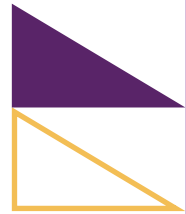


Systemic pressures and personal gain undermine disaster relief grants



Guidance material – integrity scenario

This guidance material presents an ‘integrity scenario’ which is intended to assist in public sector training regarding integrity risks, highlighting how the urgency of matters like disaster recovery, combined with systemic pressures and a desire for personal gain, can lead to corruption in grant administration. It demonstrates how a public servant, initially driven by a desire to help, can be gradually swayed to cheat the system by conflicts of interest and personal financial incentives. The scenario emphasises the critical importance of strong governance, transparent processes and the need for effective oversight to prevent corruption, even during crisis situations.

The situation

In the aftermath of severe flooding in regional Victoria, a project officer at a state government department was tasked with administering a \$10 million emergency recovery grants program. The program aimed to provide rapid financial assistance to affected communities, businesses and individuals.

The project officer, a long-time public servant with ties to the affected communities, was under pressure to allocate funds quickly.

The department, unprepared for the disaster’s scale, had rapidly set up the grants program in its main office in Melbourne, with some basic guidelines provided to the staff in the affected regional area, and little oversight from within the department.



How did the misconduct start?

Initially, the project officer adhered to the basic guidelines provided. However, they quickly realised that some of the steps in the application process were slowing down the distribution of funds to those who needed it most. Motivated to help – and pressured by local community leaders and media reports of suffering communities – the officer began to rush through applications, by overlooking minor instances where criteria for funding were not being met.

The department’s culture of ‘cutting through red tape’ in emergencies, combined with political pressure to demonstrate that the government was responding to meet the community’s immediate needs, implicitly encouraged this flexibility. The officer, working long hours often alone due to staff shortages, had little opportunity to have documentation adequately reviewed, or to discuss emerging issues with colleagues in the department.

How did it escalate?

As word spread about the officer’s ‘helpful’ approach, they started receiving direct calls from community members and local business owners seeking assistance. The officer, emotionally invested in the recovery effort, began offering advice on how to write applications to better meet the criteria for a grant.

The situation worsened when the officer recognised names of applicants - friends, former schoolmates and prominent local figures. Feeling conflicted, the officer approached their supervisor to express concerns about potential conflicts of interest. The supervisor, prioritising the urgency of the crisis, advised the officer to use their best judgement and focus on getting help to those needing it quickly. Reassured by this guidance, the officer continued processing applications.

As community pressure increased and time passed, the officer found themselves increasingly favouring applications from familiar individuals that didn’t necessarily tick all the boxes necessary for funding.

In one instance, the officer fast-tracked and approved a substantial grant to a local sports club for building repairs, even though there had been no documented evidence provided of damage occurring to the sporting facilities. The club president was a childhood friend, and the officer genuinely believed in their friend’s honesty and trustworthiness and took evidence of damages at face value. They rationalised that the paperwork could be sorted out later, prioritising speed of assistance over due process.

One day, a contractor approached the officer with an enticing offer: if the officer approved a grant for a major repair project at a local facility, they would receive a kickback of 10 per cent of the grant amount once the funds were released.

Initially hesitant, the officer weighed the urgency of the community’s needs against their own personal financial struggles. They had been managing mounting bills and felt tempted by the prospect of extra income. Rationalising that they could help the community while also reducing their financial burdens, the officer ultimately agreed to the deal. The officer began to favour this contractor in other applications, prioritising personal gain over the integrity of the grant process.

Eventually, a colleague in the department’s local office, who was brought on to support the work, noticed discrepancies in some approved grants, including the sports club application. However, fearing that raising concerns might lead to a wider crackdown and withdrawal of vital funding from the community, they remained silent.

The situation came to light months later during a routine audit by the department’s head office. The audit uncovered multiple issues, including incomplete documentation, inconsistent assessments and conflicts of interest. The processes established at the start of the emergency were not fit for purpose, and the supervisor failed to offer suitable alternatives when the officer first raised the issue.



Lessons learned

- Develop and maintain clear emergency grant guidelines that balance the need for rapid response with proper governance. Where possible, set these before, rather than during, the most intensive response phases of an emergency situation.
- Establish clear protocols for handling grant applications from personally known individuals or organisations. Reinforce requirements to declare and document conflicts of interest and management plans.
- Develop standardised, simplified application forms and processes specifically for emergency situations to reduce the temptation to ‘bend the rules’. Document the reasoning for exemptions when they are made.
- Require dual-approval processes for high-risk grants to prevent a single officer from having unchecked control over approvals, ensuring accountability through a second layer of verification.
- Implement a buddy system or mandatory peer review process, even in crisis situations, to prevent solo decision-making.
- Provide regular ethical decision-making training, including scenarios specific to disaster response situations.
- Conduct regular, real-time spot checks on grant assessments during the program, rather than relying solely on post-program audits.
- Create safe, anonymous reporting mechanisms for both internal and external stakeholders to raise concerns.

This product was prepared based on findings from research and stakeholder consultations from IBAC’s 2024 Public Sector Strategic Assessment. It is representative and created for educational purposes only. Any similarities to real persons, organisations, or incidents is purely coincidental.

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