



# Leveraging the Whistleblower to Tackle Common Local Government Challenges

PKF Integrity and LGMA

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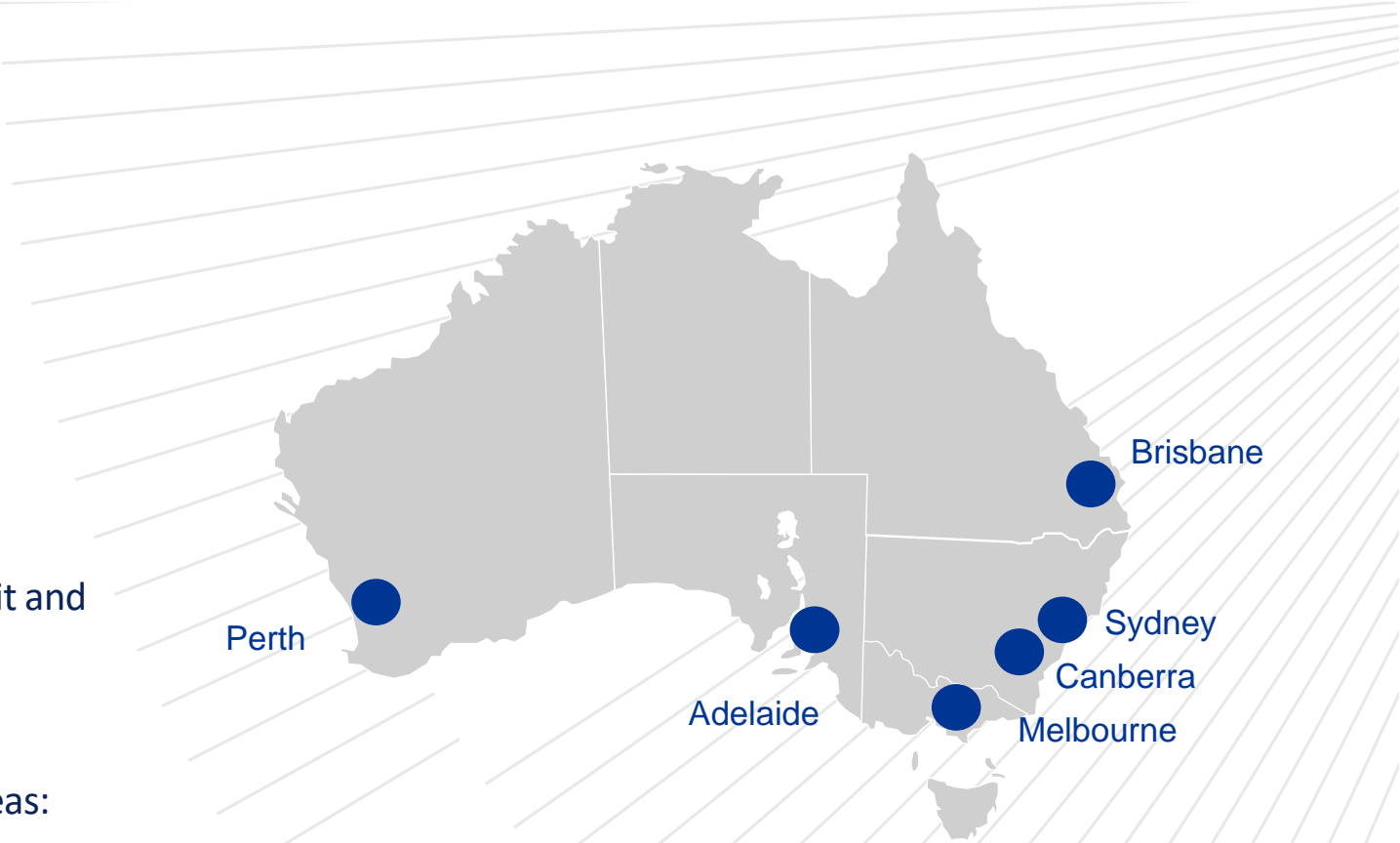
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# About PKF Integrity

When illegal or unethical conduct occurs, PKF Integrity provides confidence that the matter will be resolved appropriately

PKF Integrity helps organisations investigate serious misconduct and understand risk to effectively manage it and enable more informed decision making.

