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INDEPENDENT COMMISSION
AGAINST CORRUPTION



**CORRUPTION RISKS IN
NSW GOVERNMENT
PROCUREMENT**

**SUPPLIERS'
PERCEPTIONS
OF CORRUPTION**

JUNE 2011

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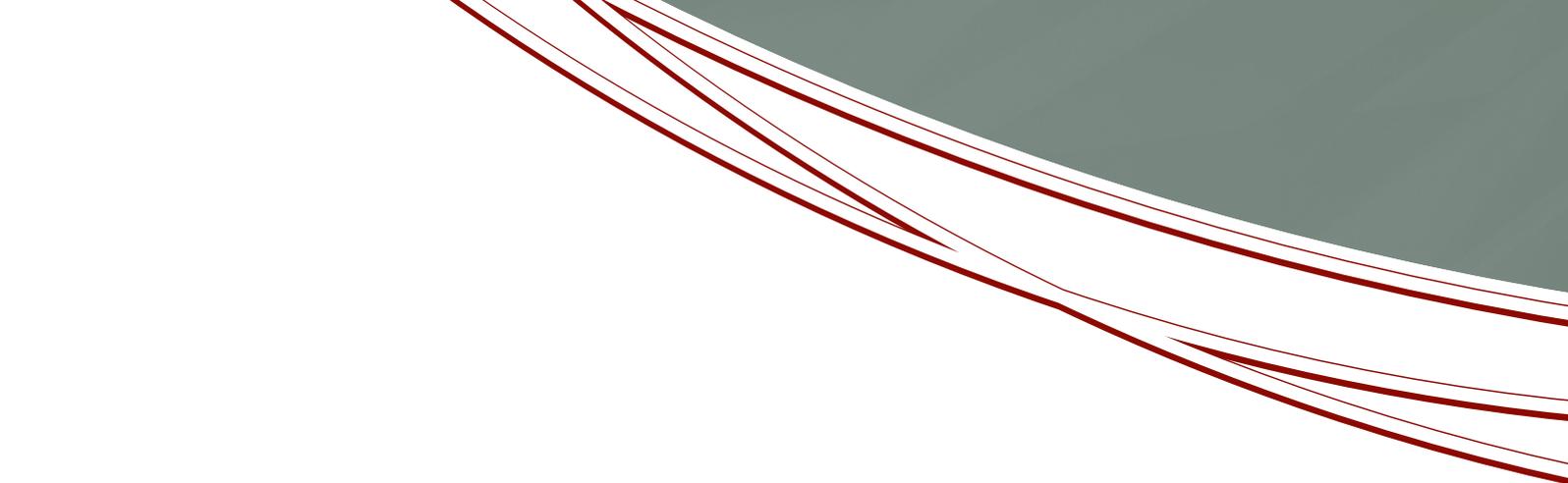
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Executive summary

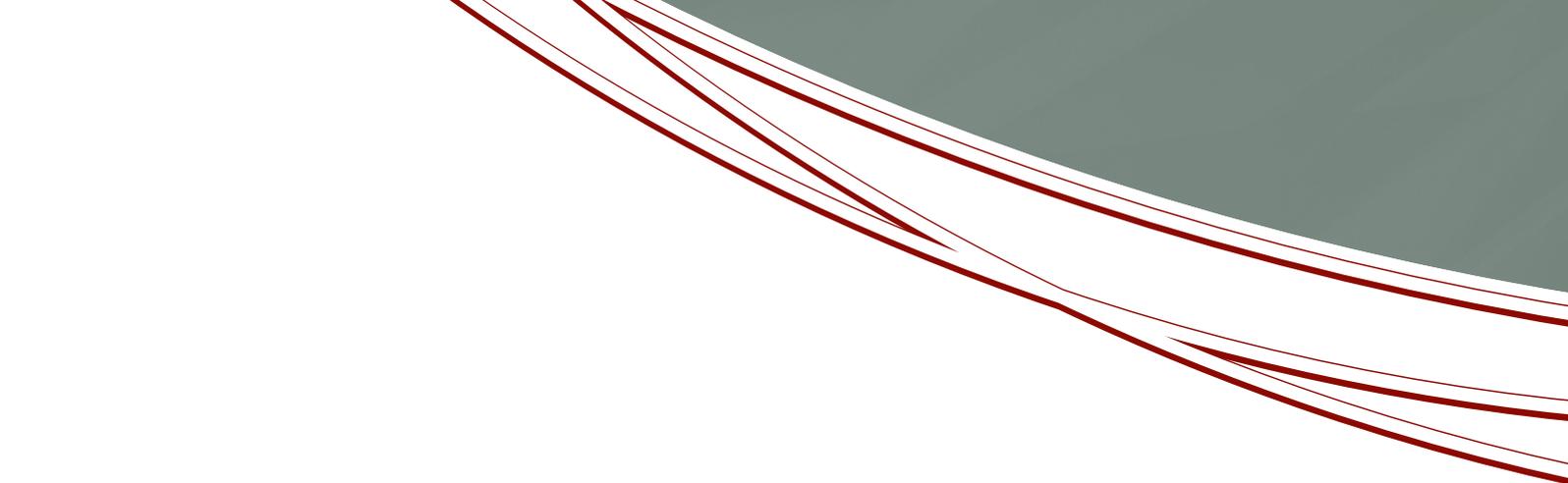
About two-fifths of suppliers to NSW state and local government perceive corruption in public sector procurement to be a moderate problem or worse. Such perceptions may lead to suppliers pricing corruption into their bids or not bidding at all, and almost one-third of suppliers indicated that they had declined to bid on a government contract because of corruption concerns.

Perceptions that certain corruption-prone behaviours occur frequently have the potential to distort procurement processes. A supplier, for instance, may not bid if it is concerned its confidential information may be leaked. Many suppliers believe that specific corruption-prone behaviours occur at least typically in NSW government procurement, as follows:

- 55% indicated improper favouritism
- 48% indicated the offer of gifts and benefits over \$20
- 36% indicated the acceptance of gifts or benefits over \$20
- 39% indicated the provision of unequal information to different bidders
- 25% indicated the leaking of confidential supplier information prior to close of tender.

Supplier perceptions of corruption vulnerability differ subtly from those of public authorities. Suppliers perceive corruption vulnerability across a greater variety of procurement methods, although both suppliers and public authorities are particularly concerned with direct negotiations and non-tendered quotations. Suppliers also identify greater corruption vulnerability in the earlier stages of the procurement process.

These perceptions were obtained from an online survey developed, administered and analysed by the Independent Commission Against Corruption (ICAC). All suppliers on a list held by the former Department of Services, Technology and Administration (DSTA), currently known as the Department of Finance and Services, were invited to respond. Of the approximately 3,200 suppliers invited, a total of 1,515 responses were received by the ICAC.



Introduction

The ICAC's experience indicates that corruption in NSW government procurement may be prevalent across the public sector. In particular, smaller contracts may be falling under the radar of organisations and prone to corruption by "local officials".

This research paper provides a picture of the extent of corruption from the perspective of suppliers to NSW state and local government.

Methodology

During July 2010, suppliers to NSW government were asked to provide their perceptions of corruption in NSW state and local government by responding to a survey that had been prepared by the ICAC.

Suppliers on a list held by DSTA were invited to answer a survey. Responses were received from 1,515 suppliers, 750 of whom indicated that they currently held NSW state or local government contracts.

There were three sets of survey items.

- The first set of items asked about the overall prevalence of corruption in NSW government procurement.
- The second set of items asked suppliers to indicate whether it was *very typical*, *typical*, *not typical* or *not at all typical* for specified corruption-prone behaviour to occur in NSW government procurement.
- The third set of items asked suppliers to rank the vulnerability to corruption of different procurement methods and different stages of the procurement process.

