information sharing. However, some gifts may cause a real or perceived conflict of interest if the recipient has authority to influence agency decisions involving the person or company giving the gift.

Dealing with this risk requires management to provide employees with clear guidance on the circumstances where a gift is appropriate or inappropriate. Agencies also need to make sure they have controls, such as gift registers and appropriate processes for procurement and contracting decisions, to prevent people using gifts as a way of influencing decisions of public sector officers.

Section 9 of the *Public Sector Management Act 1994*, requires employees to act with integrity in the performance of official duties and to comply with their agency's code of conduct. Agencies generally include policies for receiving and accepting gifts in their code of conduct. Under the Public Sector Commission's Conduct guide, agencies are required to consider conflict of interest within their codes of conduct.

We last performed a similar audit of agency gift registers in 2012. In that audit, we reported the need for improvement in most aspects of gifts management.

What we did

The focus of this audit was to determine if agencies had suitable policies and practices in place for the management of gifts received. We defined 'gifts' as any item of value, including goods, services, money or hospitality offered to, or received by an employee, without payment, as a consequence of their employment.

We assessed the practices at eight agencies, including one agency from the 2012 audit. The audit covered a nine to 11 month period at each agency.

Our lines of inquiry were:

- Do agencies have appropriate policies for instructing and guiding staff in dealing with gifts?
- Do agencies maintain a suitable register to record, describe and authorise the acceptance of gifts?
- Do agencies train or make staff familiar with the policy requirements and monitor compliance?

Edith Cowan University was one of the eight agencies in our sample but is not a 'public sector body' as defined in the *Public Sector Management Act 1994*. Although the University is not required to comply with the requirements of the Act, it advised that its processes and policies are consistent with the requirements of the Act. As such, we assessed the processes and policies in the context of the Act.

This was an across government benchmarking audit (AGBA), conducted under section 18 of the *Auditor General Act 2006* and in accordance with Australian Auditing and Assurance Standards. AGBAs assess and benchmark agencies against common business practices to identify good practice and the types of control weaknesses and exposures that can exist so that all agencies, including those not audited, can consider their own performance.

Conclusion

All eight agencies need to improve their practices in some way, with the overall result from this audit reflecting no significant improvement since our 2012 audit. In particular, we saw a need for more detailed guidance to employees through gifts policies, improved practices for declaring gifts and in approval and recording of gifts and better monitoring of trends and compliance with policies.

What Did We Find?

Table 1 is a summary of our findings using a three-point scale of ‘Poor’, ‘Fair’ or ‘Good’. We rated most agencies as ‘Fair’ across our three criteria.

Agency	Appropriate gift policies	Maintaining a suitable gift register	Monitoring and compliance
Botanic Gardens and Parks Authority	Fair	Fair	Fair
Department of Commerce	Fair	Fair	Fair
Department of Finance	Fair	Good	Fair
Department of State Development	Fair	Fair	Fair
Edith Cowan University	Fair	Good	Fair
Lotteries Commission	Fair	Fair *	Fair
Peel Development Commission	Fair	Fair	Good
Western Australian Land Authority	Fair	Fair	Fair

Table 1: Agency ratings against our criteria

* This rating applies to Lotteries Commission’s gift registers other than its records of tickets received for sporting and cultural events from grant recipients or associated bodies. The Public Sector Commission is performing a review of tickets for events sponsored or financially supported by selected government bodies, including the Lotteries Commission.

Gift policies need to be improved

Sound policies help employees to make appropriate decisions when they are offered or receive gifts.

All eight agencies had gift policies, which were easily accessible by all employees and they generally made employees familiar with requirements as part of their induction to the agency.

However, the policies lacked necessary guidance and detail for accepting and declaring gifts and for monitoring compliance with policies. We identified the following shortcomings:

- None of the agencies had policies requiring periodic review of the gift register. Periodic review by management can identify unusual trends such as numerous gifts received by the same employee or given by the same provider. In turn, this helps management to assess if gifts are being used to improperly influence employees.
- The policies of four agencies did not clarify the types of gifts that should not be accepted, such as monetary gifts.
- The policies of three agencies did not address requirements for approving gifts accepted by the director general or chief executive officer. Three agencies did not include contracted employees under their gifts policies.
- Four agencies did not require timely approval of gifts after they had been received or declared. This can result in conflicts of interest not being detected in a timely manner.
- Three agencies had not done a recent review of their gifts policy. Periodic management review of policies often leads to changes that improve effectiveness.
- Only two of the eight agencies’ policies required employees to record gifts offered but declined. At the other agencies, employees were sometimes declaring declined gifts but,

in the absence of a related policy, treatment was inconsistent. Agency policies should specify whether declined gifts should be recorded, as recording allows a more comprehensive understanding of who is offering gifts, who is offered gifts and the value of gifts being offered.