Our experienced Integrity services team offer a range of solutions to both public, NFP and private sector organisations to enable them to meet their governance, risk and compliance needs across the following areas:



## FORENSIC INVESTIGATIONS

- Fraud and corruption, including proactive forensic reviews
- Workplace misconduct investigations of bullying and sexual harassment
- Integrity due diligence investigations

## INTEGRITY RISK ADVISORY

- Risk assessments, framework reviews and gap analyses relating to risks such as:
- Fraud and corruption
- Employee misconduct management
- Procurement and supply chain
- Anti-money laundering (AML)/Counter Terrorist Financing (CTF) reviews
- Organisational/strategic

## WHISTLEBLOWER & COMPLAINTS MANAGEMENT SERVICES

- **Implementation of independent hotline reporting system**
- **Framework reviews and gap analyses**
- **Policy reviews and advice**
- **Disclosure triage services**
- **Investigation of whistleblower disclosures**

## STRATEGIC DATA ANALYSIS

- Detecting anomalies, patterns and trends relating to:
- Fraud and corruption
  - Unidentified revenue leakage
  - Procurement/supply chain issues
  - Workplace misconduct

## WORKPLACE INTEGRITY TRAINING

- Fraud and corruption risk awareness
- Investigations
- Whistleblower – Eligible discloser / recipient
- Conflicts of interest
- Ethics / integrity in the workplace

# 02 Introduction

## Local Government Challenges

# Introduction

Local government agencies face a myriad of challenges that can impede efficiency, trustworthiness, and overall effectiveness.

From obsolete and inefficient processes to economic decline, these challenges often demand innovative solutions to maintain public trust and ensure smooth operations. One such solution lies in the use of whistleblowing as an effective and critical corporate governance mechanism, which can serve as a powerful tool in mitigating the various themes I will take you through today.

## It all starts with a lack of internal controls

Ineffective controls creates the opportunity for some of these challenges to occur if:

- There are no controls in place
- The controls are not enforced
- The controls are not monitored
- The controls are not designed effectively
- There is not the right balance of mechanisms for employees to raise their concerns

Let's over the next 40 minutes, unpack some common local government challenges and explore how an external whistleblower platform can help to alleviate them.

# 03 Loss of trust in Government Agencies

# Loss of trust in Government Agencies

Instances of misconduct or corruption can severely undermine public trust in government agencies

## Coaldrake Review - examined accountability and integrity issues in Queensland's public sector

Findings:

- The Review received 36 submissions about whistleblowing. The comments made by submitters are consistent with other research showing that, while regulatory focus is usually on deliberate retaliation, collateral impacts such as stress, impacted performance and isolation are prevalent
- The Review also revealed concerns about integrity units drowning in a sea of trivial complaints.
- “a culture too tolerant of bullying, unwilling to give life to unfashionable points of view and dominated by the occupational hazard of all governments, short-term political thinking”