Statistical tests were used to compare different subgroups of suppliers on each reported item. Statistical tests were also used to compare suppliers' responses to the third set of items with responses obtained from an earlier survey administered by the ICAC of 153 NSW public authorities. In both cases, only statistically significant results have been reported.

Suppliers also provided general comments about corruption in NSW public sector procurement. Themes in these comments have been reported in the relevant sections.

Further methodological details about the supplier survey and the public authority survey can be found respectively in appendices A (pp. 19-20) and B (page 21) of this report.

Extent of corruption in NSW government procurement

Perceptions of corruption constituting a problem are troubling because they indicate a lack of confidence in the integrity of NSW government procurement. Suppliers may respond to this lack of confidence by not bidding on contracts or by pricing the “costs of corruption” into their bids. Therefore, even if these perceptions are inaccurate, they ultimately may result in a failure to achieve value for money in future procurements. The results of this survey indicate that many suppliers perceive corruption to be a serious issue in NSW government procurement.

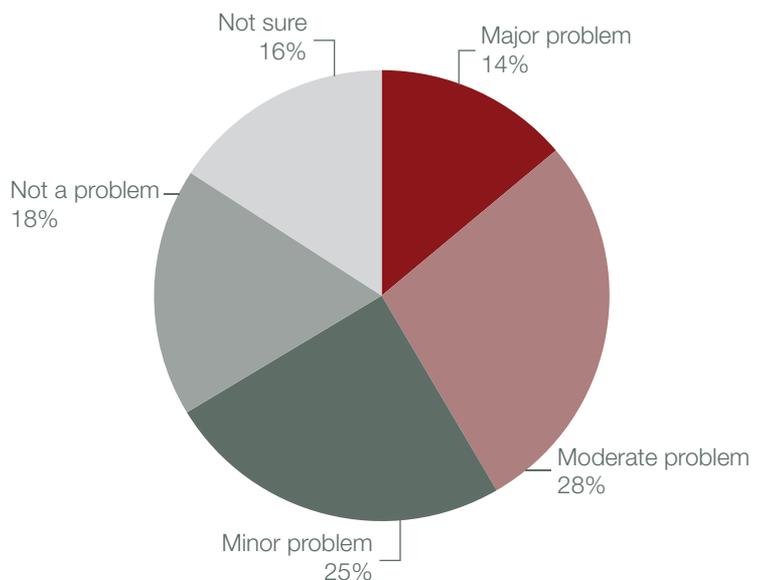
Approximately one-third of suppliers stated that they had not bid on one or more public sector procurement contracts because of corruption concerns (Table 1).

Table 1: Prevalence of suppliers in NSW who had not bid on public sector procurements because of concerns about corruption

Number of occasions when supplier had not bid because of corruption concerns	Per cent of suppliers
None	67%
Once	12%
More than once	20%

Consistent with this non-bidding due to corruption concerns, over two-fifths of suppliers indicated that corruption in NSW public sector procurement was at least a moderate problem (Figure 1).

Figure 1: The extent to which corruption in NSW public sector procurement is a problem



Among the almost 400 suppliers who made comments, over 20% made comments indicating that corruption was a problem. Two comments that fall into the latter category are provided below.

Comment made by a large (more than 1,000 employees) supplier with 50 or more current NSW government clients:

Despite ICAC's best efforts to eliminate corruption in the public sector it is extremely prevalent. Having experienced corruption first hand during many years of dealing with Government agencies, not enough is being done to prevent it. There are many individuals working in the public sector who are not adequately qualified to spend "public" money.

Comment made by a very small supplier with between two and nine current NSW government clients:

Certain tenderers seem to know the emphasis of specifications, possibly due to [their] relationship with contractors assisting to draw up specs rather than with govt employees. Certain tenderers place a lot of emphasis on taking people to the cricket etc.

Over 10% of suppliers, however, commented that corruption was not a problem. Two of these comments are provided below.

Comment made by a medium (100–999 employees) supplier with between 10 and 49 current NSW government clients:

I see little evidence of corruption and have never heard of corruption in my 10 years selling to the NSW Government. I think that there is sometimes unfair influence and tendering to demonstrate process rather than a genuine process of evaluation. I also think that paranoia of perceived corruption means the Government does not get close enough to their suppliers and therefore lack appropriate knowledge to make good decisions and save the NSW Government money.

Comment made by a small (20–99 employees) supplier with 50 or more current NSW government clients:

I think that in general the government and its employees are very fair, honest and ensure that government process is followed. A problem exists in the process when a third party is responsible for the project and even though they are not Government, they are acting on behalf of the Government to

complete the project and yet there is a degree of underhandedness in how they operate and this reflects on the project being undertaken.

Perceptions therefore appear to vary across suppliers, which may reflect differences in the way that different public authorities conduct procurement. This is reflected in a comment made by a large supplier with 50 or more current NSW government clients:

There is inconsistency in procurement. I have dealt with procurement areas/officers who are extremely ethical. There are other times when the guidelines are ignored.

Overall, suppliers appear to lack confidence in the integrity of NSW government procurement. A troubling number of suppliers have “taken action” by not bidding because of concerns about potential corruption and many consider corruption to be at least a moderate problem.

Behaviours conducive to corruption

Gifts and benefits

The giving and accepting of gifts and benefits is conducive to corruption for a number of reasons. A gift recipient may feel a sense of social obligation to reciprocate a gift or may make unwarranted judgments about a supplier's benevolence, and such influences may be unconscious. Even if no improper actions occur, gifts and benefits represent costs to suppliers that need to be recuperated, perhaps by increasing prices. The findings below imply that suppliers perceive the giving and accepting of gifts and benefits to occur somewhat frequently.

The offering of gifts or benefits worth \$20 or more by suppliers to public sector procurement officials is perceived as frequent by approximately half of suppliers (Figure 2). Additionally, approximately two-fifths of suppliers indicated that public officials accept such gifts frequently (Figure 3).

Figure 2: Frequency of suppliers offering gifts or benefits worth \$20 or more to public sector officials

