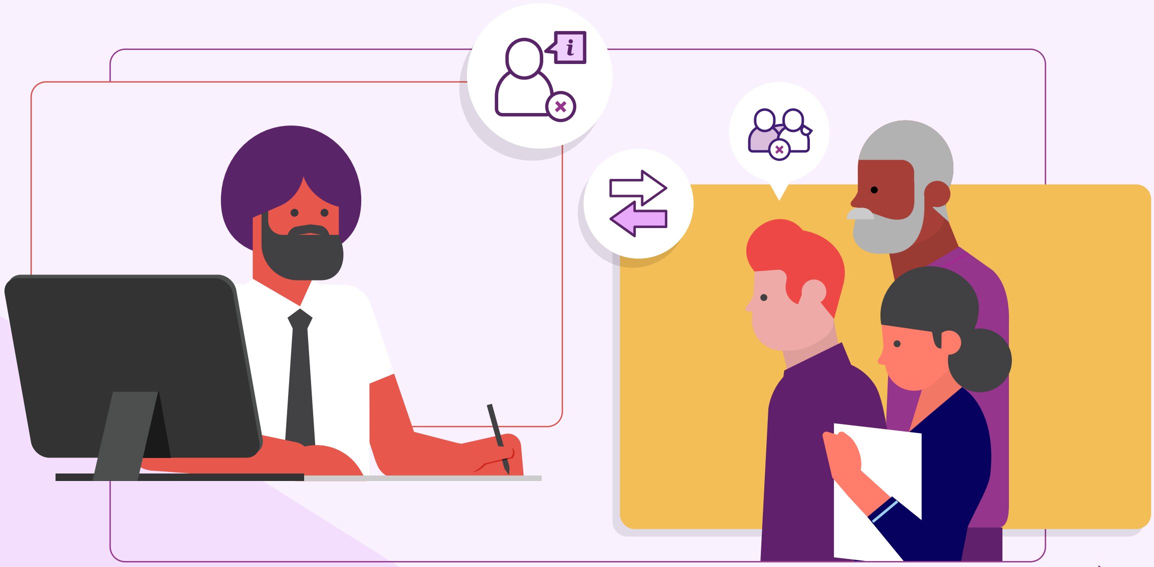

Conflicts of interest and external engagements

Guidance material – integrity scenario

This guidance material presents an 'integrity scenario' which is intended to assist in public sector training regarding integrity risks, illustrating how even non-material conflicts of interest can undermine integrity. It highlights the importance of maintaining clear boundaries between professional responsibilities and external or personal engagements, even where there is no financial benefit. By prioritising impartiality and transparency, public sector employees can prevent hidden biases that may erode public trust.

The situation

A regulatory officer in Victoria was responsible for overseeing quality standards in various industries. Their role involved conducting inspections, reviewing impact reports and making recommendations based on compliance with state regulations. Known for their diligence and fairness, the regulatory officer often consulted with companies to help them understand and meet regulatory requirements.

How did the misconduct start?

A private company in regional Victoria, with a history of non-compliance, asked the regulatory officer to join a working group focused on improving industry standards. The company requested confidentiality citing 'unspecified sensitivities'. Without seeking approval and acting in a personal capacity, the regulatory officer agreed to join the group, believing it would provide professional development opportunities and potential benefits for public welfare.

However, as the regulatory officer became more involved, their role in the working group began to blur the boundaries between their regulatory duties and external engagements. The company increasingly relied on the regulatory officer's insights to shape its compliance strategies, which started influencing their perspectives during official inspections.

The regulatory officer started viewing the company's efforts more positively due to their involvement with the company and its strategies, thinking their intentions to improve warranted a more lenient approach in reports.

How did it escalate?

The regulatory officer's involvement in the working group grew over time, and they found themselves advocating for the company's perspective in their regulatory role. They began to downplay minor violations in their reports, rationalising that the company was on the right path and that stricter enforcement might hinder its progress.

This was not a case of material gain - they received no direct compensation - but their dual role led to a conflict of interest that compromised their objectivity.

The company's compliance data showed some improvement, but their regulatory compliance still did not meet an acceptable standard. Yet, the regulatory officer's reports portrayed the progress as more substantial. Their regulatory agency noticed the discrepancy but attributed it to the complexities of enforcing new industry standards, overlooking the potential for bias.

As the regulatory officer continued to support the company, another firm in the same industry noticed the different treatment. Frustration grew as this firm, facing similar violations, found itself facing stricter enforcement than the company the officer was favouring.

Even though the regulatory officer's actions did not involve direct financial gain, the conflict of interest compromised the objectivity essential for fair regulatory oversight. This created a permissive culture that increased the chances of further compromise and more serious issues that could lead to corruption and trigger an investigation by IBAC.

Despite not facing legal action, the officer's reputation within the regulatory community suffered. They were perceived as biased, and their professional credibility within the sector they were regulating was negatively affected. As a result, their chances of promotion were reduced, further impacting their career.

This scenario demonstrates that non-material conflicts, such as dual roles and external engagements, can have significant implications for public confidence and the effectiveness of regulatory frameworks.

Lessons learned

- Define and enforce boundaries between regulatory duties and external engagements to prevent conflicts of interest, even when no material gain is involved.
- Create clear policies for participation in industry groups or working committees to avoid situations where professional roles might conflict with regulatory responsibilities.
- Encourage transparency and disclosure of all external roles to ensure that employees' professional judgment remains impartial.
- Rotate officers operating in regulatory and industry engagement roles to reduce the risk of undue influence.
- Regularly review and assess the impact of external engagements on regulatory decisions to identify any potential biases or conflicts.
- Limit the use of single officer engagement initially; instead, operate in teams to ensure a collaborative approach.
- Implement a system for peer review of regulatory decisions to ensure that no single officer's judgment disproportionately influences outcomes, reducing the risk of perceived bias.
- Provide continuous ethics training to help public sector employees recognise and manage conflicts of interest, emphasising that even well-intentioned actions can compromise integrity.

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 resemblance to real persons, organisations, or incidents is purely coincidental.

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If you have difficulty accessing the online form, call us on **1800 422 284** for further assistance.

Interpreter

If you need help with translation, call Translating and Interpreting Service on **13 14 50** or visit www.ibac.vic.gov.au/mylanguage