# 04 Obsolete and inefficient processes



# Obsolete and inefficient processes

## Outdated processes can hinder productivity and waste resources

### Details of Case

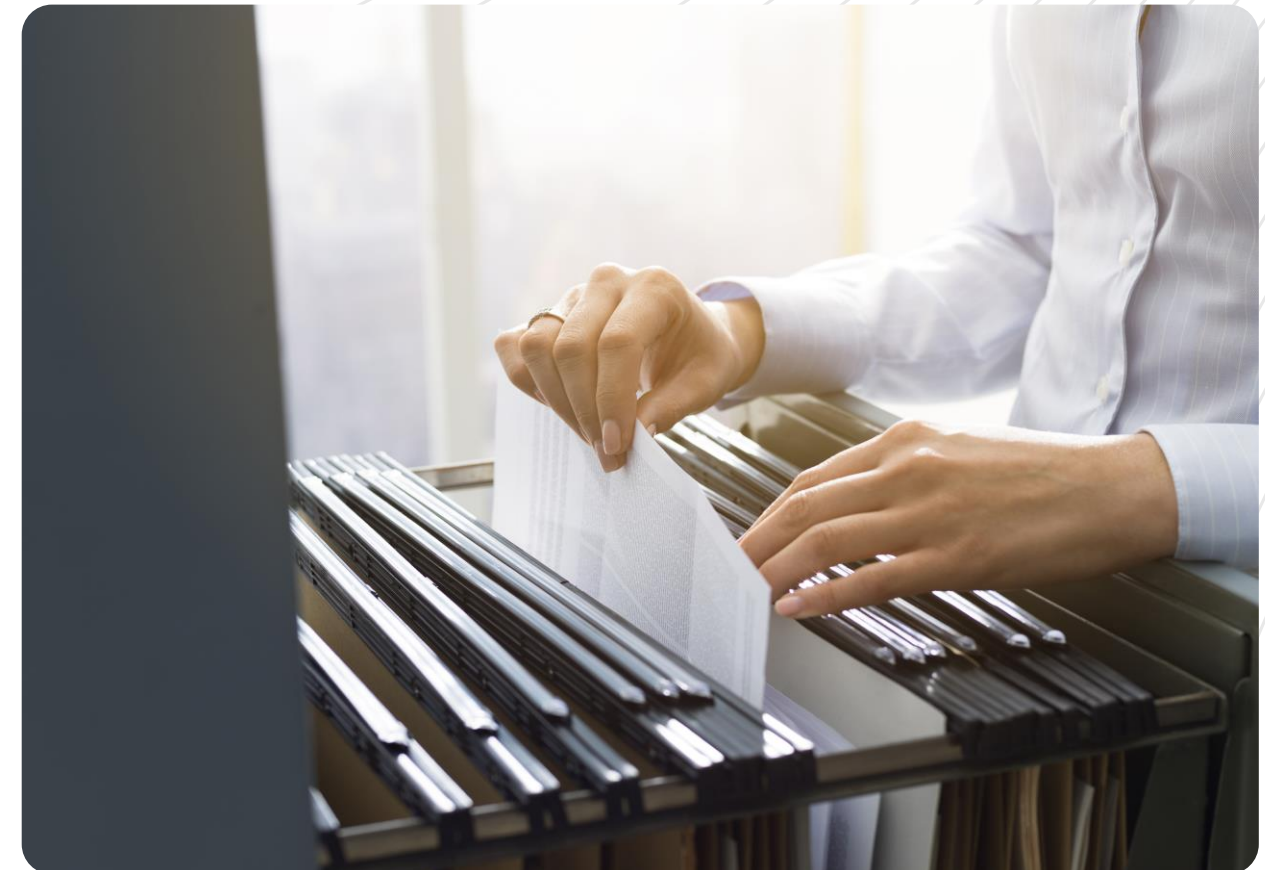
- PKF were engaged by an aged care organisation to review their complaints management framework.
- PKF were informed that the organisation had received over 300 complaints in the last two years. Many of these were anonymous, with the complainant going directly to the regulator. The impact therefore on organisational time, resources and reputation was significant.
- The system used by the organisation to collate and input complaints was not fit for purpose. There was no central system administrator and no specific point of contact for support/guidance for staff. Access rights were not effectively designed leading to 'bottlenecks' in complaints being uploaded, assessed and subsequently investigated.
- There had also been leadership issues, which had a major part in a poor working culture. Prior to the commencement of our review, the Chair and CEO had been asked to step down. The culture described to us in interviews was of a 'blame culture', 'silos' and 'secret squirrel.'
- The organisation did not have an anonymous independent reporting platform. This was a critical gap, as many of the anonymous complaints that went to the commissioner could only progress so far. We identified that some serious anonymous complaints had very limited investigation steps.
- Training and education of staff was limited in the complaints management framework. This led to inconsistency in how complaints were being handled, and gaps in quality assurance and oversight mechanisms. For example, the Quality and Risk team were not reviewing the content of the complaint to determine how well the complaint had been handled.