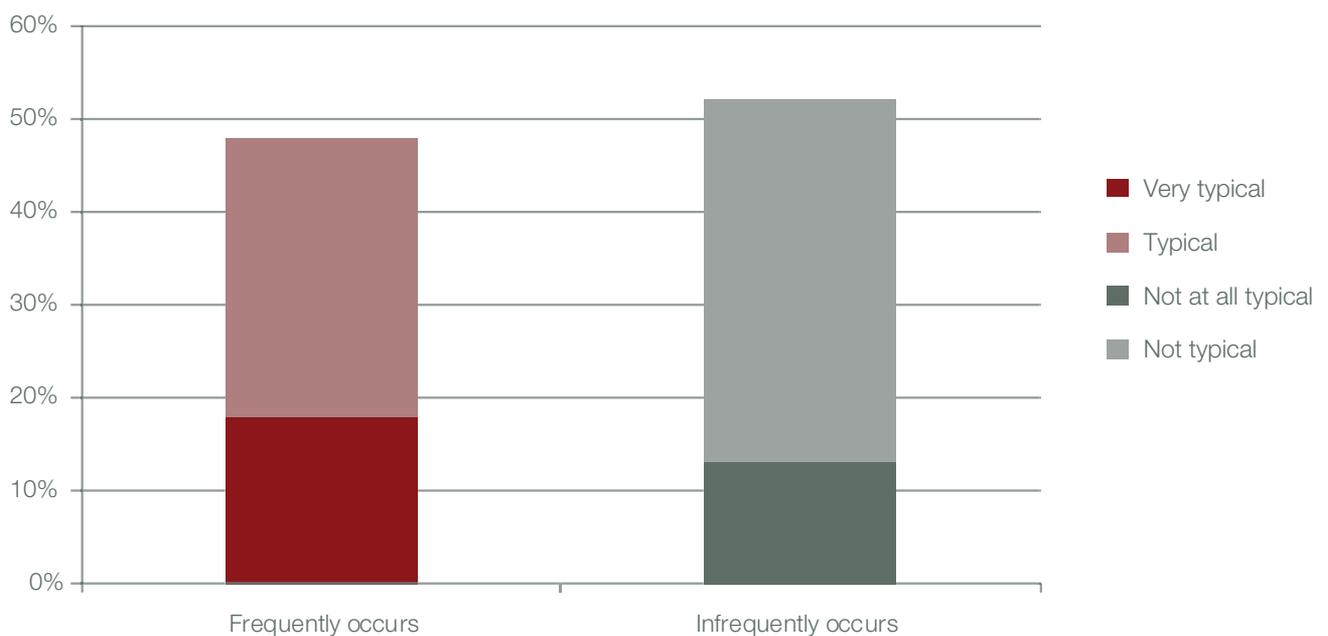
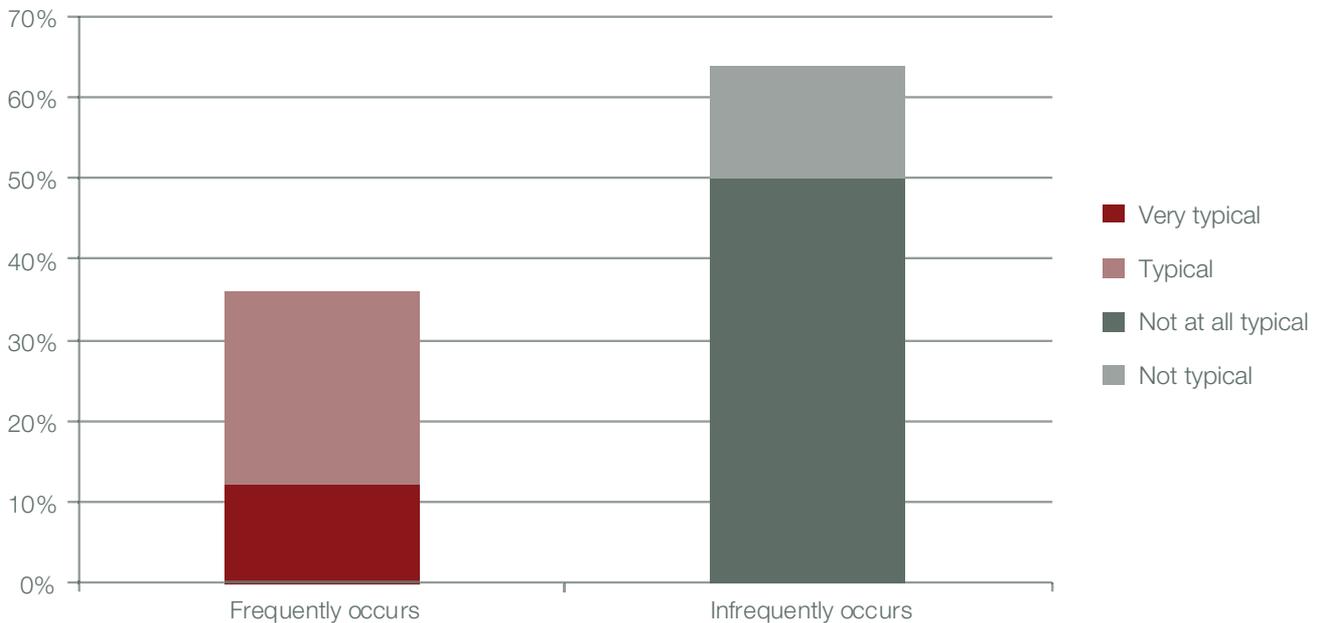


Figure 3: Frequency of public officials accepting gifts or benefits worth \$20 or more from suppliers



It therefore appears that gift giving and receiving behaviour is seen as frequent by a marked number of suppliers and this indicates that the risk of corruption related to gifts and benefits is somewhat widespread. It should, however, be noted that many public authorities have policies or procedures that may permit the acceptance of some gifts over \$20.

Misuse of information

The mishandling of procurement-related information creates opportunities for corruption. Relevant information can be corruptly released or withheld, and this may lead to suppliers not bidding or making bids that omit pertinent information (for example, confidential information that could be leaked). Even if there is no corrupt intent, inconsistency in information handling has the potential to distort procurement processes and the market more generally, as it may result in some bidders receiving knowledge that others do not receive. Survey results indicate that suppliers have a variety of concerns about the way information is used during procurement.

Public authorities providing unequal information to different potential tenderers was perceived as frequent by about a third of suppliers (Figure 4).

Very small suppliers were significantly more likely to indicate that it was typical or very typical for unequal information to be provided to different potential suppliers.¹ The relevant percentages were 44% for very small suppliers, 37% for

small suppliers, 31% for medium suppliers and 32% for large suppliers. This may be because smaller suppliers are more likely to deal with low-value procurements that lack the procedural safeguards to help ensure that equal information is distributed to all potential vendors.

About a quarter of suppliers indicated that confidential tender information provided by suppliers was frequently leaked to a competitor prior to close of tender (Figure 5).

There were very few comments about unequal information being given to different potential suppliers, although a small number of suppliers made comments regarding the misuse of confidential information. These comments primarily concerned confidential pricing or technical information being handed to competitors, either directly or by way of being incorporated into documents such as tender specifications.

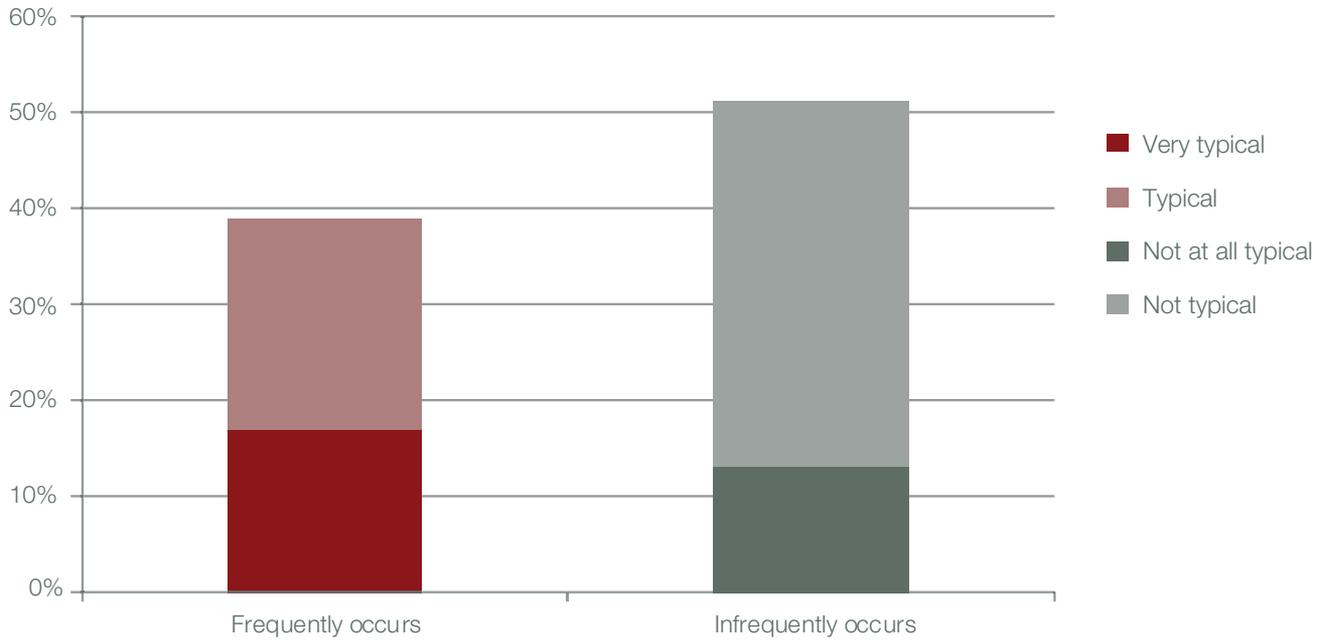
Comments made by two very small suppliers with between two and nine government clients:

We have only applied for three tenders/submissions with councils. All three were not without trouble. We have had information prepared by us being handed to other companies.