Gifts were accepted without approval and gift registers were incomplete

In total, 1 027 gifts were listed in the registers for the period of the audit, of which 628 gifts were accepted. Our review of the registers including looking for any individual employee offered large numbers of gifts as this could indicate improper behaviour. Fortunately, the review raised no such concern.

Gifts included invitations to work related events, tickets to sporting events, movie and air tickets and general consumables such as food and beverages. Actual or estimated values were not recorded for 59 per cent of the gifts. We were therefore unable to estimate reliably the total value of these gifts or the average or median value of a gift.

We tested 234 gifts valued at more than \$32 000 to see whether the correct processes were followed. The highest value gift tested was for airfare and accommodation to attend a conference presented by a professional institute, with an estimated value of \$2 995. Shortcomings included:

- Employees accepted 22 of the gifts that we tested without the approval of an independent officer. A further 35 attended hospitality/work related events without obtaining prior approval, while seven gifts were accepted but not approved in a timely manner.
- Independent approval of the acceptance of gifts is a key management control to prevent real or perceived conflicts of interest emerging.
- Records of gifts received were incomplete or inconsistent across a number of agencies, particularly the estimated gift values. Also, at two agencies, 28 of 56 records tested did not include other key information such as:
 - the name of the gift recipient
 - the name of the person authorising the acceptance of the gift
 - the relationship between the recipient and gift giver
 - how accepted gifts were dealt with (e.g. retained by the individual, passed to another employee or donated to charity).

The risk from having an incomplete gift register is that any review by management of the register could be ineffective.

Agencies are not monitoring the acceptance of gifts

Seven agencies did not periodically review their gift registers, which in our view, seriously undermines the value of the register. Periodic review allows management to identify trends and assess the risk of conflicts of interest emerging among gift recipients. A lack of review also increases the risk that non-compliance with policies may pass undetected.

Recommendations

All agencies should:

1. have comprehensive policies, which are regularly reviewed by management, and that specify:
 - a. the information to be recorded when gifts are offered
 - b. processes and guidelines for approving gifts
 - c. periodic management review of gift registers.
2. ensure that gift acceptance is approved by an appropriate independent officer in a timely manner
3. ensure that gift registers contain all key information including descriptions, providers and recipients of gifts, the estimated value of each gift and approval to retain the gift
4. conduct periodic reviews of their gift registers to ensure compliance with policies, identify unusual trends and assess whether gift recipients may be influenced when making decisions.

Agency Responses

Agencies in our sample generally accepted the recommendations and confirmed that they have either amended their policies and practices for managing and monitoring their gift registers, or will improve them.

The Lotteries Commission advised it has embarked on a strategy to centrally systemise the recording, classification and monitoring of invitations to events and to more clearly define what represents a gift.

Auditor General's Reports

Report Number	Reports	Date Tabled
19	Opinions on Ministerial Notifications	27 August 2015
18	Controls Over Employee Terminations	27 August 2015
17	Support and Preparedness of Fire and Emergency Services Volunteers	20 August 2015
16	Follow-On: Managing Student Attendance in Western Australian Public Schools	19 August 2015
15	Pilbara Underground Power Project	12 August 2015
14	Management of Pesticides in Western Australia	30 June 2015
13	Managing the Accuracy of Leave Records	30 June 2015
12	Opinions on Ministerial Notifications	25 June 2015
11	Regulation of Training Organisations	24 June 2015
10	Management of Adults on Bail	10 June 2015
9	Opinions on Ministerial Notifications	4 June 2015
8	Delivering Essential Services to Remote Aboriginal Communities	6 May 2015
7	Audit Results Report – Annual 2014 Financial Audits	6 May 2015
6	Managing and Monitoring Motor Vehicle Usage	29 April 2015
5	Official Public Sector Air Travel	29 April 2015
4	SIHI: District Medical Workforce Investment Program	23 April 2015
3	Asbestos Management in Public Sector Agencies	22 April 2015
2	Main Roads Projects to Address Traffic Congestion	25 March 2015
1	Regulation of Real Estate and Settlement Agents	18 February 2015

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