# Obsolete and inefficient processes

## Case study continued

### PKF observations:

Value of anonymous reporting if well designed; good capability in the complaints handling and investigation framework; systems that are fit for purpose.



# 05 High employee turnover

# High employee turnover

## The cost of high employee turnover:

- Disruption of service delivery
- Drain institutional knowledge
- Increase recruitment costs
- Unhappy employees may witness misconduct but feel powerless to address it internally



# Case study

## High employee turnover

### Details of Case

- PKF received a telephone call through the external hotline service that PKF operates on behalf of a government agency.
- The complainant stated that they had tried to speak-up about the allegations internally, however, the bullying aspect of the complaint against them increased, hence why they reported externally. The organisation, who were experiencing high staff turnover at the time and other cultural issues, were determined to respond effectively to the complaint.
- They were adamant they wanted to remain anonymous to the organisation throughout the process, due to reprisal concerns. They were happy to provide name and contact details to PKF and continue to be contacted by us. This occurred throughout the complaint process, either via telephone or text message. A de-identified detailed report was provided of the complainant's allegations.
- The organisation decided to hire a separate investigation firm. It was agreed between PKF, the organisation and the complainant that they were happy to reveal their identify to the independent investigation firm, providing this process and handover was managed by PKF.
- Additionally, the organisation, who were experiencing high staff turnover at the time and other cultural issues, undertook this investigation to address systemic issues.
- The executive was notified of the allegations and suspended, pending the outcome of the investigation. The day the independent investigation firm was due to commence the investigation, the senior executive resigned. The complainant to this day remains inside the organisation and is unknown to the CEO and the management team that were internally involved in the handling of the complaint. Their career has not been impacted in anyway.



### PKF observations:

Value of anonymous reporting, independence in escalation procedures

# 06 Economic challenges

# Economic challenges

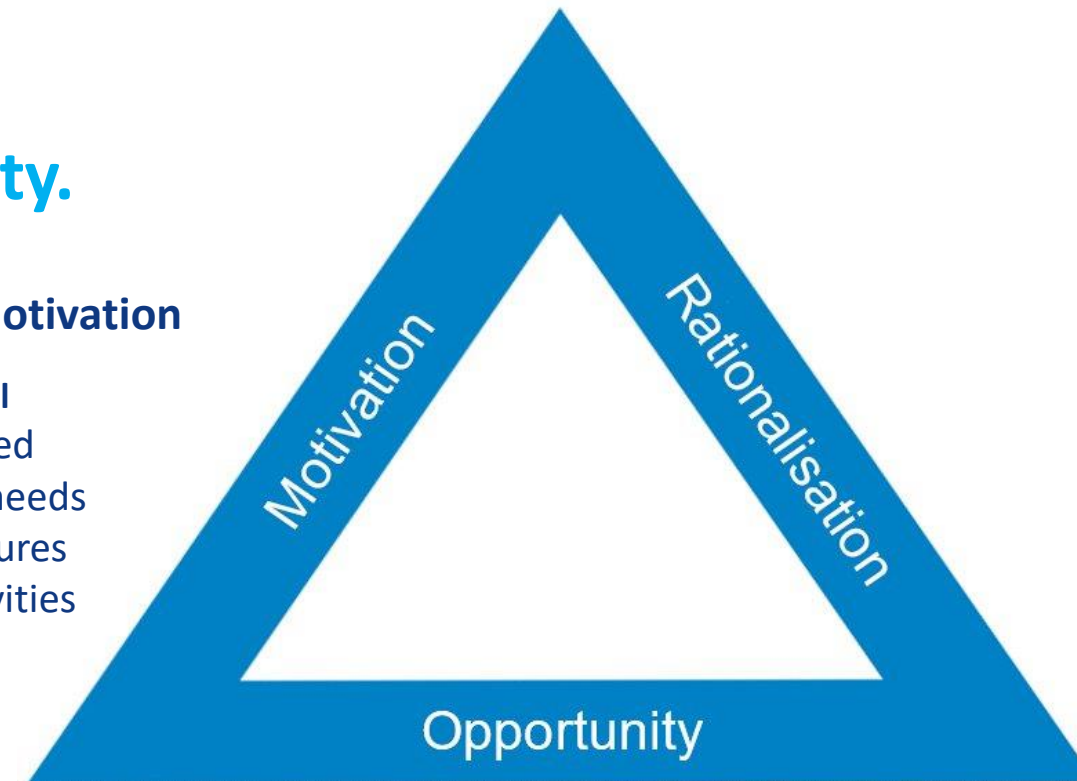
## Increased occurrences of fraud during economic uncertainty.