Pricing information to competitors is normally provided by individuals who normally are not procurement officers but are on the panel.

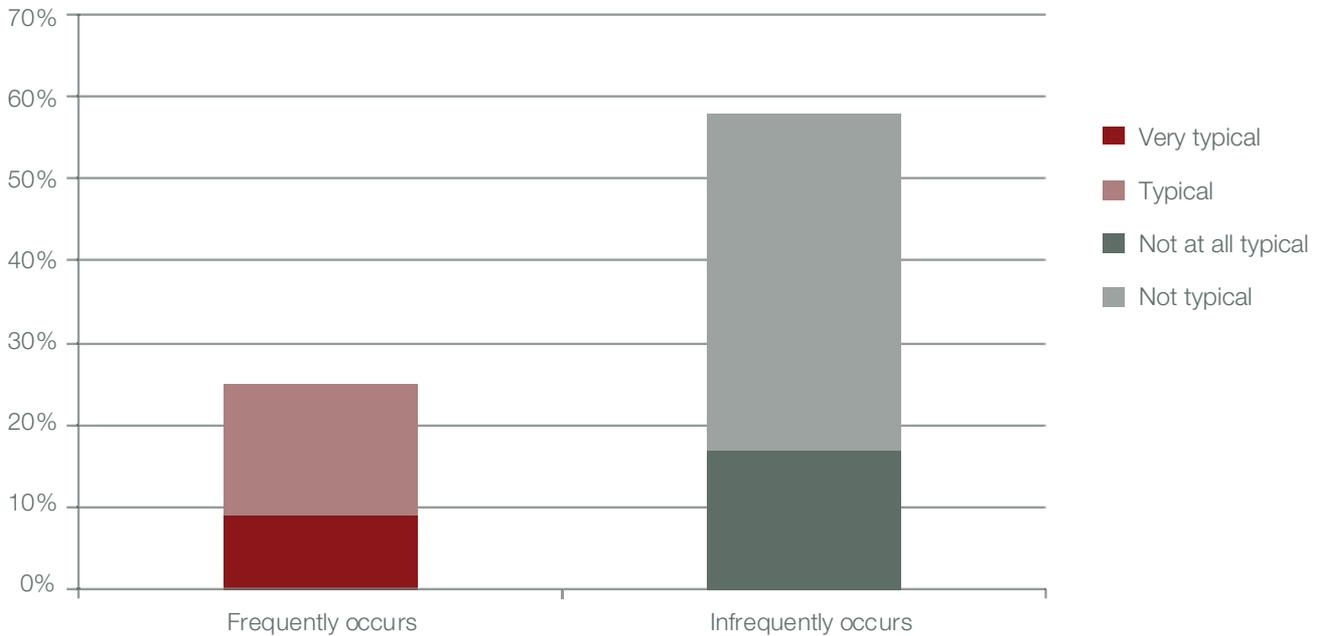
¹ $B=0.694$, $Wald=9.235$, $Exp(B)=2.002$, $p<0.005$.

Figure 4: Frequency of different suppliers receiving unequal information



Note: 11% of suppliers indicated that they were not sure.

Figure 5: Frequency of confidential tender information being leaked



Note: 18% of suppliers indicated that they were not sure.

A small number of suppliers also indicated that the flow of information from public authorities was often overly restrictive. While not directly related to other survey items, these reflect an important issue relevant to the ICAC’s work on procurement, namely an apparent lack of engagement between suppliers and government.

Comment made by a very small supplier with between two and nine government clients:

Difficult to obtain information when you have lost a tender at times as to how you were evaluated – this may mask potential corrupt selection process.

Comment made by a large supplier with between two and nine government clients:

Anti-corruption is critical, but agencies have become probity-phobic. They refuse to have any individual discussions with bidders when additional information is needed, resulting in tenderers having to double guess underpinning issues, with no surety of appropriate bidding. This is usually necessary, as consulting briefs rarely present the full range of underpinning knowledge, assumptions, expectations, interconnectedness of projects, project dependencies, etc.

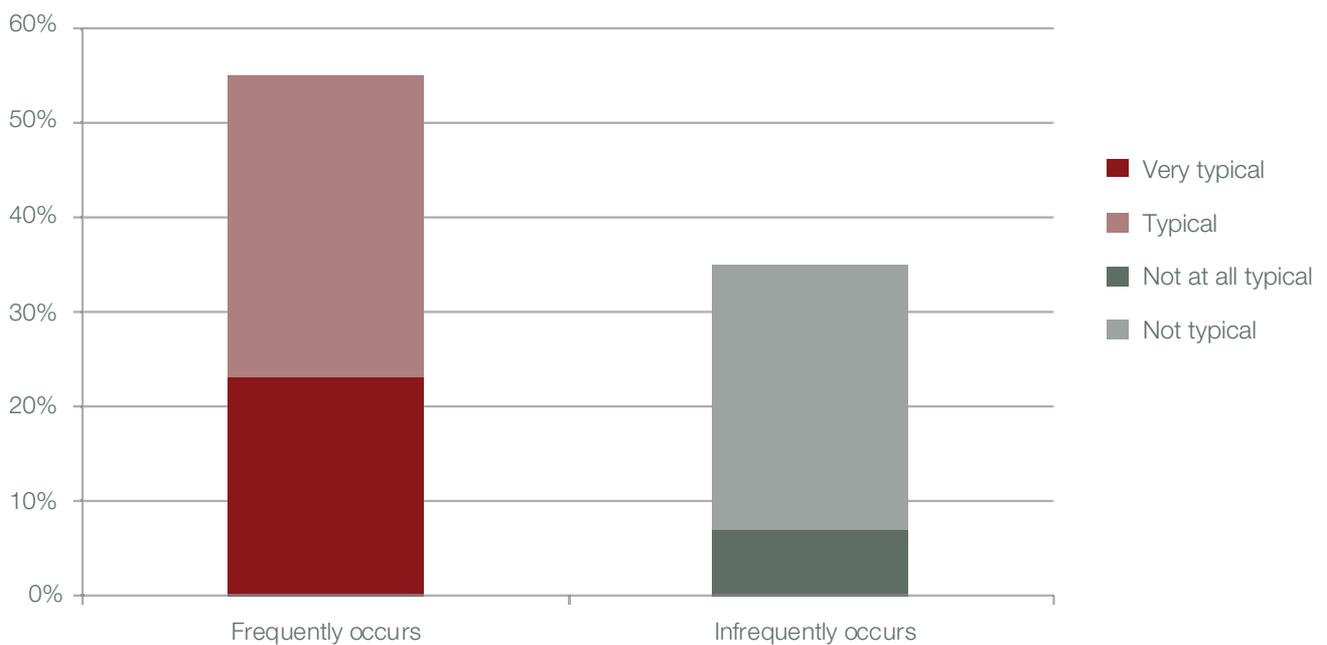
Broadly speaking, many suppliers are dissatisfied with the way that information is handled in relation to procurement. This includes the provision of information to suppliers and the handling of information provided by them. Both cases have the potential to adversely affect procurement processes, either by suppliers not bidding or not including relevant information in their bids. Perceptions that information is not being used appropriately therefore threaten to generally reduce the effectiveness of NSW government procurement.

Favouritism

Favouritism provides a wealth of corruption opportunities. Kickbacks or improper gifts may be demanded by public officials, and suppliers may engage in fraud or deliberate under delivery with impunity. Favouritism may also occur for arguably good reasons, such as wanting to reduce risk by dealing with a known quantity, or for non-corrupt but questionable reasons, such as wanting to reduce workload. Regardless of its drivers, however, favouritism discourages (non-favoured) suppliers from bidding. It has the potential to undermine the effectiveness of both specific procurement processes and the market more generally. Survey responses indicate that suppliers have widespread perceptions of favouritism.

Public officials improperly favouring certain suppliers was perceived as frequently occurring by a majority of suppliers to NSW state and local government (Figure 6).

Figure 6: Frequency of improper favouritism when selecting suppliers



Note: 11% of suppliers indicated that they were not sure.

Approximately one in five suppliers who commented raised the issue of favouritism. Some suppliers referred to general incidents where one or more suppliers were favoured; others referred to favouritism relating to selecting suppliers from panel contracts; a third group of suppliers referred to a systemic bias against small companies.

Comment made by a large supplier with between two and nine government clients:

There are multiple occasions where it appears that the buyer has already decided on the solution that they want to buy, and they slant the procurement process to favour this solution.

Comment made by a very small supplier with between two and nine government clients:

Have prepared many EOIs [expressions of interests] and tenders and have been successful and put on preferred contractors/panel lists but often never hear anything from then on. Hear that people who were not on the preferred list or panel are getting engaged or only certain people on the list/panel get repeated work.

Comment made by a small supplier with between 10 and 49 government clients:

SMEs [small and medium-sized enterprises] are greatly disadvantaged when competing with large (and often international) organisations. Government procurement agencies have difficulty believing that SMEs can have the technology, capacity or willingness to provide the products or services requested. Often a procurement pattern has historically been established and it is very difficult for SMEs to break into that pattern and Government agencies don't make it easy for SMEs to have the necessary information that will allow them to do so and will often not give them the opportunity to prove themselves.

Perceptions of favouritism have the potential to undermine supplier willingness to bid. Actual favouritism provides a multitude of opportunities for corruption. The large number of suppliers who apparently hold frequent perceptions of improper favouritism therefore threatens to undermine the effectiveness of NSW government procurement.

Vulnerabilities within the procurement process

Both corruption risks and the application of procurement controls vary across procurement methods and stages of the procurement process. Consequently, it is possible to apply appropriate controls to one procurement method but not another because of a misjudgment of risk. Similarly, mistaken risk judgments may result in the application of appropriate controls to some but not all stages of a given procurement process. Survey results indicate some degree of divergence between the results for suppliers and public authorities in NSW regarding which procurement methods and stages of the procurement process are particularly vulnerable to corruption.

Public authorities adopt various controls to reduce the risk of corruption in procurement. The effectiveness of these controls is dependent on the extent to which the corruption risks in question have been properly identified. For instance, if only corruption risks associated with bid assessment are identified, corruption may be more likely in stages such as needs analysis and contract management.

To help explore this issue, the ICAC had previously asked public authorities in NSW to *rank* different procurement methods and stages of the procurement process in terms of their vulnerability to corruption. Comparison of these rankings with rankings provided by suppliers in NSW *may* indicate risks that public authorities have not sufficiently controlled. Methodological information about this survey is presented in Appendix B on page 21.

Procurement methods

Both suppliers and agencies most frequently *ranked* direct negotiations and non-tendered quotations as particularly vulnerable but suppliers appear to perceive more vulnerability in relation to tendering and panel contracts. This *may* indicate that public authorities in NSW have underestimated the risk associated with these methods.

Suppliers ranked four procurement methods, each of which is used by the NSW government, and the ICAC has observed corruption in each. A supplier considered a method to be *particularly vulnerable* if it was ranked in the “top half” of methods (that is, if it was ranked as the most- or second-most vulnerable method).

Suppliers most frequently ranked direct negotiations and non-tendered quotations as particularly vulnerable (Figure 7). Suppliers most frequently ranked direct negotiations as the procurement method most vulnerable to corruption.

Metropolitan suppliers (those who only worked in Greater Sydney, Newcastle and/or Wollongong) were significantly less likely to rank tenders as either most or second-most vulnerable.²

The percentage of suppliers who ranked each procurement method as particularly vulnerable to corruption was compared with the corresponding percentages from the 2009 sample of NSW public authorities (Figure 8).

Suppliers were significantly more likely to rank tendering and panel contracts as particularly vulnerable,³ and significantly less likely to rank non-tendered quotations and direct negotiations as particularly vulnerable.⁴

Results from suppliers *may* indicate public authorities are underestimating the vulnerability associated with tendering and panel contracts. Both suppliers and public authorities most frequently ranked direct negotiations and non-tendered quotations as particularly vulnerable but for each method the proportion of suppliers who did so was significantly less. Correspondingly, significantly more suppliers ranked tendering and panel contracts as particularly vulnerable.

2 $B=-0.616$, $Wald=6.802$, $Exp(B)=0.540$, $p<0.01$.

3 $X^2=28.80$, $df=1$, $n=612$, $p<0.001$ and $X^2=25.85$, $df=1$, $n=612$, $p<0.001$ respectively.

4 $X^2=20.19$, $df=1$, $n=612$, $p<0.001$ and $X^2=36.17$, $df=1$, $n=612$, $p<0.001$ respectively.