- Pandemic
- Recession
- Inflation / cost of living crisis
- Budget constraints
- Revenue shortfalls



### Pressure / Motivation

- External
  - Debt, greed
  - Lifestyle needs
  - Life pressures
  - Illicit activities



## Outcome:

- Fraud and corruption
- Secondary employment
- Maladministration
- Conflicts of interest
- Theft etc.

e.g. 2020 Pandemic



# Case study

## Economic challenges

### Details of case

- An employee at a local council, serving as a mechanic, has a secondary business.
- Previous complaints were made about the subject having a secondary business, conflicting with their Council officer role as a mechanic. These complaints were made anonymously, using a pseudonym, from a non-Council email address. Council was unable to progress the above complaints about the subject because emails by Council back to the anonymous complainant went unanswered.
- Furthermore, Council has dealt with the above concerns through a declared and documented conflict of interest process with the subject.
- Despite the above complaints and controls being put in place to manage the potential risk, a complaint was made by a contractor to Council about the subject's alleged conduct.
- The complaint is similar to previous concerns, with the subject not delivering Council work when expected and instead potentially spending time on their secondary mechanic business during Council hours. Moreover, the subject called in sick during the above timeframe. There are also other concerns regarding the subject's supervisor, how they handled the subject, and sensitive information relating to the above circumstances.

### PKF observations:

Value of independent investigation capability, trust in whistleblower reporting processes



# 07 Environmental challenges

# Environmental challenges

Local governments play a crucial role in addressing environmental issues:

- Pollution
- Climate change
- Natural resource management

## Protected Disclosures:

Enables employees to report environmental violations and instances of negligence that threaten public health or ecological integrity