Figure 7: Rankings of the corruption vulnerability of procurement methods

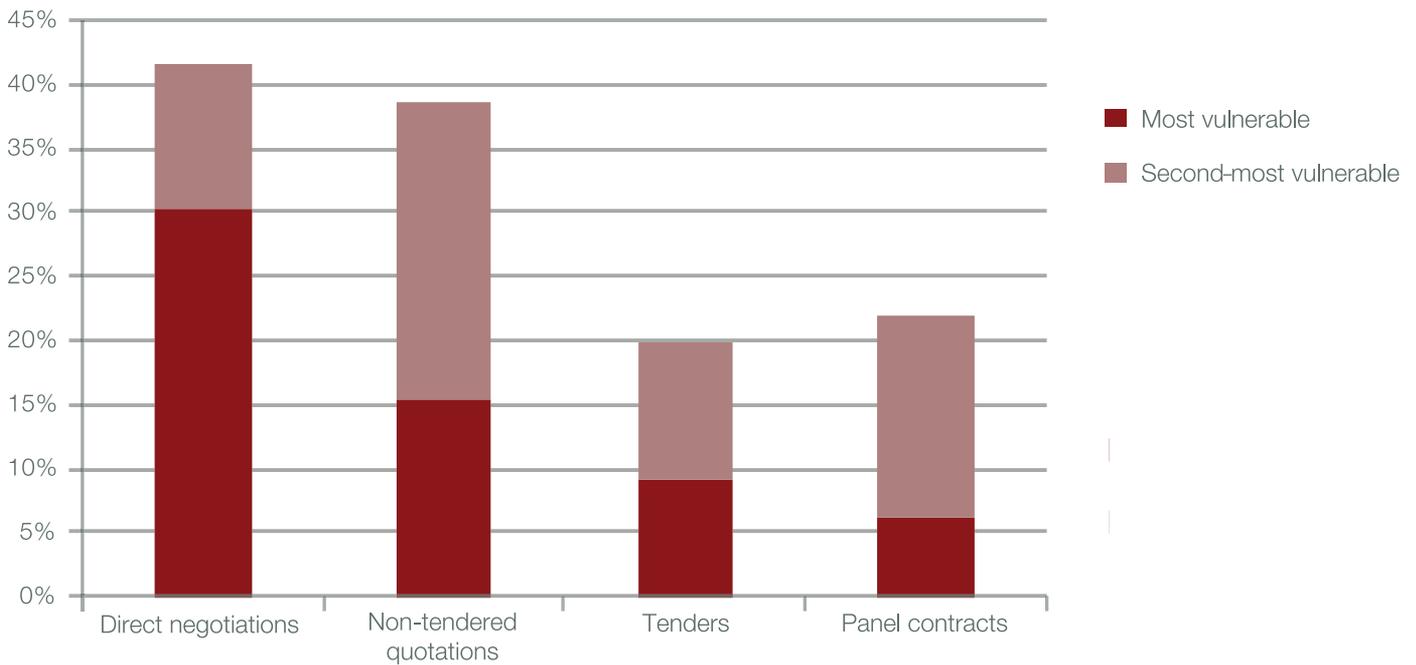
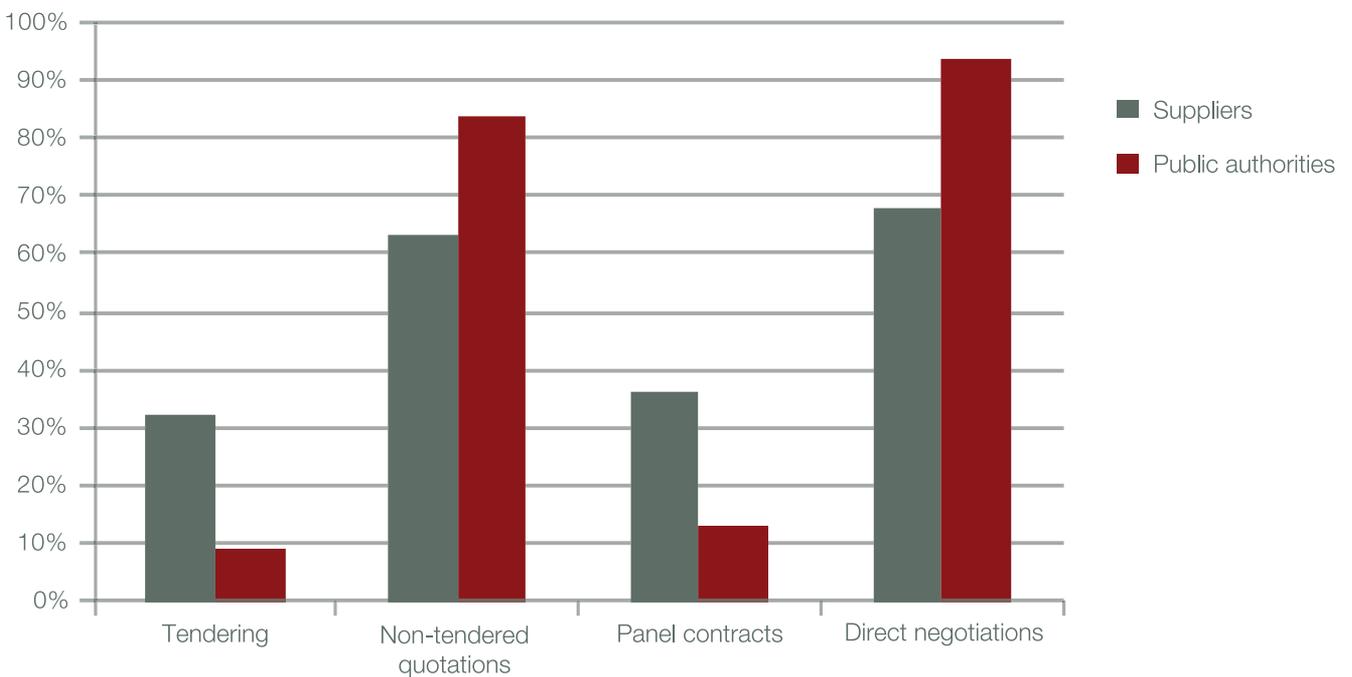


Figure 8: Comparison of procurement methods that suppliers and public authorities in NSW rank as particularly vulnerable



Overall, suppliers have more diverse perspectives of which procurement methods are particularly vulnerable.

Procurement stages

Suppliers appear to perceive a wider range of procurement stages as being particularly vulnerable to corruption, with public authorities apparently more strongly focused on the latter stages of the procurement process. This *may* indicate that public authorities have underestimated the risk associated with the earlier stages of the procurement process.

Suppliers ranked six stages of the procurement process, which have been arranged in chronological order for the purposes of the report’s figures and tables. A supplier considered a stage to be *particularly vulnerable* if it was ranked in the “top half” of stages (that is, if it was ranked as the most, second-most or third-most vulnerable stage).

Suppliers have somewhat diverse perceptions of what procurement stages are particularly vulnerable to corruption (Figure 9). Suppliers most frequently ranked needs analysis and contract management as the most vulnerable stage.

Suppliers with 50 or more government clients were significantly more likely to rank needs analysis as particularly vulnerable and significantly less likely to rank contract management as particularly vulnerable.⁵

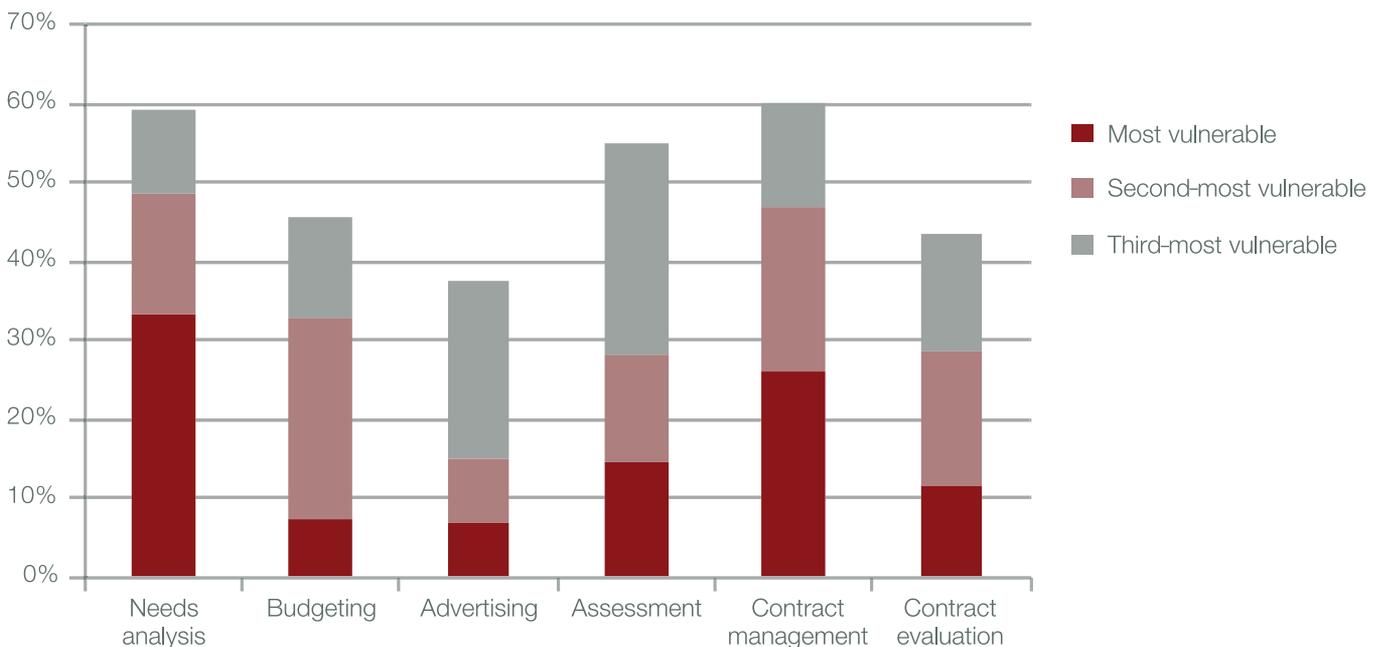
The percentage of suppliers who ranked each procurement stage as particularly vulnerable was compared with the corresponding percentages from a 2009 sample of NSW public authorities (Figure 10).

Significantly greater proportions of suppliers ranked budgeting and advertising as particularly vulnerable stages.⁶ It should be noted that these are earlier stages of the procurement process.

Significantly smaller proportions of suppliers ranked assessment, contract management and contract evaluation as particularly vulnerable stages.⁷ It should be noted that these are later stages of the procurement process.

Overall, suppliers see corruption vulnerabilities across the entire procurement process – an opinion that the ICAC shares. This differs significantly from the perceptions of public authorities, whose risk perceptions are more strongly focused on the latter stages of the procurement process. The consequent possibility that public authorities are underestimating the corruption vulnerabilities in the early stages of the procurement process is given weight by the finding that suppliers with 50 or more government clients – those who could reasonably be expected to be most knowledgeable – are significantly more concerned about needs analysis and significantly less concerned about contract management.

Figure 9: Rankings of the corruption vulnerability of stages of the procurement process

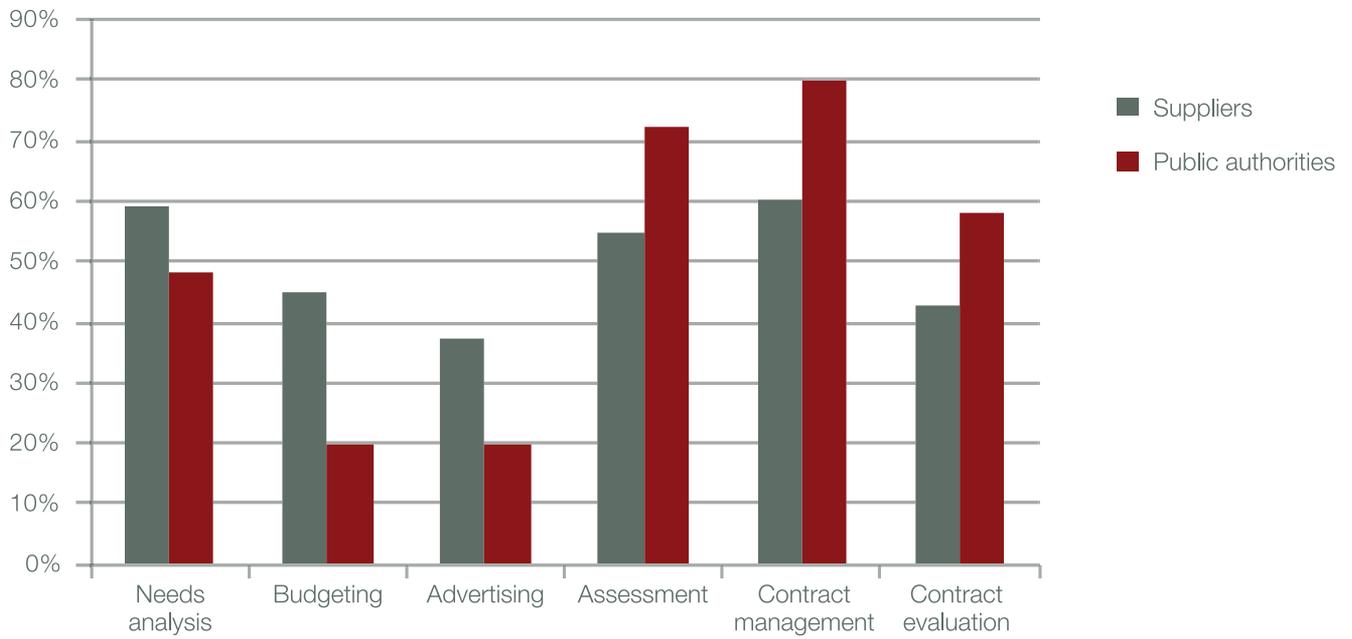


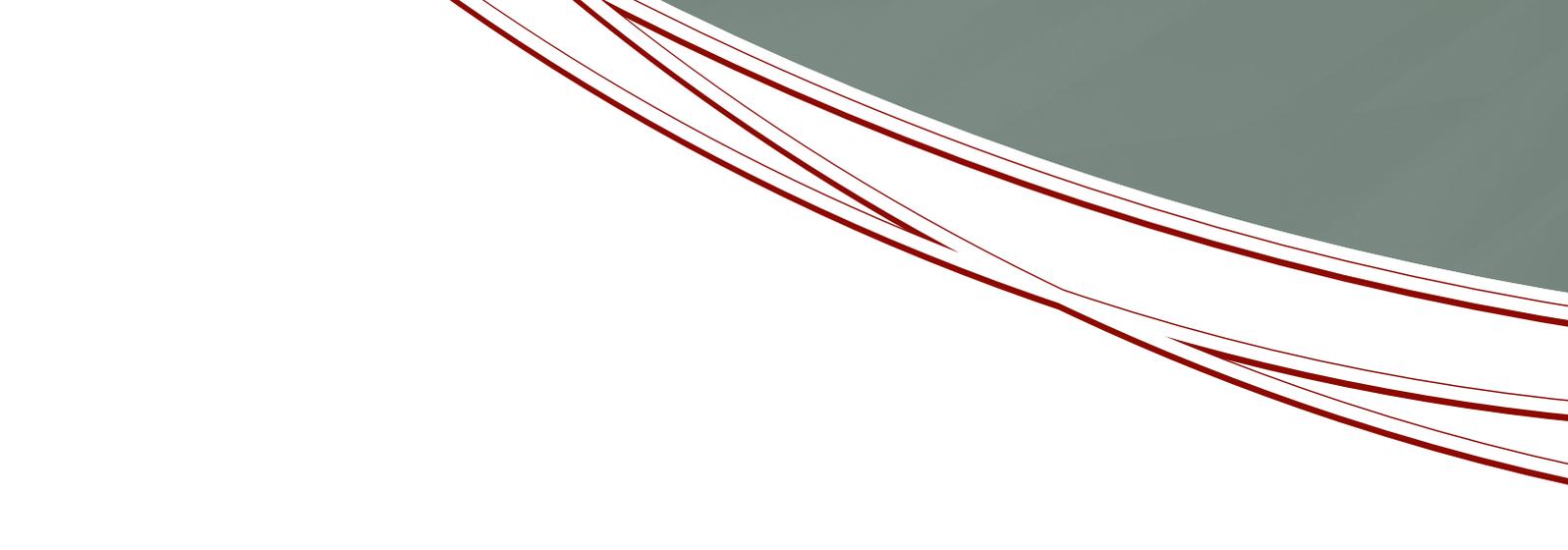
5 $B=1.463$, $Wald=7.843$, $Exp(B)=4.318$, $p<0.01$ and $B=-1.194$, $Wald=9.262$, $Exp(B)=0.303$, $p<0.005$ respectively.

6 $X^2=24.90$, $df=1$, $n=580$, $p<0.001$ and $X^2=12.22$, $df=1$, $n=580$, $p<0.001$ respectively.

7 $X^2=11.63$, $df=1$, $n=580$, $p<0.001$, $X^2=17.61$, $df=1$, $n=580$, $p<0.001$ and $X^2=8.68$, $df=1$, $n=580$, $p<0.005$ respectively.