# Case study

## Santos Gas Plant

### Details of Case

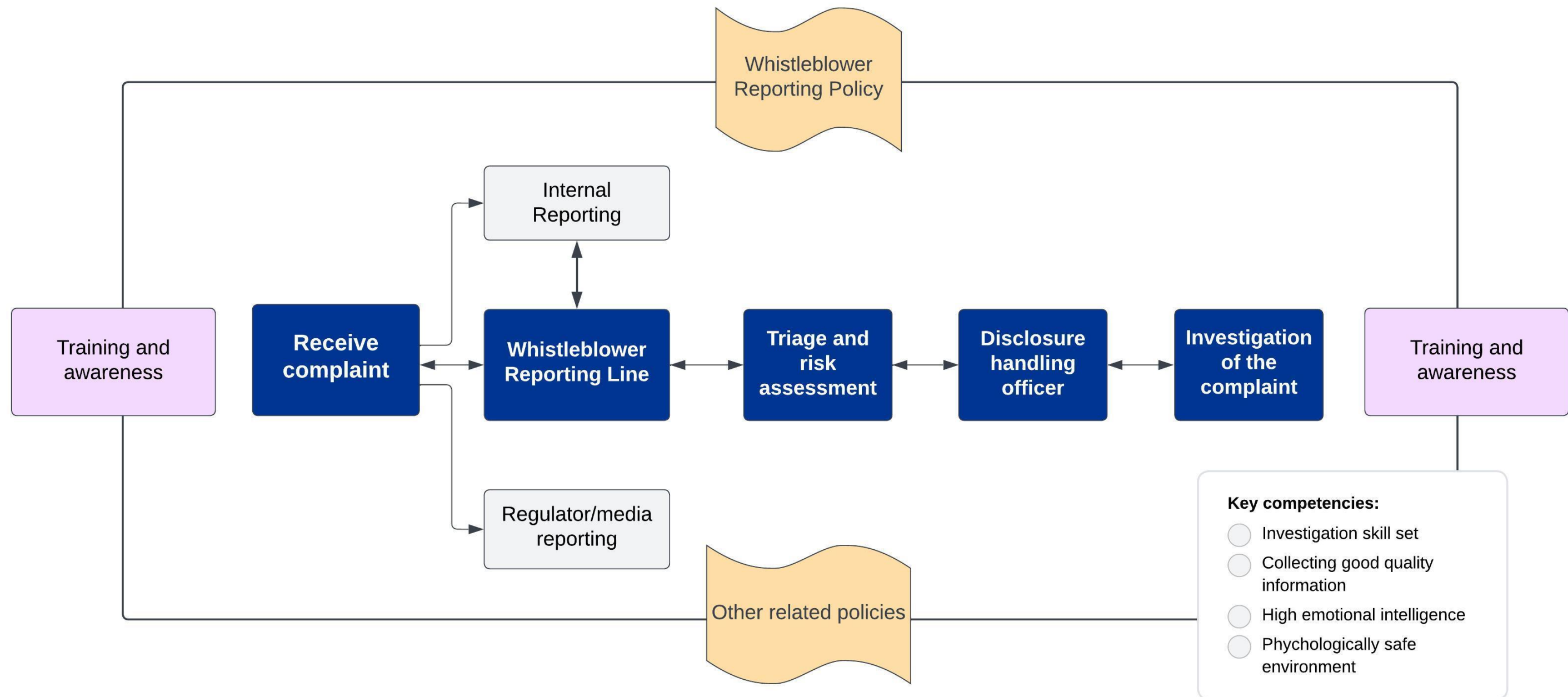
- In February 2023, Senator David Pocock released under parliamentary privileged an anonymous whistleblower extract about an oil spill 300kms off the coast of Karratha, Western Australia. Mr. Pocock also tabled photos and videos to support the complaint.
- The area is known for pristine white sands, gorgeous blue turquoise water and abundant marine and bird life. Early one morning at a Santos Gas Plant, a scent of condensate (a light form of oil) filled the island. Over the coming hours it became known that a subsea hose had been torn, as it was loading an oil tanker parked a KM from the beach. The tear had been left unidentified for more than 6 hours, pouring a reported 25,000 litres of oil into the ocean.
- A month later, news of the incident emerged, but there was no mention of impact on wildlife. Santos went onto state publicly that ‘the event had negligible harm to the environment.’ When further evidence emerged of dolphin deaths, Santos made further statements to the effect that these sightings were a couple of hours after the incident, in which no harm would have resulted from the incident.
- These lies spurred a whistleblower to speak up internally, but due to the cover up going all the way to the Board and public announcements, the whistleblower had to go beyond internal reporting mechanisms. WA's Department of Mines, Industry Regulation and Safety subsequently said it was "investigating the incident."

### PKF observations:

Value of anonymous reporting, independence in escalation procedures, public action and reputational impact on Santos

# 08 Best practice procedures

# Best Practice Process – Steps Of Operation



# Thank you

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**[pkf.com.au/whistleblower](https://pkf.com.au/whistleblower)**



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