Figure 10: Comparison of procurement process stages that suppliers and public authorities in NSW rank as particularly vulnerable





Conclusions

Overall, these results indicate that the supplier base of NSW state and local government procurement is concerned about corruption.

Nearly half of suppliers perceive corruption in NSW government procurement to be a moderate problem or worse. Such perceptions create great challenges for effective and efficient procurement, as they may lead to suppliers either pricing the perceived cost of corruption into their bids or declining to make a bid. The results of this research indicate that almost a third of suppliers have taken the latter option on at least one occasion, and this can only decrease the competitiveness of government procurement.

Gifts and benefits also appear to be frequently offered and accepted. This indicates that many government procurement processes in NSW are potentially distorted by inappropriate incentives.

The effectiveness of NSW government procurement is also challenged by perceived weaknesses surrounding the use of information in procurement. Many suppliers believe that they are not being given sufficient information to make informed bids and that the information they provide to public authorities is being misused. Such perceptions can only act as a disincentive to bidding.

Finally, perceptions of favouritism are frequently held by suppliers, and these include suggestions of systematic bias against small suppliers and systemic favouritism when using panels. While favouritism may sometimes arise out of good motives, it is a key mechanism for facilitating certain types of corrupt conduct and may result in suppliers leaving the market.

Suppliers also perceive a greater variety of corruption vulnerabilities than public authorities, both in terms of different procurement methods and the stages of the procurement process. Given that the ICAC has itself observed corrupt conduct in a wide variety of procurement

situations, public authorities may be underestimating the corruption vulnerabilities posed in relatively “safe” procurement situations.

Regardless of the accuracy of these perceptions, they have a strong potential to affect supplier behaviour. Some suppliers have chosen not to bid on NSW government procurement jobs. Other actions that suppliers may take include engaging in corrupt conduct and omitting pertinent information from their bids. Consequently, the need to address these perceptions applies even if they are inaccurate.

Appendix A: Methodological details of supplier survey

Sample characteristics

A total of 1,515 responses were received from the approximately 3,200 suppliers on a list held by the former Department of Services, Technology and Administration (DSTA), now known as the Department of Finance and Service. This is a response rate of about 47%. This response rate is high enough to indicate that these results are very unlikely to be the product of a small subgroup of suppliers who are particularly concerned about corruption.

Responses were received from current suppliers to the NSW government and those that did not hold a government contract at the time they completed the survey. Analyses indicated that there were no statistical differences in the responses given by current and non-current suppliers. This report presents results provided by current suppliers because it aims to present how suppliers perceive NSW government procurement as it currently occurs.

The following demographics were collected from suppliers:

- total number of current NSW state or local government clients
- organisation size in terms of headcount⁸
- whether they worked in the metropolitan area, rural/regional areas or both.

Over 80% of the sample held multiple NSW state and local government clients (Table 2).⁹

Table 2: Number of NSW state or local government clients currently held by supplier

Number of government clients	Per cent of suppliers
1	18%
2–9	51%
10–49	19%
50 or more	11%

The organisational headcounts of suppliers indicates the sample contained mostly small and very small organisations (Table 3).

Table 3: Organisational supplier headcount

Headcount	Descriptive term used	Per cent of suppliers
Less than 20 employees	Very small	46%
20–99 employees	Small	23%
100–999 employees	Medium	18%
1,000 or more employees	Large	14%

⁸ Suppliers were also asked to provide their “company’s annual turnover” but text provided by suppliers indicated that this question was interpreted in different ways by different suppliers.

⁹ Here, and throughout this report, per cents may not add to 100% because of rounding of the individual per cents.

Most suppliers operate in both rural/regional and metropolitan areas (Table 4).

Table 4: Geographic areas in which suppliers work

Area	Per cent of suppliers
Both rural/regional and metropolitan areas	63%
Metropolitan areas only	29%
Rural/regional areas only	8%

Survey items

There were three sets of survey items employed.

The first set of items asked about the overall prevalence of corruption in NSW government procurement. Suppliers were asked to indicate:

- whether they had ever *not* bid on a government contract and whether this had happened more than once
- whether corruption in NSW government procurement was a *major problem, moderate problem, minor problem or not a problem*.

The second set of items asked suppliers to indicate whether it was *very typical, typical, not typical or not at all typical* for specified corruption-prone behaviour to occur in NSW government procurement. The *typical* and *very typical* categories were combined to make a *frequently occurring* category, and the *not typical* and *not at all typical* categories were combined to make an *infrequently occurring* category.

The specified behaviours were:

- suppliers offering gifts or benefits worth over \$20 to public sector procurement officials
- public sector procurement officials accepting gifts or benefits worth over \$20 from suppliers
- unequal information being provided to different potential tenderers
- confidential tender information being leaked to a competitor prior to close of tender
- public sector procurement officials improperly favouring certain suppliers when selecting a supplier.

The third set of items asked suppliers to indicate which procurement circumstances were particularly vulnerable. Suppliers were required to *rank* the vulnerability to corruption of:

- four different procurement methods, each of which is used by the NSW government and in which the ICAC has observed corrupt conduct
- six different stages of the procurement process.

Survey distribution

Suppliers who currently or had previously held a contract with the DSTA were sent an email directing them to an ICAC web page that provided a hyperlink to the survey. A follow-up email provided a hyperlink to the survey directly. A reminder email was sent about two weeks after the initial email was sent.

The survey was answered electronically. It was hosted on a webpage on the Survey Monkey website (www.surveymonkey.com) and anonymously answered using this company's software. Responses were downloaded from the Survey Monkey website and have been taken at face value.

The following statement appeared in the survey to provide a working definition of corruption:

The definition of corruption covers many different behaviours, for example: theft of public resources, misuse of confidential information, favouring someone when filling a position or allocating a contract, bribery or fraud (such as deliberately submitting an invoice with an inflated amount).

Data analysis

Statistical comparisons were made between (i) different types of suppliers and (ii) between supplier results and the results of a May 2009 survey of NSW public authorities. Given the number of statistical tests used in the report, an α level of 0.01 was used for each test.

For comparisons of results between different types of suppliers, binomial logistic regressions were used. The dependent variable differed depending on the item (for example, in one case it was suppliers who responded *typical* or *very typical*, but in another it was suppliers who answered *yes*).

The predictor variables entered into these logistic regressions were organisational headcount, area of business and number of NSW state and local government clients. Each predictor variable was dummy (0, 1) coded using the respective reference categories of a medium-sized organisation, working in both rural and metropolitan areas and currently having one NSW state or local government client.

For comparisons of suppliers results with results from NSW public authorities, Chi-square tests of independence were used.

Appendix B: Methodological details of public authority survey

Sample and distribution

The survey was distributed in hardcopy form by mail to all NSW public authorities, excluding very small public authorities (for example, local Aboriginal land councils, county councils, and livestock health and pest authorities). The survey was anonymous.

In total, 299 surveys were distributed and 153 responses received, which is a 51% response rate. The sample contained a range of different types of public authorities (Table 5).

Table 5: Types of NSW public authorities

Type of public authority	Per cent of public authorities
Local council based in rural area	24%
Local council based in regional centre or on the fringe of Sydney	19%
General statutory authority	14%
Local council based in Sydney metropolitan area	13%
Government department	12%
State owned corporation	9%
Health service agency	4%
University	3%
Catchment management authority	2%

Survey items

Most of the items in the public authority survey are not relevant to this report.¹⁰ The relevant items were those where public authorities *ranked* the vulnerability to corruption of:

- four different procurement methods, each of which is used by the NSW government and in which the ICAC has observed corrupt conduct
- six different stages of the procurement process.

These items were identically worded for the supplier survey and the public authority survey, which allowed for meaningful comparisons to be made.

¹⁰ Nevertheless, the responses to these items have been very useful to the procurement project in other ways, such as informing the consultation paper.



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